Australia, seafood processing industry faces turbulent conditions

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According to **IBISWorld's report on the Seafood Processing industry in Australia**, the industry has faced turbulent conditions over the past five years. Revenue has been adversely affected by declining seafood production, stagnant prices and increasing import penetration. The industry has also become increasingly dependent on export markets, as domestic prices fall due to mass imports, and high-value export markets open up new opportunities for exporters.
The volume of domestic industry demand has been buoyed by stable seafood consumption, supported by ongoing product innovation, positive media coverage about the benefits of seafood and increasing consumer health awareness. However, according to IBISWorld industry analyst Ryan Lin, "production levels in lower value domestic markets have been affected by overfishing, climatic conditions, disease, increased fuel costs, and reduced quotas and access due to sustainable management policies."

In the five years through 2014-15, industry revenue is expected to decline at an annualised 1.2 percent to total $1.5 billion.

The future prospects of the industry remain uncertain, as declining production and rising imports continue to threaten domestic sales. Despite these trends, in 2014-15, industry revenue is expected to grow as high exports drive growth. Global demand for high-value Australian seafood (such as rock lobster and abalone) is expected to pick up over the next five years. North America and Europe are forecast to ramp up demand, while neighbouring Asian countries, particularly Vietnam, are expected to develop an appetite for high-value Australian seafood.

"The domestic production of seafood will depend on domestic catches and aquaculture growth, which will be affected by fishery policies, costs of production, climate, disease and technological developments," Lin said.

The government is expected to continue implementing policies that increase the sustainability of Australian seafood stocks. The policies will reduce seafood catches in the short term, but improve the stock levels and profitability of the Fishing industry over the long term. Aquaculture production is forecast to grow strongly over the next five years. At the same time, export opportunities will continue to provide a strong boost to seafood processing revenue.

The Seafood Processing industry has a low level of market share concentration, and the major players are Tassal Group and Simplot Australia (Holdings) Pty Limited. These players are large vertically integrated organisations that have extensive farming and processing facilities. The rest of the industry largely consists of small-to-medium size processors that do not have the scope of scale to compete evenly with the major players. Over the past decade, major players have increased industry their market share through a series of acquisitions such as Huon Aquaculture and Springfield Fisheries. However, being the large diversified players that they are, they often house a number of other business segments that detract from seafood processing operations. IBISWorld anticipates that this level of concentration is unlikely to change.

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