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## Norway

### Fishery Products

### Annual Report

### 2006

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**Report Highlights:**

In 2005, the value of Norwegian seafood exports amounted to NOK 31.7 billion (USD 4.9 billion), an increase of 11 percent from 2004 and the highest value ever. Further growth in Norwegian seafood exports is highly dependent on the level of Russian import restrictions for Norwegian seafood.

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## EXECUTIVE SUMMARY

Seafood is Norway's third largest export item, with oil and gas in first place followed by metal. The fish industry has long been an important pillar of Norway's economy. In 2005, the value of Norwegian seafood exports amounted to NOK 31.7 billion (USD 4.9 billion), an increase of 11 percent from 2004 and the highest value ever. Exports of farmed salmon and trout increased by 9 percent and accounted for almost half of total exports (47 percent). Growth in exports has continued in 2006 thanks to increased demand for salmon amongst important export markets. Further growth is, however, highly dependent on the level of Russian import restrictions for Norwegian seafood. On January 1, 2006, Russia banned import of fresh fish from Norway. On 7 September this year, Russian veterinary authorities informed the Norwegian government about their intention to impose additional import requirements for Norwegian seafood exports to Russia. These requirements apply to both fresh and frozen fish, and will enter into force 1 October. Russia is the number one destination for Norwegian seafood exports, followed by Denmark and Japan. Eastern European markets are growing in importance.

In 2005, Norway exported a record volume of salmon. Overall 2005 salmon exports reached 469,242 MT (product weight) valued at NOK 14.8 billion (USD 2.3 billion). Whole salmon accounted for almost 90 percent (414,011 MT) of total salmon exports, of which more than 75 percent went to EU countries. Exports to the United States amounted to 1,743 MT valued at NOK 52 million (USD 8.1 million).

Norway's total catch of wild fish in 2005 amounted to 4.0 million MT valued at NOK 1.8 billion (USD 1.5 billion), down 10 percent from 2004. The groundfish catch amounted to 290,617 MT, down 1 percent from 2004. Exports of whole groundfish increased by 18 percent in 2005 to 78,823 MT.

Rates of exchange used in this report:

CY 2005: USD 1 equals NOK 6.44

CY 2004: USD 1 equals NOK 6.73

## PRODUCTION

### Policy

According to the Norwegian legislation, an official license is required to participate in aquaculture in Norway. The holder of the license is subject to a set of rights and obligations, including the right to produce specific species, in a specific quantity, at specific sites. On January 1, 2006, a new Aquaculture Act replaced the Fish Farming Act that was adopted nearly 20 years ago. The purpose of the new act is "to promote the profitability and competitiveness of the aquaculture industry within the framework of a sustainable development and contribute to the creation of value on the coast." Simplification of the application process establishing aquaculture enterprises is also laid down in the Act. The Aquaculture Act is available at [http://www.fiskeridir.no/fiskeridir/kystsone\\_og\\_havbruk/lov\\_om\\_akvakultur\\_1/aquaculture\\_act](http://www.fiskeridir.no/fiskeridir/kystsone_og_havbruk/lov_om_akvakultur_1/aquaculture_act)

In 1996, Norway established a feed quota for salmon that limited the maximum yearly feed usage by volume of licensed sites. The goal was to control salmon production and thereby avoid the oversupply of foreign markets, in particular the EU. As of January 1, 2005, the Norwegian Ministry of Fisheries and Coastal Affairs abolished the feed quota.

In addition, Norway agreed to impose minimum prices and restrictions on fresh salmon exports to the EU in 1997, with the aim to limit low-priced Norwegian salmon exports to the EU market. Thereby, Norway succeeded in avoiding antidumping duties called for by the Commission based on complaints from Scotland. On July 1, 2005, the EU replaced the provisional import tariff that had been in place since April 27, 2005 with a minimum import price (MIP). The MIP is set at € 2.81 per kilo.

In December 2005, the European Free Trade Association (EFTA), of which Norway is a member, and South Korea signed a free trade agreement covering all major areas of the parties' trade relations, including seafood. Norwegian seafood exports are expected to gain from this agreement. The first six months of 2006, Norwegian seafood exports to South Korea increased by about 30 percent to 4,300 MT valued at USD 15 million. ([http://secretariat.efta.int/Web/News/korea\\_fta\\_enters\\_into\\_force/view](http://secretariat.efta.int/Web/News/korea_fta_enters_into_force/view)) Other members of EFTA are Iceland, Liechtenstein and Switzerland.

