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COMMITTEE ON FISHERIES

SUB-COMMITTEE ON FISH TRADE

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RECENT DEVELOPMENTS IN FISH TRADE

Executive Summary

This paper provides an overview of major facts and developments regarding international trade in fish and fishery products that have taken place since the Fourteenth Session of the Sub-Committee on Fish Trade (COFI:FT/XIV), Bergen, Norway. It provides a brief outline of recent trends of the world fishery and aquaculture sector, including production, consumption, trade and price developments, and a summary of the current trade situation of major fishery commodities. Moreover, this paper also addresses some issues of relevance for the various stakeholders in the value chain for internationally traded fish and fishery products.

Suggested action by the Sub-Committee

- Share information on trade developments and relevant experience;
- Provide guidance for future FAO work in the area of international trade in fishery products, particularly with regard to enabling developing countries and small-scale operators to participate more effectively in fish trade; and
- Comment on FAO dialogue with stakeholders throughout the value chain and on the collaboration between FAO and relevant organizations with respect to fisheries trade issues.

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INTRODUCTION

1. Fish and fishery products are among the most traded food commodities worldwide. Trade plays a major role in the fishery industry as a creator of employment, food supplier, income generator, contributor to economic growth and development, and to food and nutrition security. For many countries and for numerous coastal, riverine, insular and inland regions, fishery exports are essential to the economy. Fishery trade has been expanding considerably in recent decades, with the fisheries sector operating in an increasingly globalized environment. Fish can be produced in one country, processed in a second and consumed in a third. Sustained demand, trade liberalization policies, globalization of food systems, technological innovations as well as changes in distribution and marketing have significantly modified the way fishery products are prepared, processed, marketed and delivered to consumers.

2. During the last two years, the global fishery and aquaculture sector has continued to expand, with sustained growth in overall production, trade and consumption, despite high prices for many important species. The shift towards relatively greater consumption of farmed species compared with wild fish hit a milestone in 2014, when the farmed sector's contribution to fish food supply overtook that of wild fish for the first time. The following sections provide a review of the most relevant events in the sector, with main focus on trade, since COFI:FT/XIV in 2014.

Table 1. World trends in a glance

	2011	2012	2013	2014	2015	2024*	Change: 2015 over 2014 (in %)	Change: 2024 over 2014 (in %)
PRODUCTION AND UTILIZATION (million tonnes, live-weight)								
Production	155.6	157.8	162.8	164.3	168.6	191.2	2.6	16.4
Capture fisheries	93.8	91.3	92.6	90.0	90.6	94.8	0.7	5.3
Aquaculture	61.8	66.5	70.2	74.3	78.0	96.4	5.0	29.7
Trade volume	57.3	57.9	58.8	59.5	59.8	68.3	0.5	14.8
Total utilization	155.6	157.8	162.8	164.3	168.6	187.3	2.6	14.0
Food	131.0	136.0	141.0	144.6	147.5	172.1	2.0	19.1
Feed	13.7	17.6	16.8	15.0	16.4	15.2	9.7	1.5
Other uses	6.1	6.3	5.0	4.8	4.7	3.9	-2.1	-18.5
SUPPLY AND DEMAND INDICATORS								
Per capita food fish consumption (kg/year)								
Total food fish	18.7	19.2	19.7	20.0	20.1	21.5	0.9	7.6
From capture	9.9	9.8	9.9	9.7	9.5	9.4	-2.2	-2.6
From aquaculture	8.8	9.4	9.8	10.3	10.6	12.0	3.8	17.3

Excluding whales, seals, other aquatic mammals and aquatic plants. Totals may not match due to rounding.

*Source for 2024: FAO Fish Model in OECD-FAO Agricultural Outlook 2015–2024.

PRODUCTION

3. Total world fishery production¹ showed new growth in the 2012–2013 period (Table 1), reaching an all-time record of 163 million tonnes in 2013. Preliminary estimate for 2014 and projections for 2015 indicate a further slight increase to 169 million tonnes in 2015. Compared with the production of a decade ago, the 2013 figure represents an expansion of more than 31 million tonnes. Aquaculture has been the main driver of this increase, with an average growth of 6.1 percent per year in the period 2003–2013. Preliminary data for 2014 and projections for 2015 point to a further rise of aquaculture production, reaching about 46 percent of total fishery output in 2015. Notwithstanding this sustained increase, the average annual growth rate of aquaculture production has decelerated during the last few years², but still remains one of the fastest growing food producing sectors.

