Food and Agriculture Organization of the United Nations

Salmon

Salmon industry projected to be the most profitable aquaculture sector in the first half of 2024

Global supply of Atlantic salmon fell slightly during 2023 compared to the previous year. Discussions continue in Norway about the farmed salmon tax plan, added to the update of the "traffic light" system; while the Chilean industry is monitoring biological challenges due to El Niño and algae blooms. In Scotland, the impact of Brexit continues to affect the economy. Nevertheless, the salmon industry is projected to be the most profitable aquaculture sector in the first half of 2024, with firm prices and sustained demand.

Global production

Year 2023 closed with a slight drop in farmed salmon production compared to 2022, although some of the main producers registered increases. Extenuating circumstances in these countries and government decisions impacted upon figures; as did biological challenges related to climate change, exceptionally high sea temperatures, and rising sea lice levels, among others.

In Norway, the imposition of the new tax system slowed down investments in the industry, impacting production.

It was also a challenging year for main salmon farms in Scotland, exacerbated by exceptionally high water temperatures which affected the average harvest size. The situation improved as the year progressed, especially in the last quarter, due to mitigation measures taken by the farmers.

Chile increased its harvest volume compared to 2022 but according to analysts, the industry is expanding at very moderate levels as it grapples with low international prices and higher cost of inputs.

Nevertheless, global farmed salmon supply is projected to grow in the first two quarters of 2024 after two years of almost uninterrupted decline. Production in Norway could follow this same trend.

Atlantic salmon

Global supply of Atlantic salmon during 2023 reached 2 817 200 tonnes, a slight reduction of 1.6 percent compared to the previous year. The main producer, Norway, harvested 1 499 100 tonnes, a slight decrease of -0.8 percent; while Chile registered a production of 776 600 tonnes, which represented an increase of 2.7 percent compared to 2022.

Atlantic salmon production

Global -1.6% ↓

Norway -0.8% ↓

Chile +2.7% ↑

Other salmonids

The accumulated production of coho salmon in Chile in 2023 reached 253 900 tonnes, +17.7 percent compared to 2022. On the contrary, 50 400 tonnes of rainbow trout harvested implied a sharp decrease of 30.4 percent compared to the previous year.

Boosting wild salmon stocks in the Yukon River

The Alaska Department of Fish and Game (ADF&G) and Fisheries and Oceans Canada (DFO) have signed an agreement regarding the recovery of chinook salmon in the Yukon River drainage. The agreement is focused on rebuilding these stocks to a level that can once again provide for subsistence; as well as sport, commercial, and personal use fishing opportunities. According to ADF&G, while recognizing the importance of chinook salmon for ceremonial use and the transmission of cultural knowledge, the agreement allows Alaska and Canada, at their discretion, to provide limited harvest opportunity for these purposes during the rebuilding period. The agreement also calls for Alaska to minimize incidental harvest of chinook salmon in all other mainstem Yukon River fisheries over a seven-year period. Priority is placed on traditional and local ecological knowledge research on the health of Yukon River chinook salmon to better understand the causes of low run abundances and to identify possible solutions.

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Issues

Norway

Salmon-producing companies continue to discuss with the authorities and decision-makers to readjust the sector’s tax plan to a level that they consider would be more appropriate for Norwegian aquaculture. Some companies are studying the possibility of taking legal steps if necessary.

Meanwhile, a new controversy arose after the Government announced updates to the "traffic light" system, which had been introduced in 2017 aiming for predictable and sustainable growth in the salmon aquaculture industry. Every two years, the 13 salmonid farming regions are assigned a colour through scientific assessments based on the environmental impact of their operations. This year, six regions received the green light and can increase production capacity by up to six percent; five areas were accorded yellow and have to maintain their current production capacity; the remaining two areas are in red and will have to reduce their capacity by six percent. The announcement generated discontent among producers on the basis that the system will have significant negative impacts on their entire operations, including the possibility of reducing activity and business, as well as altering production planning.