### **The Norwegian Seafood Export Council**

The Norwegian Seafood Export Council, established in 1991 by the Ministry of Fisheries, is located in Tromsø. Its board consists of seven members representing exporters, producers, fish farmers and the Ministry of Fisheries. The main marketing strategy of the Norwegian Seafood Export Council is generic promotion of fish products - both domestically and internationally. It also has the authority to approve Norwegian exporters and assure that they follow prescribed rules and regulations. In 2005, over 550 marketing activities were conducted in 22 markets.

The Norwegian Seafood Export Council is involved only in generic promotion. Its operations are financed by the fish industry. Exporters are informed in advance about dates and countries in which an activity is planned so that they can take advantage of these promotions in marketing their brands. The Norwegian Seafood Export Council is also an advisory agency for the Ministry of Fisheries on questions related to seafood exports.

The Norwegian Seafood Export Council has introduced a voluntary quality labeling scheme for Norwegian seafood. The first species produced under the scheme are blue mussels and "skrei" (a migrating spawning cod). For more information, please visit the Norwegian Seafood Export Council's website: [www.seafood.no](http://www.seafood.no)

### **Salmon Production**

Salmon is the most important farmed "animal" in Norway. Total production of salmon has been steadily increasing for the past 10 years (with the exception of 2001) and Norway is now the largest producer of farmed salmon in the world, accounting for about 45 percent of world production. In 2005, production reached a record level of 572,000 MT (round weight). In the coming years, however, production is expected to stabilize as Norway is facing increased competition from Chile in world markets.

The abolishment of the feed quota on January 1, 2005, raised concerns that it would result in a rapid price decline due to over-production. On the contrary, strong demand in Norway's most important export markets (Russia, France, Denmark and the UK), has led to even higher prices.

## Wild Fish/ Groundfish Production

Norway's total fish catch declined by 1 percent to 4.0 million MT in 2005. The value of total catch increased, however, and amounted to NOK 1.8 billion (USD 1.5 billion). The catch of pelagic fish increased while shellfish decreased. The groundfish catch decreased by 1 percent in 2005 compared to 2004 and amounted to 290,662 MT, valued at NOK 3.5 billion (USD 0.5 billion). For 2006, total catch is expected to decrease somewhat due to changes in catch quotas.

The fishing of Norwegian groundfish is regulated bilaterally within the Joint Russian-Norwegian Fisheries Commission. Regulations include the setting of total allowable catches (TACs) and national quotas for Russia and Norway. When setting these quotas for cod, the Commission has repeatedly set higher quotas than those recommended by the International Council for Exploration of the Seas (ICES). The Norwegian quota for 2005 was set at 218,700 MT, compared with 224,600 MT for 2004. For 2006, the quota is set at 212,700 MT.

Cod accounts for the major share of Norwegian groundfish catch. In 2005, the cod catch amounted to 224,197 MT compared to 225,542 MT in 2004. In 2006, cod catch is expected to decrease as a result of a lower TAC. For the first eight months of 2006, the cod catch has declined by 8 percent.

While Norway exceeds its national quota for cod, the haddock catch is traditionally within quota. The 2005 Norwegian quota for haddock was 80,148 MT; the quota for 2006 is set at 72,973 MT. Actual haddock catch in 2005 decreased to 62,945 MT, from 63,668 MT in 2004.

Over the past decade, the disposition of catch has changed. The volume of fish sold frozen is increasing while less seafood is sold fresh. About 35 percent of total catch goes to the frozen fish market, 10 percent to the fresh fish market, 40 percent is utilized for meal and oil production and the remainder for other use. About ten years ago, only 21 percent of total catch went to the frozen market while 29 percent was sold as fresh fish. It should be noted, however, that this trend seems to be changing with rising interest in fresh fish, especially fresh filets.

### ***Farmed Cod***

The possibility of farming cod has longed been discussed in Norway. The first serious attempts to farm cod in 1975 proved to be unprofitable. Thanks to rising market prices for cod in recent years, the economics of cod farming has become much more favorable. Norwegian production of farmed cod is small but increasing rapidly. In 2004, production amounted to about 3,200 MT. In 2005, production reportedly amounted to about 5,000 MT. The industry hopes to supply export markets with fresh cod year-round. Reduced supply of wild cod is also an important factor in promoting increased production.