4. Despite the increasing role of aquaculture in total fish supply, the capture sector still remains dominant for a number of species and vital for domestic and international food security. During the last few years, major variations in capture fisheries, with overall production ranging around 89–93 million tonnes, have been mainly determined by fluctuations of catches of anchoveta in South America.

5. Developing countries, mainly in Asia, continue to be the predominant producers, in particular of aquaculture production (Table 2). China has a leading role in the sector, with a share of 37 percent of world total production and of 62 percent of world aquaculture production in 2013. In the same year, other major producers were Indonesia, India, Viet Nam, Peru and United States of America.

Table 2. Relative shares in the fishery sector by geographical and economic regions (2013)

	Total fisheries and aquaculture production	Capture fisheries	Aquaculture	Fishery Exports	Fishery Imports
	<i>Share in total quantity (%)</i>			<i>Share in total value (%)</i>	
Asia	69.7	55.0	89.1	39.6	31.2
Africa	5.9	8.6	2.3	4.0	4.5
Central America	1.6	2.4	0.5	1.8	1.2
South America	7.6	11.1	3.0	10.1	2.7
North America	4.3	6.9	0.9	7.9	16.1
Europe	10.0	14.6	4.0	34.5	42.8
Oceania	0.9	1.3	0.3	2.2	1.5
World	100.0	100.0	100.0	100.0	100.0
Developing countries	82.4	73.6	94.0	54.4	27.7
Developed countries	17.6	26.3	6.0	45.6	72.3
LIFDCs*	13.8	15.7	11.3	5.6	2.8

Low-Income Food Deficit Countries

¹ Statistics on fishery production, trade and consumption quoted in the entire document exclude whales, seals, other aquatic mammals and aquatic plants. Data reported are the ones available at the time of preparation of the document (October 2015).

² This contraction is also the result of reduced production of selected main producers/species, in particular of shrimp, caused by disease problems.

6. The above trends are projected to continue in the next decade³, with major growth coming from aquaculture, which is likely to overtake total capture fisheries production by 2023. Nonetheless, capture fisheries should increase by about 4 or 5 percent by 2024 thanks to progress in rebuilding certain fishery stocks, the implementation of more robust management regimes by some countries and optimized utilization of fishery production through reduced discards and losses.

CONSUMPTION

7. A growing share of fishery and aquaculture production is directed to human consumption, as more people worldwide appreciate the health benefits of regular fish consumption. Fish and fishery products play a crucial role in nutrition and global food security, accounting for about 17 percent of the world population's intake of animal proteins. World apparent per capita fish food consumption increased from about 18.7 kg to more than 20 kg during 2011–2015, with major growth in emerging economies. This expansion in demand has been driven by a combination of population growth, rising incomes and urbanization, and facilitated by the strong expansion of fish production and more efficient distribution channels. International trade plays an important role in this respect, allowing countries to diversify consumption, thus providing wider choices to consumers.

8. Despite the overall increase in the availability of fish to most consumers, growth patterns of per capita apparent fish consumption have been uneven, for example, remaining static or decreasing in some countries in sub-Saharan Africa. Availability and disposable income are not the only factors to boost fish consumption. It is evident that socio-economic and cultural factors also strongly influence the level of fish consumption among countries and within countries in terms of quantity and variety consumed. The long-term challenge for policy makers is to sustain and to improve the intake per capita of fish as a source of proteins and essential micro-nutrients not readily found in other foods. In the next decade, major expansion in demand is expected to occur in developing countries, but consumption will increase in all continents, with Asia showing the fastest growth rates. However, in Sub-Saharan Africa, per capita consumption may decrease in scenarios with very high population growth.

TRADE

9. A significant share of total fish production (about 36 percent, live-weight equivalent) is exported reflecting the sector's degree of openness and integration into international trade. In 2014, more than three-quarters of the quantity of fish and fishery products exported were destined for direct human consumption.

10. International trade of fish and fishery products has significantly increased during the last few years, peaking at US\$144 billion in 2014. However, preliminary estimates for 2015 point to a decline of about 10 percent to US\$130 billion. There are several reasons for this contraction including the weakening of many key emerging markets and lower prices for a number of important species. However, the primary underlying cause of this decline is the strong gain of the US dollar versus multiple currencies, particularly those of major seafood exporters such as the European Union (Member Organization), Norway and China. The decline should be only in value terms, whereas traded volumes should remain rather stable or slightly increase.