United Kingdom of Great Britain and Northern Ireland

The Scottish salmon industry continues to undergo some difficulties after Brexit, citing bureaucratic aspects such as administrative and sanitary procedures, which continue to entail additional costs, longer shipping times and logistic alterations.

The CEO of Salmon Scotland, an organization which gathers producers and companies from across the Scottish salmon supply chain, said that the upcoming general election is an opportunity to reset the UK's relationship with the European Union and smooth the trade flow, as the party that forms the next UK government will have the opportunity to review the existing Trade and Cooperation Agreement (TCA) between the European Union and the United Kingdom. A group made up of producers and supply chain companies have provided their contributions and suggestions for improvement.

Chile

Various forecasts released for the Chilean salmon farming industry indicate a stable year for the sector in 2024, in a context where demand will continue to be affected globally. Volumes of coho and Atlantic salmon will stabilize compared to 2023 but remain stagnant; and a significant shortage for the first and second quarters is estimated, causing prices to rise.

Meanwhile, different actors from the private and public sectors are working together to increase the use of vaccines that prevent diseases and reduce the use of antibiotics, a goal pursued by the industry for a long time. This is the "Yelcho Project", an alliance between a group of salmon farms that represent almost 90 percent of the country's Atlantic salmon production; the Agricultural and Livestock Service (SAG); and the National Fisheries and Aquaculture Service (SERNAPESCA).

Salmon exports

United Kingdom +3.2% ↑

Canada

Canada continued its sharp decline in farmed salmon production, from 148 000 tonnes in 2016 to 90 000 tonnes in 2023. According to the Canadian Aquaculture Industry Alliance (CAIA), this is the lowest figure recorded in the 21st century; losses are mainly due to government closures in British Columbia. The organization has urged the Federal Government to make science-based decisions about ocean aquaculture in order to enable salmon farmers to regain lost production.

Exports

Norway

The Norwegian Seafood Council (NSC) announced that salmon achieved an all-time high in 2023 in terms of export value after shipping 1.2 million tonnes worth NOK 122.5 billion (USD 11.15 billion). Although there was a decline of two percent in terms of volume, the value increased by NOK 16.9 billion (USD 1.5 billion), up 16 percent compared to 2022, which was the previous record year. This achievement is in line with similar record values reached for all Norwegian seafood exported in 2023. The NSC explained that the devaluation of the Norwegian krone and the general price increases in the markets had contributed to this growth when measured in NOK, but the growth in USD terms was significantly less (-7 percent).

The three most important markets were Poland, France, and the United States. The NSC noted several positive trends in European home consumption, which impacts on the processing of finished products in Poland. In addition, in 2023, there was an increase in exports from Poland to countries outside the European Union, including the US market.

Meanwhile, the NSC classified 2023 as a good year for trout, considering that Norway had exported 56 900 tonnes worth NOK 5.5 billion (USD 500 million), which meant increases of four percent in volume and 10 percent in value compared to the previous year. In addition, the Council reported that a record high export value for trout was reached, up by NOK 485 million (USD 44 million) from the previous record year, which was 2022. The largest markets for the species during the year were the United States of America, Ukraine and Thailand. Ukraine in particular, registered the biggest value increase in 2023 (up 92 percent) while in terms of volume, the 8 000 tonnes exported meant a growth of 76 percent compared to 2022 and almost the same as 2021, previous to the war.

Salmon exports

Norway -2.0% (volume) ↓

+16% (value) ↑

Scotland

His Majesty's Revenue and Customs (HMRC) figures released by Salmon Scotland confirmed that Scottish salmon consolidated as the British top food export in 2023, after accumulating a value of GBP 581 million (USD 723 million), up 0.5 percent compared to the previous year. However, in terms of volume, there was a drop of 11 percent under the same comparison. France remained the main market, but the product's popularity continued to grow in the Asian and US markets.

