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Why success in Chilean farming is important to the Norwegian salmon industry

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Sjømatkonferansen - 26 May 2016



Cermaq – a snapshot

Key figures

163

thousand tons GWE
sold (2015)

6.4 bn

Revenue in NOK (2015)

> 2 mill

Daily salmon meals



100% owned by
Mitsubishi Corporation

4000



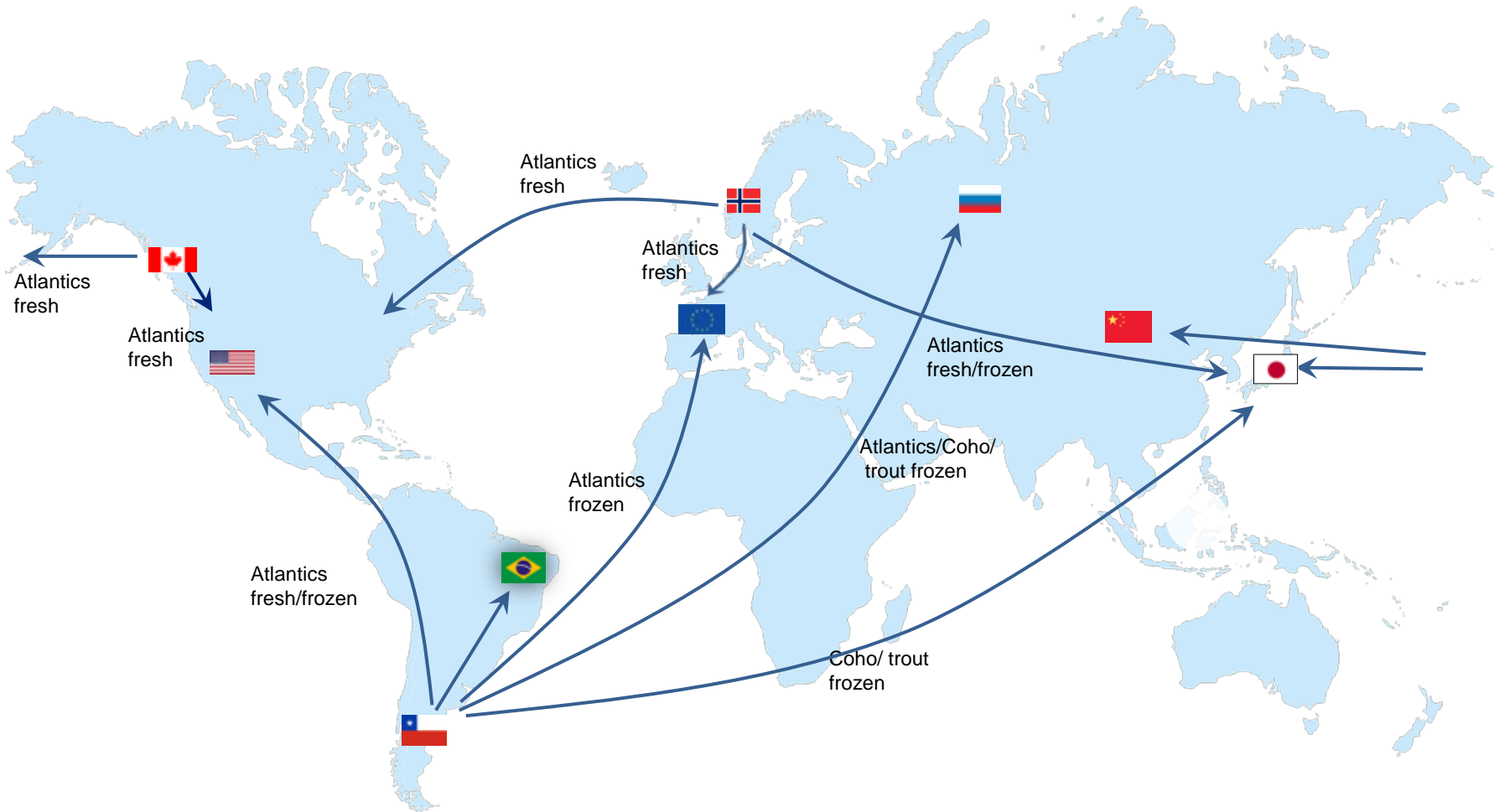
Employees



Cermaq + Mitsubishi =
#2 global salmon farmer

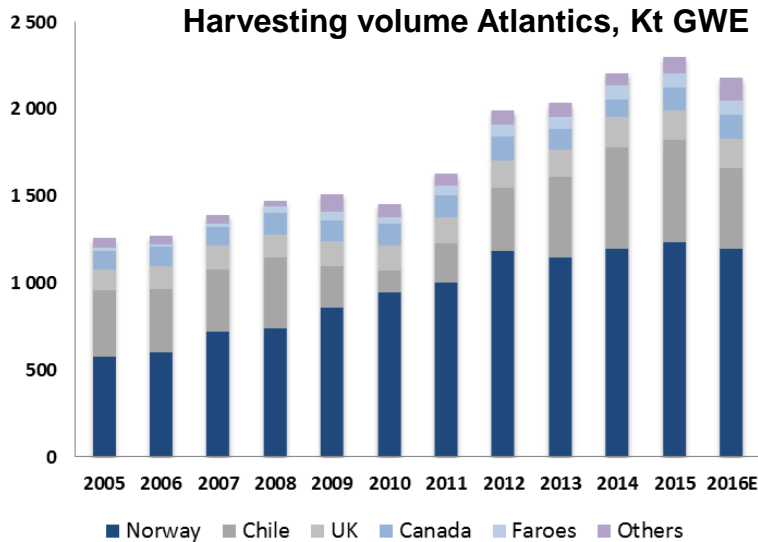
Making our mark

365 days supply to the global market