11. Trade in fish and fishery products is to a large extent driven by demand from developed countries, which dominate world fishery imports (Table 2), although with a declining share in recent years (73 percent share of world imports in 2014 vs 81 percent in 2004 and 85 percent in 1994). Their imports of products from capture fisheries and aquaculture originate from both developed and developing countries, giving many producers an incentive to produce, process and export.

³ According to the results of the FAO fish model, included in the OECD-FAO Agricultural Outlook 2015–2024 publication (available at <http://www.fao.org/3/a-i4738e.pdf>).

12. This is a major reason for the low import tariffs on fish in developed countries, albeit with a few exceptions (i.e. some value-added products), and has allowed developing countries to supply fishery products to markets in developed countries without facing prohibitive customs duties. This trend follows the expanding membership of the World Trade Organization (WTO), the entry into force of a number of bilateral and multilateral trade agreements, and rising disposable incomes in emerging economies. In several cases, the most important barriers for developing countries to increase their exports to developed countries are non-tariff measures, such as the difficulty to adhere to quality and safety import requirements⁴.

13. For many developing countries, fish trade represents a significant source of foreign currency earnings in addition to the sector's important role in income generation, employment, food security and nutrition. In 2014, exports of developing countries were valued at US\$78 billion and their fishery net-export revenues (exports minus imports) reached US\$39 billion, higher than other agricultural commodities, such as meat, tobacco, rice and sugar combined. In addition, in recent few years, developing countries have increased fishery imports to supply their processing sectors for further re-export and to meet rising domestic consumption.

14. China is the main fish producer, but also the largest exporter of fish and fishery products (US\$20.8 billion in 2014). Its imports are also growing, making China the world's third largest importing country since 2011 (US\$8.5 billion in 2014). The increase in China's imports is partly a result of outsourcing of processing from other countries, but it also reflects China's growing domestic consumption of species not produced locally. The forecast for 2015 shows a decline for both exports (-17 percent) and imports (-3 percent) as a result of the USD appreciation and some reduction in Chinese consumer demand of high-value species.

15. Norway, the second major exporter, supplies diverse products, including farmed salmonids, small pelagic species and traditional whitefish. In 2014, Viet Nam became the third major exporter, overtaking Thailand. Thailand has experienced about 19 percent decline of exports during the period 2012–2014, mainly as a result of its reduced shrimp production. Both Asian countries have an important processing industry contributing significantly to the economy through job creation and trade.

16. The European Union (Member Organization), the United States of America and Japan are highly dependent on fishery imports to satisfy their domestic consumption. In 2014, their combined imports represented 63 percent by value and 59 percent by quantity of world imports of fish and fishery products. The European Union (Member Organization) is, by far, the largest single market for fish imports, valued at US\$54.4 billion in 2014 (US\$28.4 billion if intra-EU trade is excluded), up 7 percent from 2013. Forecasts for 2015 show a 12 percent decline of its imports. Japan, traditionally the largest single importer of fish, was overtaken by the United States of America in 2011 and again since 2013. During the last few years, Japanese fishery imports have declined, also owing to a weaker currency, which made imports more expensive. These imports were valued at US\$14.8 billion in 2014 and are expected to decline by 10 percent in 2015. In 2014, the fishery imports of the United States of America reached US\$21.9 billion and preliminary estimates for 2015 indicate a 6 percent decline.

17. In addition to the above mentioned countries, many emerging markets and exporters have gained importance. Regional flows continue to be significant, although, in many instances, this trade is not adequately reflected in official statistics, in particular for Africa. Improved distribution systems, as well as expanding aquaculture production, have enabled increasing regional trade. However, this trade is also affected and may be limited by the rather high tariffs for fish and fishery products still applied by many developing countries. Regional trade would also be encouraged by measures aiming at trade facilitation, including border crossings and customs clearance.

⁴ Please see document COFI:FT/XV/2016/6 for information on safety-related market access requirements.

