Global salmon market – a Norwegian and Chilean perspective

CEO Geir Molvik
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Cermaq snapshot

Key figures (2015)

Cermaq + Mitsubishi = #2 global salmon farmer

163 thousand tons GWE sold (2015)

800 mill Revenue in USD (2015)

2700 Employees

> 2 mill Daily salmon meals

100% owned by Mitsubishi Corporation
Leading position in three production regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Rank</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td># 2</td>
<td>21,000 tons</td>
</tr>
<tr>
<td>Chile</td>
<td># 2</td>
<td>88,000 tons, including Salmones Humboldt: 114,000 tons</td>
</tr>
<tr>
<td>Norway</td>
<td># 4</td>
<td>54,000 tons</td>
</tr>
<tr>
<td>Global</td>
<td># 2</td>
<td>163,000 tons, including Salmones Humboldt: 189,000 tons</td>
</tr>
</tbody>
</table>
The task in established markets

Act responsibly to avoid consumer concerns
My perspective on the global salmon market

• Farmed salmon is essentially still a commodity

• Why do we see great price differences between Norwegian and Chilean products in the markets?

• What is needed to improve situation for the Chilean industry and farmed salmon from Chile?
What we expect from a commodity market

Law of one price
• Equal products should achieve the same price across markets, adjusted for freight (no arbitrage)
• Persistent price discrepancies must reflect real or perceived differences

Product and producer attributes as differentiator in commodity markets
• Product: Quality, antibiotics use, sustainability, size, omega 3
• Producer: Reliability, trusted stable supplier

Norwegian salmon prices in Europe

*Fresh HOG, export price
Source: Norwegian Seafood Council
Differences between Chile and Norway

Prices – a permanent Chilean discount?

Fish Pool vs UB Miami (Chile D-trim 3-4 lbs, recalculated to GWE USD/kg, freight adj)

- Chile discount
- Chile (D-trim lbs Miami, recalculated to GWE)
- Fish Pool, US freight adjusted
Differences between Chile and Norway

Volumes – rapid changes in Chile

Annual growth rates

Source: Kontali
Differences between Chile and Norway

EBIT – parallel curves, but different

US$/kg

Norway
Chile

Key drivers behind the situation in Norway
The main reasons for the success in Norway

NATURE
1. Good natural conditions for salmon farming

CULTURE
1. Good cooperation between industry and government
2. High innovativeness
3. Generic marketing
4. Cooperation between the aquaculture and the traditional fishing industry
The main reasons for the success in Norway

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Cooperation and regulations

Clear political ambitions from the Government

**Norway introduces new model to increase aquaculture production**

Sea during the best growth period. "The farmers can then exploit the temperature variations in the sea better," said Sandberg. The new...”

**Solberg: Derfor er laksen Norges Ikea**

Foran en fullpakket sal i nye Scandic Havet i Bodø, gikk Solberg på scenen. Hun snakket om hvordan Stortinget ønsker å sette et vendepunkt..."(..) Også vil fortsatt være viktig for Norge, men vi må videreutvikle andre deler av næringslivet, så hun. Og en av næringene veksten kan komme fra, er..."

**The Prime Minister: «This is why salmon is Norway’s IKEA»**

**Sandberg: - Norsk oppdrett kan forsyne...**

**The Minister of Fisheries: «Norwegian farming can fivefold»**

"Nærings- og Fiskeridepartementen..."

**Meld. St. 16**

(2014–2015)
Melding til Stortinget

**Predictable and environmentally sustainable growth in Norwegian farming (white paper to the parliament).**
Cooperation and regulations

Conflicts in other sectors harm our industry
Cooperation and regulations

Regulations – adapted to sustainable growth

- The farming licenses and site permits are separated
- # licenses have increased
- # production sites have decreased
- Volume has grown
- If a license is not used in two years, you may lose it
High innovativeness

1. Decentralized decision-making. “Competence and Empowerment close to the fish”

2. Outstanding cooperation between the companies. No secrets when it comes to technology and husbandry

3. Cooperation between industry and research institutes

4. Generic R&D paid by farmers
   - A fee of 0.3% of the export value collected for generic R&D.

5. Effective cooperation between the industry and its suppliers.
   - Respect for IP
   - Using only original chemicals
Empowering our employees

Building competence to;

• Take the right decision

• At the right moment

• At each farming site
Norway: Vaccines to avoid diseases

Source: NORM-VET UNN
High innovativeness

Support to industry innovation and research

- Research licenses
- Green licenses
- Development licenses
- The Norwegian Seafood research Fund (FHF) financed by a mandatory fee on export value (0.3%)
High innovativeness

Intellectual property rights benefit our industry
Leading sustainable aquaculture – for a better tomorrow