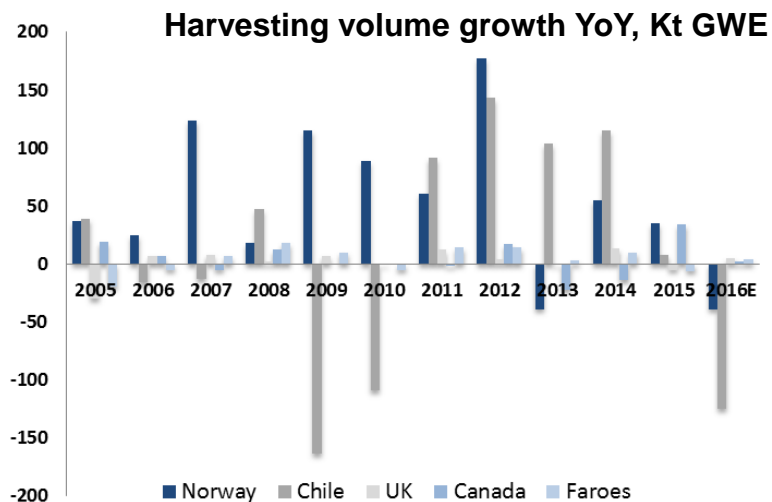


The main production regions

Norway and Chile dominate global supply

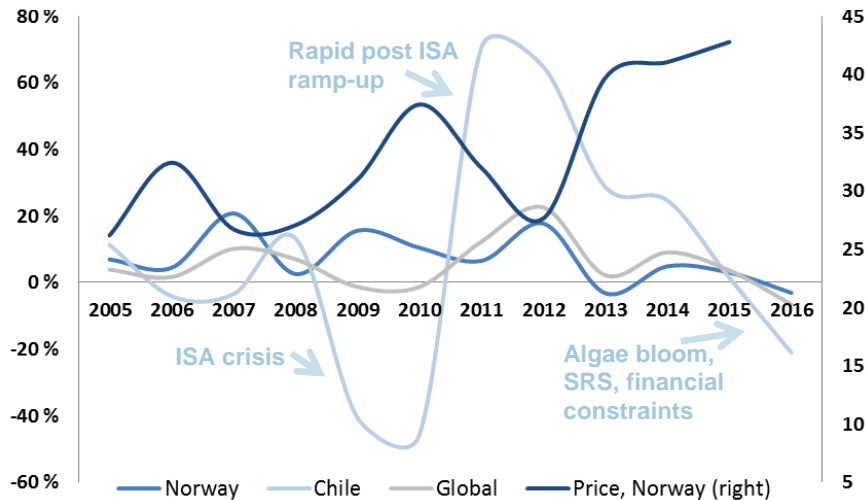


- Norway and Chile accounted for 80% of global supply in 2015
- Supply grew at an average annual rate of 6% in the decade to 2015, with much of the fluctuations driven by Chile
- Norway contributed with most of the growth early in this period, before levelling off in recent years
- Other regions are too small to materially impact global market balance and prices



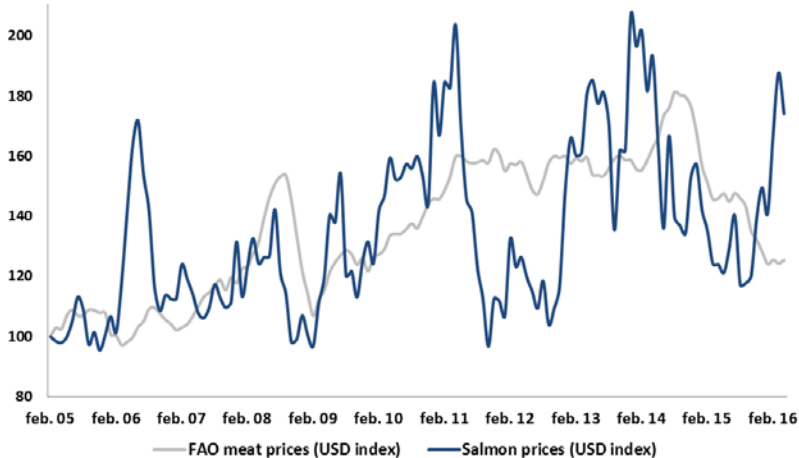
Chilean supply volatility driving global salmon prices