## The Fishing Industry

Currently, Norway has a fishing fleet of 7,729 vessels. The industry employs 14,785 fishermen, with 80 percent of them claiming fishing as their main occupation. In comparison, within the aquaculture industry approximately 3,285 fish farming licenses were issued in 2005, employing about 4,119 workers.

The fish processing industry consists of small and medium sized companies situated along the Norwegian coast. There are about 693 processing plants employing approximately

13,500 workers. Norway's high labor costs coupled with reduced access to the EU market for Norwegian salmon has resulted in increased concentration of ownership interests and relocation of processing facilities to low-cost countries and within the EU.

## CONSUMPTION

Norwegian domestic annual consumption of fish amounts to about 23.3 kg per person or about 107,000 MT in total. Of this, about 10% is private catch and 15% is served in restaurants. While total consumption has not increased in past years, consumption of filets and other cuts has increased.

## TRADE

In 2005, total Norwegian fish exports amounted to NOK 31.7 billion (USD 4.9 billion), an increase of 11 percent compared to 2004. In volume, fish exports amounted to 2.0 million MT. Exports to Russia increased substantially, by 47 percent and Russia is now Norway's largest individual export market, taking about 12 percent of the total, followed by Denmark and France.

While the EU accounts for 59 percent of Norwegian fish exports and is, by far, the most important market for Norwegian fish exporters, non-EU markets are growing fast. In 2005, seafood exports to non-EU countries increased their relative share of seafood exports by two percent to 41 percent.

Despite the strengthening of the NOK, growth in Norwegian seafood exports is continuing thanks to increased salmon demand in the major export markets. Salmon and cod are the most important species exported from Norway to world markets, accounting for more than half of total 2005 export value. Norwegian salmon alone represented 42 percent of total export value and was shipped to more than 50 countries.

### Norwegian Salmon Exports

Norway's total salmon exports increased again in 2005, reaching a record level of 469,242 MT valued at NOK 13.4 billion (USD 2.1 billion), compared to 440,645 MT valued at NOK 11.2 billion (USD 1.7 billion) in 2004. A major part, almost 90 percent, of Norwegian salmon is exported whole. In 2005, exports of whole salmon amounted to 414,011 MT, compared to 379,915 MT the year before. Exports to Denmark, Japan and Germany decreased while exports to other big export markets like Russia, France, Germany, UK and Poland increased. Exports to the United States decreased to 1,743 MT, from 2,066 MT in 2004.

The first six months of 2006, salmon exports have continued to grow. Prices of whole salmon have been higher than last year thanks to increased demand in Norway's most important export markets. Exports to the EU increased the first six months by NOK 1.9 billion to NOK 6.15 billion, the strongest growth being in France. Implementation of the EU's minimum import prices (MIP) for Norwegian salmon on July 1, 2005 has not affected exports to the EU as market prices exceed the MIP. Exports to Ukraine increased in value from NOK 89 million to NOK 103 million.

For about 15 years, Norwegian exports of salmon to the United States have been hampered by U.S. sanctions in the form of anti-dumping and countervailing duties, amounting to about

25%. In terms of price, Norwegian salmon cannot compete within the U.S. market with salmon from Chile and Canada. However, Norway has managed to secure a niche market for some of its products. Norwegian exporters are adjusting to U.S. consumer preferences by supplying the market with fish in a filleted and ready-to-eat form.

### **Russian Ban on Norwegian Fish**

Exports to Russia have decreased the first six months of this year due to Russia's import restrictions on fresh Norwegian salmon. On January 1, 2006, Russia banned import of fresh fish from Norway. Russian veterinary authorities reported findings of high values of lead and cadmium in Norwegian farmed salmon (GAIN NO6001). Since then, Norwegian establishments that have undergone successful veterinary inspections by Russian authorities are permitted to export fresh fish to Russia. Currently, eight Norwegian establishments are approved. On September 7, 2006, the Russian veterinary authorities announced the Norwegian Food Safety Authority that it is planning to impose further restrictions on Norwegian seafood exports. From October 1, 2006, all seafood exports to Russia, including chilled and frozen, must come from an establishment approved by the Russian veterinary authority. The Norwegian government reacted to this new requirement with great concern and is trying to reach a solution with the Russian government.

