

FRESH SEAFOOD EXPORT

AN OPPORTUNITY FOR ANY CLOSE-TO-SEA COUNTRY



A recent study performed by Triathlon Group demonstrates that there are great opportunities with regards to value creation in fresh seafood export. Through optimizing value chain configuration and developing a regulatory system that endorses sustainability, seafood can be transformed from a commodity into a high-value product.

Seafood is increasingly highly valued as food and the global capture and aquaculture production of seafood has increased over the past decades. In the Western world seafood is seen as luxury food and in many developing countries seafood export is an important source of foreign exchange. The international trade of seafood has increased in recent years, and in 2014 more than one third of all seafood produced globally was exported.

36% Seafood export share of total production

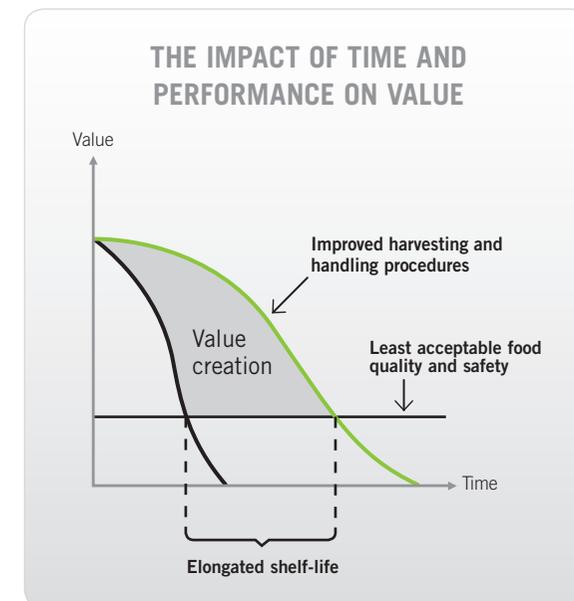
46% Fresh seafood share of total seafood sales

The demand for fresh seafood is high and fresh seafood represents approximately half of the global market for seafood products. Freshness is often described as the most valued seafood attribute on all consumer markets and unlike other food products, processing of seafood does not increase the price of the final product; oppositely fresh seafood creates the opportunity to charge a premium price.

Seafood is a very important food source for humans with many nutritional benefits and a mild taste. Simultaneously, fresh seafood is one of the most sensitive and perishable food groups. Fresh seafood has a limited shelf-life and harvest, post-harvest handling, transportation and export of fresh seafood require particular care to retain the nutritional benefits, avoid fish-borne illnesses and preserve the value of the seafood.

The market for seafood is strong, but the growth potential is limited with regards to the natural limits of a natural resource in capture fisheries. Several seafood stocks in all seven oceans of our world are depleted or near depletion and the seafood sector is one of the most wasteful food sub-sectors.

It is demonstrated that sustainable fresh seafood export incorporates both opportunities and challenges. By developing the value chain configuration and the regulatory system, any close-to-sea country have the possibility to create value in seafood export and achieve sustainable effects economically, ecologically and socially.



KEY SUCCESS FACTORS FOR VALUE CREATION IN FRESH SEAFOOD EXPORT

Four key success factors have been identified for value creation in sustainable fresh seafood export

1. Effective governance of seafood access
2. Incentive structures for seafood quality
3. High level of value chain interaction
4. Few transactions from sea to plate

1 Effective governance of seafood access is achieved by appointing each harvesting actor a certain amount of seafood for a certain amount of time. Actors that are guaranteed a certain volume of seafood encounter low risk of investment, the possibility to plan and organize business activities and the desire to increase the value of each allocated resource. These actors are motivated to invest in physical- and immaterial resources, matched to market demand and operational capacity, that improve the harvesting and post-harvest handling of fresh seafood. Furthermore, by controlling access to seafood, a long-term sustainable preservation of seafood stocks and marine ecosystems can be ensured.

2 Incentive structures for seafood quality signify that seafood quality is not only the result of regulations and policies from centralized authorities, but also the result of actors' self interest in generating seafood with a high quality. The quality and safety of seafood products have received substantial attention from governments, policy makers and food businesses. Generating seafood in conformity with established international food quality and safety standards is regarded as a base requirement to gain access to large, high-value markets. Other types of accreditations, such as traceability and ecolabelling of seafood, creates the opp-

portunity to gain a price premium. With quality and safety regulations value chain actors are motivated to fulfil minimum requirements at a low cost. However, with incentive structures; the higher seafood quality generated, the higher reward for the actors.

3 High level of value chain interaction involves the creation of business relationships between seafood actors. Business relationships enable efficient exchange of reliable information between value chain actors, the possibility to effectively coordinate sequentially interdependent activities in the value chain and fulfill the requirements of a short lead time. Business relationships are also capacity building in which the actors can share existing resources and optimize resource utilization, as well as jointly invest in new modern resources. Interaction between actors is related to a shift of power and dependence in the network in which small-scale actors increase their bargaining position and influence over authorities. Furthermore, by establishing business relationships with large retail-chains and processors on high-value markets, seafood exporters can bypass middlemen. This reduces the prevailing volume and cost focus of middlemen and enable exporters to focus on seafood value creation.



