

Poor rich-country industries: Fish-processing industries out-competed by low-labour-cost countries?

Audun Iversen
Bjørn-Inge Bendiksen

Nofima, Norway

Background

- "Rich-country industries" loose competitiveness compared to producers in low-cost countries
- Most visible in labour-intensive production
- We have studied producers of fresh or frozen fillets of whitefish (cod, haddock, saithe), with production in the Nordic countries, The Baltic and the Far East
- In Norway this industry has been reduced from about 100 firms 20 years ago, to seven today
- Processing has to a large degree been moved to the Baltic countries or the Far East

Research questions

- **Is it possible for the remaining fish-processing industry in Norway to survive in the future?**
 - What are the locational advantages of the Norwegian fish-processing industry?
 - How can locational advantages be exploited?
 - What strategies might the firms pursue?
 - How can the government strengthen the possibilities of successful strategies?
- To answer this, we discuss the relative advantages of doing processing in these countries

Methodology

- Desk-top studies for some issues, field studies for others
 - Case studies
 - Interviews
- Levels of analysis
 - Country/region level
 - Firm level

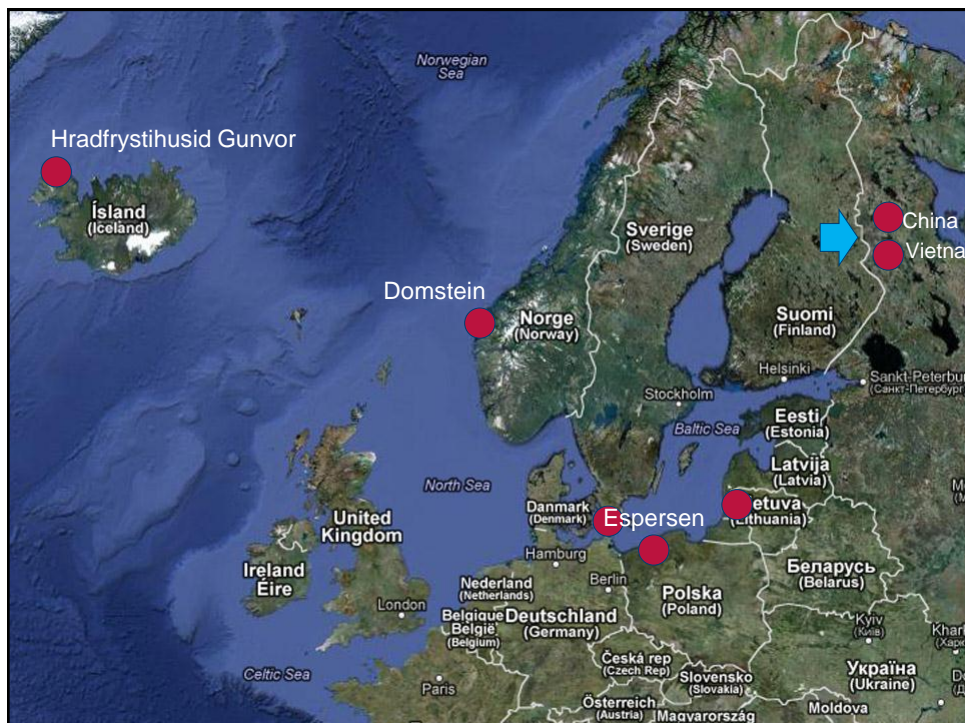
Empirical setting

- Fish-processing industry in Norway, Iceland, Poland, Lithuania, China and Vietnam
- Case study of five firms with different and/or multiple locations

13.09.2012

test

5



Competitive advantage through location?

	Advantages	Disadvantages
Norway	Proximity to raw material Time to market Price of raw material Price for bi-products Able to supply genuinely fresh fish	High level of costs Seasonal profile of landings Scale/structure Quality challenges Trade barriers
Iceland	Proximity to raw material Control of raw material Seasonal profile of landings Price of raw material Quality Price for bi-products Able to supply genuinely fresh fish	Transportation costs Limited supply of raw material
Poland/Lithuania	Time to market Cost level Yield (in % of raw material) Scale	Price of raw material Price of technology Capital costs - Price risk -
China/Vietnam	Cost level Yield (in % of raw material) Scale Varieties, abilities to produce tailored products	Time to market Double-frozen products Price of raw material Capital costs -- Price risk -- Traceability difficult

13.09.2012

test

7



Case firms

- Espersen, Denmark
- HG (Hradfrystihusid Gunnvor), Iceland
- Tobø-fisk, Norway
- Domstein, Norway
- Aker Seafoods/Norway Seafoods, Norway

13.09.2012

test

8



Espersen, Denmark



Exploits the possibilities of globalisation

- Production in Polen, Lithuania, China and Vietnam
- Frozen blocks, lightly salted fillet
- Value Added-products still produced in Denmark
- Take over production of refreshed fillet from Domstein



13.09.2012 test

HG (Hradfrystihusid Gunnvor), Iceland



- Owns trawlers and quotas
- Value-chain coordination give
 - Predictable supply
 - Control of fish quality
- export of fresh fillets with longer shelf-life (on-board gutting, ice-slurry cooling and pre-rigor filleting)



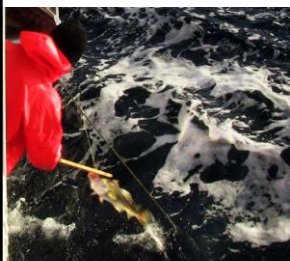
13.09.2012 test

10





Tobø Fisk A/S, Strandgt 105, 9690 Havøysund, Norway
Tel: (047) 78 42 48 55
Fax: (047) 78 42 36 74