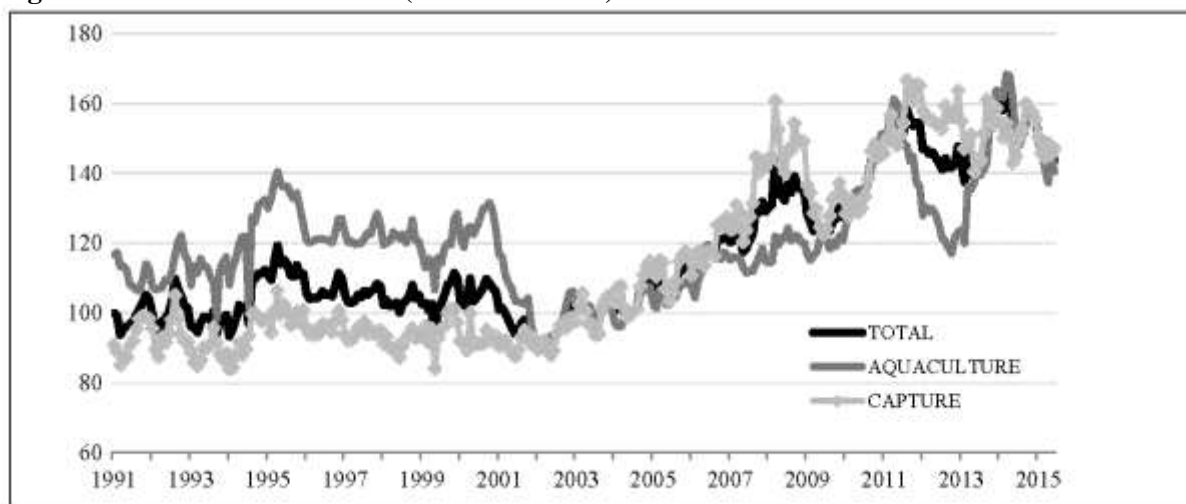
18. The short-term outlook for fishery trade is still uncertain, as the underlying positive trend in fish consumption and demand in most developing countries has to be balanced by feeble consumer interest in the traditional import markets of the United States of America, the European Union (Member Organization) and Japan. However, the long-term trend for fish trade remains positive. Projections up to 2024 indicate that fish trade will continue to expand even if at a slower rate than in the previous decade because of increasing prices, which will reduce consumption growth, higher transportation costs and slower expansion of aquaculture production.

PRICES

19. International prices of fish remained at relatively high levels during 2014, declining slightly during 2015, although remaining on a high plateau. These general trends are subject to fluctuations depending on individual species and selected markets. The FAO Fish Price Index⁵ (FPI) is an important instrument to estimate price developments in a relatively heterogeneous fishery sector (Figure 1). It is structured in an aggregated index that covers hundreds of species and thousands of products and separate indices for the most important commodities, as well as indices for wild and farmed species.

20. During the last few years (with a base year of 2002–2004 = 100), the aggregated FAO FPI showed strong within-year oscillation, with prices reaching a peak in March 2014 (at 164) and decreasing since then due to slower consumer demand in many European markets and in Japan and improving supply situation of certain fishery species. Some of the most important traded species such as tuna, salmon and shrimp have all seen overall price declines in the first half of 2015. Other species have seen price increases, such as herring, cephalopods, oysters and scallops. With the exception of the period from mid-2013 to mid-2014, prices for species from capture fisheries are continuing to increase more than those for farmed species, but the gap is narrowing. In the next decade, in real terms, prices are expected to decline from the record peaks in 2014, although remaining on high levels.

Figure 1. FAO Fish Price Index (2002–2004=100)



Data source: Norwegian Seafood Council

MAIN COMMODITIES

21. Trade in fish and fishery products is becoming more dynamic and characterized by a greater diversification among species and product forms. This reflects the differences in consumers' tastes and preferences, with markets ranging from live aquatic animals to a wide range of processed products. An important share of fishery trade consists of high-value species, such as shrimp, salmon, tuna, groundfish,

⁵ The Index is developed in cooperation with the University of Stavanger, with data support from the Norwegian Seafood Council. More information is available in COFI:FT/XV/2016/2.

bass and bream. However, a number of high-volume but relatively low-value species are also traded in large quantities not only nationally, but also at regional and international levels. Many of these species are farmed and have play an important role in food security. With the dramatic increase in aquaculture production, a growing share of international fish trade consists of farmed products, estimated at more than one-third of the value in 2014⁶.

22. The share of salmon and trout in world trade has increased strongly over the last decades to become the largest single commodity in value in 2013 (Table 3). Overall, demand is growing steadily, in particular for farmed Atlantic salmon, and new markets are opening up also through new types of processed products. Prices of farmed salmon have fluctuated during the last two years, but overall remaining at high levels, in particular for Norwegian salmon, which is expected to represent a growing share in major markets. In contrast, in Chile, the second major producer and exporter, the salmon industry is facing falling prices and higher production costs than most other producing countries. In addition to farmed production, catches of wild salmon have been particularly good during 2015, in particular in Alaska, where the total recorded wild harvest was the second highest of all time.