4 Few transactions from sea to plate is of very high importance in the distribution of fresh seafood. The number of actors from harvest to consumption determines how many physical transactions that the seafood is exposed to. Each transaction is connected to a cost, and has a specific impact on the quality of the product. Because of fresh seafood's perishable nature, the distribution of seafood is not only about keeping the cost at a minimum level, as is the case with many other types of distribution. The lead time from catch to consumer is also of high importance. By keeping a short chain of distribution from harvest to consumption a short lead time is made possible which have a positive effect on available shelf-life and seafood quality.



CONFIGURING THE VALUE CHAIN AND SEIZING THE OPPORTUNITIES

There are large variations between different nations with regards to the organization of the fresh seafood export value chain and exploitation of market opportunities. A generic value chain configuration for fresh seafood export has been identified, materializing the four key success factors for value creation.

Fishermen cooperatives

In many nations, independent fishermen supply the majority of all seafood. Fishermen have great responsibility for end-product quality. If the seafood is not handled properly directly after harvest, additional measures downstream in the value chain will not be as effective. A conceivable way to professionalize the fishing activity is to establish fishermen cooperatives. A fishermen cooperative that manages the seafood when it is landed, and still act on behalf of the fishermen, ensures quick transactions of seafood without compromising the income for the individual fishermen. Fishermen cooperation also presents the opportunity of sharing existing, and collectively investing in modern, fishing equipment and technology.

Because of the possibility to collectively supply a larger and more stable volume, interaction with other actor categories in the value chain are expected to increase. Fishermen cooperatives can accordingly form business relationships with seafood processing companies, in which they obtain a guaranteed outlet for their seafood and a secure income by the promise of delivering a seafood with a pronounced quality.

Seafood processing companies

Through business relationships with fishermen, the seafood processing companies have a reliable source of seafood and information, presenting the possibility to coordinate and control other actors in the value chain. This simplifies compliance international food quality and safety standards, traceability and ecolabelling, central for high-value market access and the possibility to charge a premium price for the seafood. The stable volume and high quality of the seafood provided enable processing companies in establishing long-term, direct relationships with large retail chains and processors on high-value markets.

In addition, by engaging transportation service companies on a contractual basis, the requirements of a short lead-time can be met.

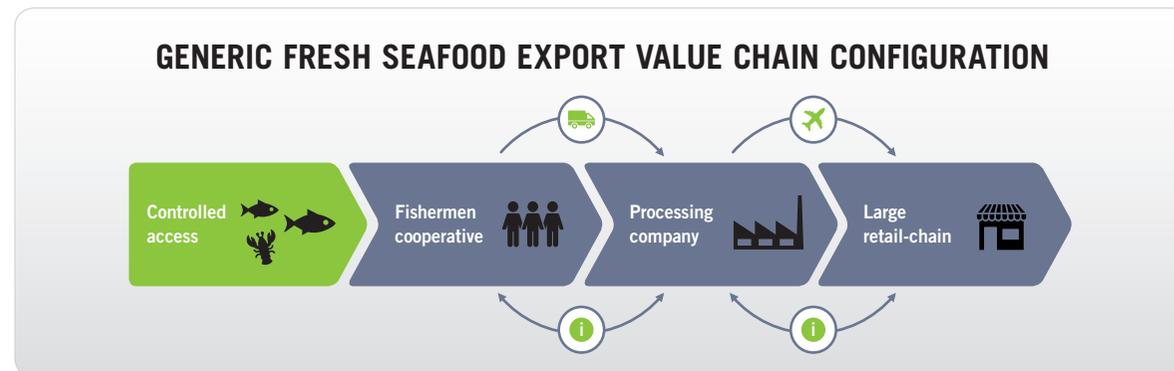
Public sector engagements

Establishing and enforcing a system for controlled seafood access is a great endeavor that requires efforts within the public sectors domestically and with neighboring maritime nations. Nevertheless, it is vital to initiate efforts to ensure a sustainable development of the fisheries sector. Suggestively a system can be initially established within the domestic maritime borders and international cooperation could be considered a long-term solution.



The way forward

The suggested value chain configuration does not necessarily require a high volume of seafood, rather it is based on the premise of a stable supply of seafood. Accordingly, one way to initiate a development towards enhanced value creation in fresh seafood export is to set up the generic value chain configuration in a small scale. This does not entail large investments and undertakings by public authorities or private companies. It is rather about connecting actors, coordinating activities and utilizing the existing resources in a sustainable manner that yield a high value of the seafood. The value chain configuration is based on a scalable business model and scaling will presumably occur naturally as the benefits are demonstrated through increasing competitiveness and financial gain. This development can be established by any company or public organ. Any close-to-sea country can exploit the opportunities existing in fresh seafood export.



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