Supply fluctuations driving salmon prices

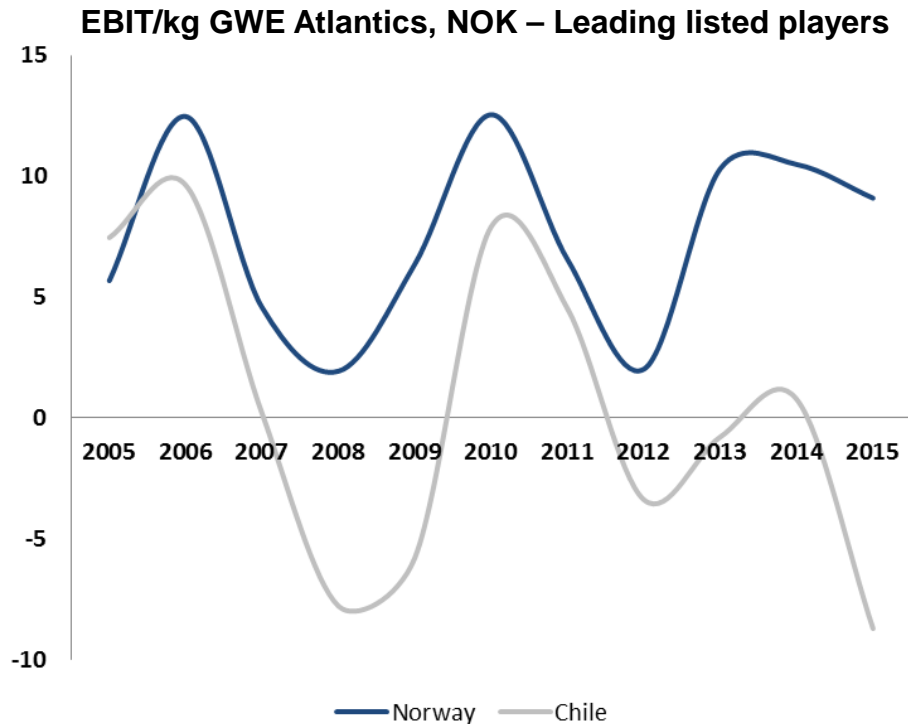


- Chilean supply volatility has been a key driver of salmon prices during the last decade
- Though regional price differences may persist, the salmon market is essentially global
- Salmon cannot be seen in isolation from alternative proteins
- Consistent supply and less price volatility necessary to continue developing salmon as a global consumer staple, benefitting the entire industry

Substitution effects – Salmon vs other proteins



Biological and market challenges continue hampering Chilean earnings



- Chilean industry consistently underperforming Norwegian peers
- High cost driven by biology. Mortality and downgrades
- Significant discount also on superior grades in recent years, likely driven by perception in the marketplace and suboptimal sales and distribution

Chile must solve its key challenges – for the benefit of the global industry

Regulations

- Reducing biological risk
- Limiting production growth and volatility

SRS

- Develop successful SRS vaccine
- Reducing the need for antibiotics

Market and logistics

- A reliable, stable and trusted supplier
- Consistent high quality

Consumer perception

- Generic marketing to bolster perception
- Attractive consumer products

Cermaq contributes to resolve key challenges

Regulations

- Actively participating in SalmonChile
- Approaching authorities and politicians

SRS

- Cermaq R&D has isolated and characterized different strains of the bacteria and given to vaccine companies
- Currently testing new live vaccine in systematic trials
- Vaccinate >5 million smolt to be released in 2016, with the aim to limit SRS outbreaks

Market and logistics

- Reinforce sales and marketing and improve logistics as part of new strategy

Consumer perception

- Actively supporting generic marketing, inspired by Norwegian Seafood Council
- Strong contributor to activities within the Global Salmon Initiative (GSI)

Main take-aways

- Improved biology in Chile with predictable and sustainable volume growth will benefit Norwegian salmon industry
- A prolonged negative growth scenario in Chile can lead to demand destruction for salmon unless growth in Norway can compensate
- SRS is the main challenge in Chile, an effective vaccine will
 - reduce cost
 - improve quality and price realization
 - significantly reduce usage of antibiotics
- Chilean farming industry and regulatory bodies can learn a lot from Norwegian successes and mistakes
- It is definitely possible, but no «quick fixes» for a recovery of Chilean salmon farming to a sustainable industry

Leading sustainable aquaculture – for a better tomorrow



Photo: Norwegian Seafood Council/Mari Svenningsen

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