- Strong focus on quality, no landings from trawl, net or large "snurrevad"
- Close cooperation with boats give
 - good predictability
 - Good quality
- Simple/few products with minimum labour keep costs low

11



Domstein

- No 1 i the Nordic market for Private Label
- Also sell under the Domstein brand
- Strong focus on sustainability
- Produced refreshed fillet ("fresh" fish based on frozen raw material)



13.09.2012

test

12



Aker Seafood/Norway Seafoods

- Norway's largest producer of fresh whitefish fillet
- Integration into important markets (Denmark, France)
- Has their own fleet of trawlers
- Still rely on coastal fleet for supply of fresh fish



Nofima

13.09.2012

test

13

Norwegian firms: Competitive advantage through strategy?

	Advantages	Disadvantages
Norway	Proximity to raw material Time to market Price of raw material Price for bi-products Able to supply genuinely fresh fish	High level of costs Seasonal profile of landings Scale/structure Quality challenges Trade barriers

The search for competitive advantage:

- Technology development, rationalisation, automation
- From block-freezing to IQFs
- Production of fresh fillet
- Boat cooperation/ownership
- Production of refreshed fish

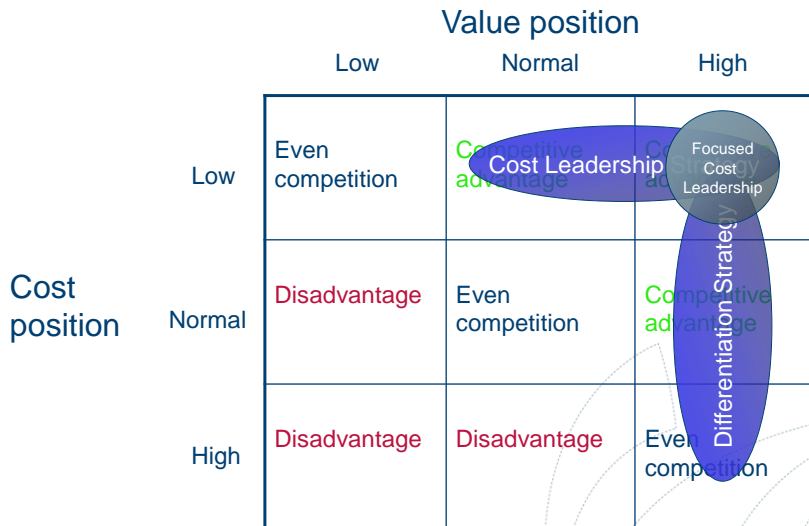
Nofima

13.09.2012

test

14

Generic Strategies and Cost/Value position



(Hunt & Morgan, 1995)

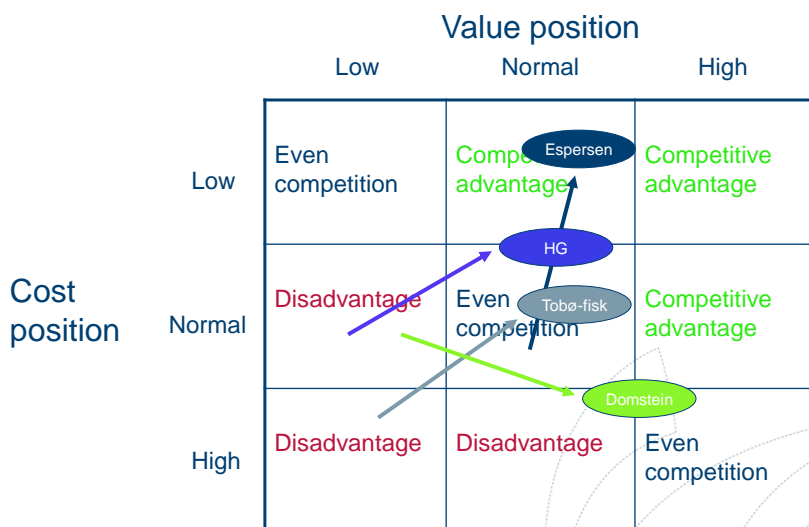


13.09.2012

test

16

Strategic developments for our cases



13.09.2012

test

17

Findings

- There are still some locational advantages for the Norwegian fish-processing industry
 - But they are hard to exploit
 - Differentiation/premium necessary
 - Logistics are difficult
 - Raw material supply must be optimised
 - Competitive advantage a result of both location and strategy
 - Institutional arrangements limit strategic options and value propositions for customers
- Fresh-fish opportunities
 - Fresh fish available at prices below world market prices
 - Gains premium prices in the market
 - if you can supply high/predictable volumes of even quality

Findings, cont.

- Technological innovations work when they support other advantages
 - Technology in itself does not lead to competitive advantage
 - Easily transferred to other locations
 - Technology the same in the Baltic as in Norway and Iceland (Marel)
 - Simple technological innovations that are not easily transferred:
 - Chilling with ice-slurry and direct gutting
 - Filleting based on thawed fish requires optimised thawing facilities

Implications

- Policy implications
 - If government wants more value creation based on Norwegian stocks, the **input issue** for the processing industry must be solved (through for instance industry quotas, boat-land cooperation models et.c)
- Implications for theory
 - The search for competitiveness must be understood from a
 - Country/region level
 - Firm level
 - Institutional level

13.09.2012

test

20



Thank you for your
attention!

cod is king!



For mitt visittkort på SMS:
Send Nofima 26 til 2077

13.09.2012

test

21