Table 3. Share of main group of species in exports value (percentage)

Freshwater fish	4
Salmons, trouts	17
Cods, hakes, haddocks	10
Tuna	9
Other pelagic fish	8
Other fish	21
Shrimps	16
Other crustaceans	6
Bivalves	3
Cephalopods	5
Other mollusc and aquatic invertebrates	2
Total	100

23. After being the most traded product for decades, shrimp is now the second single commodity in value terms. Shrimps and prawn are mainly produced in developing countries, and much of this production finds its way into international trade. However, growing domestic demand in these countries, as economic conditions improve, is leading to lower exports. During the last few years, although global farmed shrimp production increased, main producing countries, in particular in Asia, experienced a decline in output because of shrimp disease. However, during 2015, for the first time since 2012, farmed shrimp production in Thailand, one of the major producers and exporters, recovered. Global shrimp prices have been down significantly year-on-year, although in 2014 they reached record price peaks. During the first six months of 2015, shrimp prices plummeted by 15–20 percent compared with the first six months of 2014, as a result of the supply and demand disparity in the United States of America, the European Union (Member Organization) and Japan. Lower prices have hit export revenues and negatively impacted margins for producers in many developing regions.

24. The market for groundfish species, such as cod, hake, saithe and pollock, is widely diversified and is behaving quite differently currently from the norms of the past. Overall groundfish supply was higher in 2014 and the first half of 2015, thanks to the recovery of a number of stocks as a result of good management practices. However, there were differences according to species, with, for example, abundant supply of cod and a shortage of saithe and haddock. In general, prices of groundfish have

⁶ Please see document COFI:FT/XV/2016/11 for information on the role of aquaculture in international trade.

firmed in the last two years. Cod remained one of the most expensive groundfish, despite experiencing slightly declining prices. On the contrary, prices of haddock, saithe and hake have firmed up.

25. In the past, groundfish species dominated world whitefish market, but at present they are experiencing strong competition from aquaculture species. Farmed whitefish species, in particular less expensive alternatives such as tilapia and pangasius, have entered traditional whitefish markets and are enabling the sector to expand substantially by reaching new consumers. Pangasius, with Viet Nam as the main exporter, is a relatively recent species in international trade, but it is now being exported to a growing number of countries. Steady demand from across the globe for this relatively low-priced species is expected to drive production development of pangasius in other producing countries, particularly in Asia. During the last two years, demand remained strong in the United States of America, the single largest market, as well as in Asia and Latin America. In contrast, imports into the other major market, the European Union (Member Organization), have shown a downward trend.

26. Tilapia remains a popular product in the retail sector in the United States of America, with Asian (frozen) and Central American (fresh) countries as main suppliers. Demand in Europe for this species continues to be limited and active marketing and promotional activities are needed to gain visibility in this market. Tilapia production is expanding in Asia, South America and Africa with a growing volume of supply entering domestic markets in the major producing countries.

27. During the last two years, tuna markets have been unstable owing to large fluctuations in tuna landings, with consequent fluctuations in prices. During 2014, as a result of lower catches, global tuna prices increased, despite moderate demand. Japan has been traditionally the largest sashimi tuna market, but has become less active in the last few years. During the first six months of 2015, for the first time in history, imports by the United States of America of air-flown fresh tuna were higher than those of Japan and this could become a common feature in the future as well. The canned tuna market experienced lower imports in some of the main markets including the United States of America, Italy and France, while demand has improved in the Near East markets and in non-conventional markets especially in Asia.

28. Demand and consumption of cephalopods has slightly increased during the last few years. In 2013–2014, major market increases were shown for octopus rather than squid and cuttlefish. This continued also during the first half of 2015, when all of the main markets for octopus registered significant growth in imports. This was not the case for squid during the same period. The cuttlefish market has been rather slow for some time, but in late 2015 showed signs of recovery also in response to the tight squid supplies. While octopus prices have been coming down during 2015 as a result of an improved supply situation, squid prices have also dropped, mainly because of low demand.

29. With annual oscillations mainly a result of the El Niño phenomenon, production of fishmeal and fish oil has declined gradually since 2005, while overall demand has continued to grow, pushing prices to historic highs through late 2014. Despite a declining trend in the first six months of 2015, prices for fishmeal and fish oil are expected to remain firm in the long term as a result of the sustained demand. In the first half of 2015, total production from the top five producing countries was higher compared with that for the same period in 2014, but it was lower for Chile. It is interesting to note that a growing share of fishmeal/fish oil is obtained from fish by-products from the processing industry.