Further, the organization revealed that the 44 000 tonnes of Scottish salmon exported to the European Union in 2023 represented a 17 percent reduction compared to 2019 while export value fell by only three percent to EUR 356 million because of strong global demand. Salmon Scotland projected that if the sector had maintained volumes at 2019 levels, then sales would have been above EUR 430 million. For this reason, the group interprets that there was a net "loss" of GBP 75–GBP 100 million (USD 380 million) due to Brexit.

However, Salmon Scotland also recognized that while the European Union remains its biggest market, absorbing more than 60 percent of international sales, the perceived loss of profit could have been somewhat mitigated by growth in other markets, particularly Asia (+22 percent) and the United States of America (+7 percent).

Chile

The Chilean Salmon Council (which represents companies that contribute more than half of Chilean salmon production) reported based on Customs data, that the exported volume of salmonids in 2023 totalled 774 531 tonnes, +3.1 percent compared to the previous year. In terms of value, the USD 6 462 million received meant a drop of 2.1 percent. The Council pointed out that the drop in international prices compared to 2022 (a year with particularly high prices) could partially explain the decrease in terms of value. An average annual drop of five percent in Chilean salmon prices was estimated during 2023, particularly in the second half of the year.

Fresh salmon exports grew by 8.6 percent compared to 2022, while frozen salmon fell by one percent. According to the organization, these figures reflect the expansion of new markets which demand specific requirements.

The main buyers of Chilean salmon in volume were the United States of America (32.7 percent), Japan (17.7 percent), Brazil (17.6 percent), Russia (6.1 percent) and China (5.6 percent). Japan registered a drop of 14.6 percent due to the prioritization of other markets, while Brazilian imports increased by 10.9 percent due to the strong demand for coho salmon.

Salmon exports

United Kingdom +0.5% ↓

Chile +3.1% (volume) ↑

-2.1% (value) ↓

Imports

The European Union

EU salmonid imports continue their downward trend. The 1 792 800 tonnes accumulated during 2023 meant a drop of 2.5 percent compared to the previous year and 4.8 percent over the volume in 2021.

The top source of salmon imported into the EU was, by far, Norway with 60.5 percent of the share, followed well behind by Sweden with 12 percent and Poland with 5.3 percent. Norway supplied 1 086 070 tonnes, down 0.5 percent compared to 2022 and 5.4 percent compared to 2021. In terms of importers, Sweden represented 31 percent of the share, followed by Poland with 13.6 percent and France with 10 percent.

The most important product was fresh/chilled Atlantic salmon with an import volume of 1 299 587 tonnes, down by 0.6 percent compared to the previous year.

Salmon imports

European Union -2.5% (volume)

Southeast Asia and the Far East

The share of the Southeast Asia and the Far East market region in international salmon trade was 20 percent, with 588 135 tonnes in 2023, consisting of 172 168 tonnes of whole fresh salmon, 387 013 tonnes of whole frozen salmon and 27 306 tonnes of fresh salmon fillets.

With strong and steady growth in imports, China was the top market for fresh and frozen salmon in the Asia Far East (+26.3 percent at 250 448 tonnes). However, imports declined in Japan (141 856 tonnes; 10.2 percent); Thailand (55 184 tonnes; 9.8 percent); the Republic of Korea (41 320 tonnes; 45 percent) and Viet Nam (34 628 tonnes; -0.1 percent), in comparison with 2022.

Farmed salmon has gained much popularity in the retail and catering trade in South East Asia and the Far East. Its consumer base has expanded from the traditional market Japan, to the large Chinese market and also created niches in South Asian markets, with Norway and Chile being the leading suppliers. Since the COVID-19 pandemic, inter-regional trade for air-flown fresh salmon has increased due to the existence of smaller supply bases, namely Japan, Australia and New Zealand, due to their proximity to the main markets.

