

Seabass and seabream: Continuing high prices expected as supply set to tighten further in 2016

After a year of lower harvests, firming prices and relived pressure on producer margins, 2016 has started off well with a sharp upturn in seabass and seabream prices on European markets.

Further reductions in supply from the major sources should see this situation continue, giving a further boost to the expanding Turkish industry and allowing Greek companies the opportunity to build on what are now more solid foundations.

Supply

Total supply of bream fell by approximately 6% in 2015, according to figures from a recent Kontali analyse report, with the expected impact of pushing prices strongly upwards. Multi-year highs were reached in the peak mid-summer season on the major Italian market, with 300-450 g sizes reaching EUR 5.80 per kg (CIF).

Bass production, meanwhile, remained flat compared with the previous year, which kept prices for this species relatively lower.

Forecasts are for a further 3% drop in production this year, with both Turkey and Greece seeing the results of reduced juvenile production over recent years.

With fewer fish to sell, Greek exporters reduced volumes to many major Mediterranean markets in 2015.

Exports to Italy fell in particular, and Turkish exporters managed to further increase their share of this important market with cheaper product and more readily available volumes.

Greek exports to Spain also fell significantly for the second year in a row as investment in the Spanish farmed bass and bream industry is boosting domestic production.

In contrast to Turkey, Greece remains heavily dependent on the core EU markets, with Italy, France and Portugal taking more than three quarters of its total export volume.

That said, the increase in Greek export revenue despite the drop in volumes, points to an improvement in margins and hence business stability for an industry that has been struggling for some years now.

After refinancing, restructuring and efforts to reduce costs, investor confidence in the sector appears to be recovering slowly as profitability returns. The newly consolidated and revitalized industry will now be looking to build steadily on the back of technological and product innovation, although there is still a distinct wait-and-see attitude amongst understandably cautious would be investors.

In Turkey, the rise in prices for bream in early 2016 was below expectations as domestic sales and exports for bream were lower than expected resulting in a surplus stock for 400-600 and 600-800 g fish. Slightly rising prices remained flat in March.

In contrast, there was a price boost for bass and specifically large fish exceeded expectations. According to industry sources, losses in stocks of bass due to diseases and accidents (poor sea conditions) in 2014 and 2015 will continue to boost the prices of bass in 2017.

According to some sources, the demand for Turkish juveniles in 2016 is expected to be around 400 million. The breakdown for production is likely to be 250 million bass and 150 million for bream.

A new development in the Turkish industry is a shift in hatcheries' sales strategies, which will have an impact on supply of fish in the near-term. Previously, Turkish growers usually stocked their cages with juveniles of around 5 g, which are more resistant to disease and marine conditions.

To mitigate the risk associated with growing fry to 5 g juvenile size, however, hatchery operators have begun encouraging their growers to start with smaller fish by lowering the price for 2 g juvenile.

This also carries a risk though, as early stocking of cages with 2 g juveniles has increased the incidents of *flexi bacteriosis* outbreaks, resulting in an estimated 5% loss of stocks. Though slight, this 5% loss will have an impact on supply of marketable fish for 2017 and 2018.

Italy

Despite higher prices, Italy imported 5.5% more bass and bream in 2015, to total 51 000 tonnes. This reflects strong demand in this core EU market, which is being driven by a recovering economy and supplied increasingly by relatively cheaper and more plentiful Turkish fish.

In fact, Turkey's share of Italy's bass and bream import volume was at 20% in 2015 (up from 15% in 2014), while Greece's has fallen to 61% in 2015 (down from 70% in 2014). The higher-end segment, meanwhile, is occupied primarily by imported French product, as well as domestically produced fish, which commands 20% higher prices than the Greek product.

As of March 2016, prices are high and rising on Italian markets, with mid-size fish prices already well above the EUR 5.00 per kg mark.

Spain

Spain is another Mediterranean market that is being stimulated by an economic recovery, with demand remaining stable despite rising prices. In April 2016, average prices at wholesale markets are above EUR 6.00 per kg and higher than the same month last year.

A shortage of smaller sizes is pushing up prices in this segment in particular. On the supply side, imports have fallen as demand is increasingly being met by production growth in the Spanish domestic industry, which continues counter to the prevailing trend.

France

Presumably motivated by the relatively large price differentiation, French buyers are becoming somewhat more accepting of farmed Turkish bass and bream as opposed to Greek and Spanish fish. Although the Turkish import volumes are still significantly lower than those of Greek and Spanish fish, this trend demonstrates the successful penetration of Turkey origin product into even previously resistant markets, the result of a combination of marketing, availability, price difference and exchange rate development.

Russia

Russian imports of fish continued on its declining trend in 2015 due to the combined effects of the food embargo, devaluation of RUB and decreased consumer demand. Although fish products from Turkey were not under the restrictions, Russian imports of bass and bream went down 30% in 2015 compared to the year before.

According to the Russian Federal Customs Service, in 2015 2 680 tonnes of fresh bass were imported a reduction of 30% compared with 2014.

Imports of frozen seabass in the same year amounted to 294 tonnes, 6% less compared with 2014. Turkey supplied nearly all of the bass to the country, responsible for 99% of the imports, while the remaining quantities were supplied from Morocco, Tunis and through Belarus.

In terms of bream, Russian imports of fresh seabream went down to 2 650 tonnes in 2015, 34% less over 2014. Imports of frozen seabream were 333 tonnes, 1% less than in 2014.

Turkey again had the dominant share of seabream supply with 99% of the total seabass imports to the Russian market. Tunis, Morocco, Belarus and United Arab Emirates were other supplying countries.

As the previous supplying countries of seabass and seabream (Greece, Cyprus, etc.) cannot deliver their fish products to the Russian market, Turkey is currently the major supplier to Russia, though Iran could increasingly supply bream and bass to this market in the future.

According to the Federal Agency for Fisheries in Russia, the Russian authorities and the Ministry of Agriculture of Iran met, in order to build cooperation of fisheries sectors between countries. Iran expressed an intention to export farmed seabass and seabream to Russia partly replacing Turkey.

Other markets

A strengthening British pound versus the euro has boosted the purchasing power of UK importers, which saw import volumes increase by 13% to 11 500 tonnes in 2015.

Imports of mainly Netherlands (origin elsewhere) and Greek fish supplement the UK wild-caught supply. Meanwhile, the bass market in the USA was stable with flat import volumes year-on-year, despite a relatively stronger US dollar offsetting the higher prices.

Outlook

The tight supply situation can be expected to continue for at least the next two years, which should keep prices up at a sustainable level and give the Greek industry time to recover further.

Meanwhile, the Turkish industry finds itself in a very advantageous position, with a weaker currency favouring exporters, a much more diverse range of market options than their main competitors and limited sources of additional supply to affect the good prices. 2016 will also see more diversification in terms of products, with value-added forms and sustainable or organic ecolabelling becoming more widespread in the farmed bass and bream industry as a whole.

On the supply side, continued investment in the sector, particularly in alternative Mediterranean producer countries, may bring some relief to prices at a later stage.

In the shorter-term, however, prices have begun their annual climb to their peak in mid-summer, and should remain relatively high throughout the year.

Source : <http://www.fao.org/in-action/globefish/market-reports/resource-detail/en/c/415280/>