ISSUES OF RELEVANCE TO INTERNATIONAL TRADE

30. Some of the major issues of international fish trade are:

- the relationship between fisheries management policy, allocation of rights and the economic sustainability of the sector;
- the growing concern of the general public and the retail sector about overfishing of certain fish stocks;
- the role of the small-scale sector in fish production and trade;

- the increasing concern about social and labour conditions within the industry and its suppliers;
- IUU fishing and its impact on the value chain as well as on labour conditions within the sector;
- the impact on the domestic fisheries and aquaculture sector from a surge in imports of farmed products;
- the globalization of supply chains, with growing outsourcing of production;
- the significant increase of ecolabels and their possible effect on market access for developing countries⁷;
- the requirement for new traceability systems;
- the economic instability and the risk of increased protectionism using non-tariff barriers or high import tariffs;
- the impact of mega trade agreements in the international flow of fishery products;
- the volatility of commodity prices in general and the impact on producers as well as on consumers;
- the currency exchange volatility and its impact on trade of fishery products;
- the prices and distribution of margins and benefits throughout the fisheries value-chain;
- the need for competitiveness of fish and fishery products versus other food products;
- the incidence of fraud in the denomination of commercial names of fish and fishery products;
- the difficulty to meet the stringent rules for quality and safety by several countries⁸;
- the perceived and real risks and benefits of fish consumption; and
- the perception of aquaculture by stakeholders.

31. The supply chain for fish and fishery products can involve a large number of stakeholders between the fisher/fish farmer and the final consumer. The abovementioned issues can impact stakeholders to varying degrees, depending on their position in value-chain, their contractual relationship and the relative strength of negotiation in their relationship with suppliers and clients.

ACTIVITIES BY THE WTO WITH REGARD TO FISHERY PRODUCTS

32. In the multilateral trade scenario, negotiations at WTO on the Doha Development Agenda (DDA) continue to have divergent views on its core issues, such as agriculture, market access, and services. Besides “market access”, “fisheries subsidies” and “trade facilitation” are primary negotiation areas with a direct effect on fisheries trade. In the Negotiating Group on Rules at WTO, after a long period of inactivity, many countries, during the second half of 2015, have presented proposals dealing with disciplines on fisheries subsidies (including relevant parameters to be taken into consideration, such as illegal, unreported and unregulated (IUU) fishing and sustainability criteria) and with improvements to transparency and notification procedures. In this regard, FAO, at the request of countries, continues its efforts to provide timely expert views on definitions and parameters, current practices and existing international codes or agreements that could be relevant to the discussion of any proposal put forward at WTO, with which FAO continues to have an excellent relationship of cooperation.

33. The Trade Facilitation Agreement⁹ can have very positive effects on fish and fish products, especially considering the importance and magnitude of international fish trade and the diversity of products. The primary objective of this Agreement is expediting the movement, release and clearance of goods (including goods in transit), and allowing an efficient cooperation between governmental agencies involved in customs and border controls. By its nature, the Trade Facilitation Agreement have

⁷ Please see document COFI:FT/XV/2016/2 for information on the work of FAO on ecolabels.

⁸ Please see document COFI:FT/XV/2016/6 for information on food quality and safety related market access requirements.

⁹ Members concluded negotiations of the Trade Facilitation Agreement (available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/931.pdf>) at the 9th Ministerial Conference in Bali, Indonesia, in December 2013. The Agreement will enter into force after ratification by two thirds of WTO Members.

direct linkages with two other relevant WTO agreements for the fishing sector: the Agreement on Technical Barriers to Trade (TBT) and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS). The Trade Facilitation Agreement also includes specific provisions for developing and least developed countries to allow the necessary assistance and full implementation of its provisions¹⁰.

34. Global Reviews represent another area of relevance for fisheries. They monitor the Aid for Trade initiative, with the objective of making aid for trade more operational. The Fifth Global Review of July 2015 noted, *inter alia*, that aid from donor countries committed to building productive capacity in the fisheries sector increased from an average of US\$284 million in 2002–2005 to US\$448 million in 2013.

¹⁰ Of particular importance in WTO efforts to provide assistance and capacity building for developing and least developed countries is the Trade Facilitation Agreement Facility (<http://www.tfafacility.org/>).