Usage of salmon is wide among the regional sushi and sashimi restaurants. Supermarkets have established dedicated sections for salmon, offering steaks, fillets, heads and trims; the latter being very popular for home cooking.

The United States of America

Salmon was an exception among the major seafood species that saw a drop in sales in 2023 due to inflationary pressure that impacted demand and caused US consumers to look for other alternatives. In other words, salmon was hardly affected by high prices. In 2023, expenditure on frozen salmon grew 3.3 percent year-on-year to more than USD 672 million; while fresh salmon remained stable at USD 2.69 billion, which otherwise would have meant a bad year for seafood as a whole.

US salmon imports during 2023 were practically unchanged compared to the previous year, since the 500 753 tonnes worth USD 6 264 million represented a small increase of 0.3 percent in volume and a marginal drop of 0.1 percent in value, according to the National Oceanic and Atmospheric Administration (NOAA).

The main supplier was Chile, with 245 006 tonnes worth USD 2 994 million, comprising almost half of the share in terms of volume (49 percent). In year-on-year terms, there was a growth of 6.8 percent in volume and a slight decline of 0.9 percent in value.

Norway was in second place, with 73 172 tonnes (up seven percent) worth USD 1 122 million (10.3 percent); while Canada continues the downward trend reported in previous issues with 72 628 tonnes worth USD 717 million, -14.5 percent and -17 percent, respectively.

The main imported product was farmed Atlantic salmon fresh fillet with 214 618 tonnes (up 8.8 percent) worth USD 2 765 million (up 1.6 percent).

Prices

The latest Rabobank report points out that the price of salmon remains competitive compared to other proteins, although the peaks observed in the previous two years are not expected this year. Prices could be slightly lower in the first half of 2024 compared to the first half of 2023.

According to the Nasdaq Salmon Index, the average price of Norwegian Atlantic salmon (fresh, head-on gutted) reached NOK 108.96 (USD 10.04/EUR 9.30) in week 12 of 2024, up one percent compared to the previous week. Since the beginning of the year, the average per kg price has increased by 9.24 percent. Meanwhile, Fish Pool predicts that average prices per kg for Norwegian salmon will remain stable in March at NOK 113 (USD 10.48/EUR 9.68); in April at NOK 116.50 (USD 10.92/EUR 10.07) and in May at NOK 117 (USD 11.04/EUR 10.19).

Salmon imports

United States +0.3% (volume) ↑

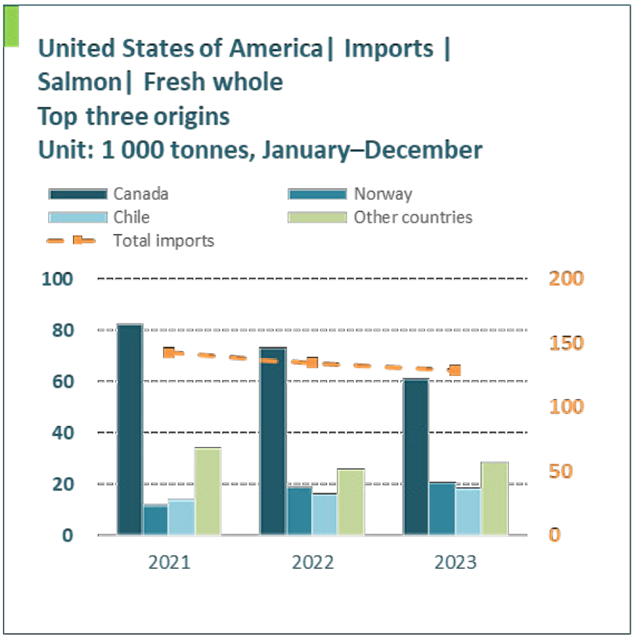
-0.1% (value) ↓

Retail prices of fresh salmon fillets and steaks in South East Asia were steady during July–December 2023, ranging from USD 40–60 per kg, while frozen thawed steaks were relatively cheaper at USD 10–15 per kg. Salmon heads and trims were being sold at USD 3–4 per tray.

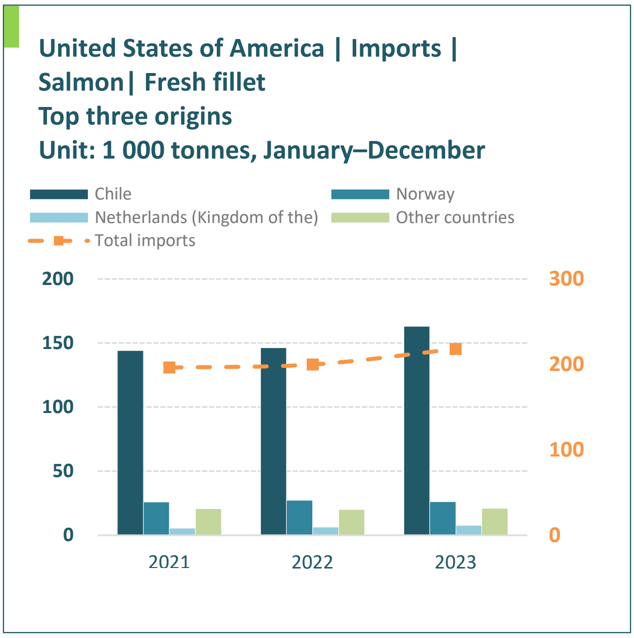
Outlook

Expectations for the salmon market during 2024 appear to be improving, as Rabobank predicts that salmon prices will stabilize for a long period of time under a "new normal". According to the report, the salmon industry will again be the most profitable aquaculture sector in the first half of the year, as high prices (albeit slightly lower than in the first semester of 2023) will combine with marginally lower feed and biological costs to boost farmers' profitability.

The report also indicated that the supply of salmon could increase slightly in the first half of 2024, compared to the same period of the previous year. Norway's harvest could grow by two percent; the Faroe Islands by 34 percent; Scotland by five percent and Canada by four percent. On the contrary, Chile could suffer biological challenges due to El Niño, and its supply could fall seven percent year-on-year due to losses caused by algae blooms and adjustments by companies that have exceeded the legal limit of total production per concession.



Source: Author's own elaboration based on GTT. 2024. Global Trade Tracker. [Cited 1 March 2024]. www.globaltradetracker.com



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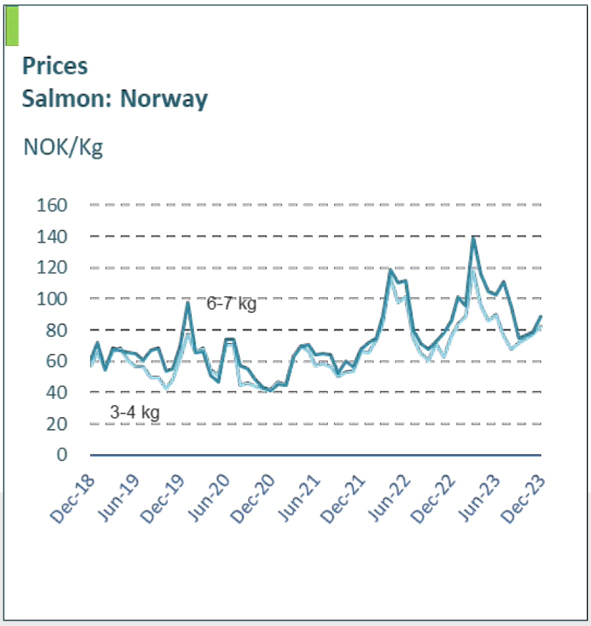

Source: Author's own elaboration based on the European Price Report. 2024. GLOBEFISH. [Cited 1 March 2024]. www.globefish.org