### **Norwegian Groundfish Exports**

Norwegian exports of whole groundfish increased by 18 percent to 78,823 MT in 2005 while exports of groundfish fillets increased by 36 percent to 4,206 MT. Cod is the major groundfish species in Norway and accounts for the majority of groundfish exports. The largest markets for Norwegian cod are Portugal, Denmark and Italy. Due to increased competition in frozen fillets from low cost countries like China, Norway is exporting more fresh fillets, which is possible thanks to its proximity to the most important markets. So far this year, exports of fresh cod fillets have increased by almost 10 percent.

In 2005, Norwegian exports of groundfish to the United States decreased by 30 percent to 3,279 MT while exports of groundfish fillets increased by 4 percent to 3,155 MT. Exports of whole salmon to the United States decreased by 15 percent to 1,743 MT. The decline has continued in 2006.

### **MARKETING**

Norway's imports of fish and seafood amounted to USD 316 million in 2005. The majority of imports are utilized by the aquaculture or processing industry for export products. There is, nevertheless, a market for "specialty products" such as scallops, mussels, oysters, live and frozen squid. These products are mainly intended for the retail and hotel, restaurant and institutional (HRI) trade. About 75 percent of consumer seafood products are distributed through retail outlets and specialty stores, while the remainder goes to the HRI market. Retailers, specialty stores and the HRI market are supplied through both direct distribution (52 percent) and wholesalers (48 percent).

STATISTICAL SECTION

Export Trade Matrix Norway, Salmon, Whole/Eviscerated

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Exports for:	<input type="text" value="2004"/>		<b>2005</b>
U.S.	<input type="text" value="2066"/>	U.S.	<input type="text" value="1743"/>
Others		Others	
Denmark	65274	Denmark	55776
France	52354	France	67688
Russia	33212	Russia	46418
Germany	25009	Poland	33078
Japan	22111	Spain	25773
Poland	22754	Germany	21336
Spain	22315	Japan	20056
UK	16984	UK	32100
Netherlands	16752	Netherlands	17000
Finland	16019	Finland	12500
Total for Others	292784		331725
Others not Listed	<input type="text" value="85065"/>		<input type="text" value="80543"/>
Grand Total	379915		414011

Import Trade Matrix Norway, Salmon, Whole/Eviscerated

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Imports for:	<input type="text" value="2005"/>		<b>2006</b>
U.S.	<input type="text"/>	U.S.	<input type="text"/>
Others		Others	
Total for Others	0		0
Others not Listed	<input type="text"/>		<input type="text"/>
Grand Total	0		0

Export Trade Matrix Norway, Groundfish, Whole/Eviscerated

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
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Exports for:	<input type="text" value="2004"/>	<b>2005</b>	
U.S.	<input type="text" value="4132"/>	U.S. <input type="text" value="3279"/>	
Others		Others	
Denmark	22820	Denmark	19281
UK	9551	China	11155
China	8293	UK	7019
Portugal	6801	France	7537
France	5444	Portugal	4465
Germany	2347	Sweden	1998
Canada	1385	Germany	1495
Sweden	1294	Canada	562
Netherlands	1137		
Total for	59072		53512
Others			
Others not Listed	<input type="text" value="3690"/>		<input type="text" value="22032"/>
Grand Total	66894		78823

**Import Trade Matrix Norway, Groundfish, Whole/Eviscerated**

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Imports for:	<input type="text" value="2004"/>	<b>2005</b>	
U.S.	<input type="text" value="12337"/>	U.S.	<input type="text" value="11332"/>
Others		Others	
Russia	31300		24766
Total for	31300		24766
Others			
Others not Listed	<input type="text" value="1251"/>		<input type="text" value="1525"/>
Grand Total	44888		37623

**Export Trade Matrix Norway, Groundfish, Fillets**

Time Period	<input type="text" value="CY"/>	Units:	<input type="text" value="MT"/>
Exports for:	<input type="text" value="2004"/>	<b>2005</b>	
U.S.	<input type="text" value="3022"/>	U.S.	<input type="text" value="3155"/>
Others		Others	
UK	13935	France	13878
France	4435	Uk	10232
Sweden	2469	Sweden	7097
Denmark	878	Denmark	4881
Germany	711	Germany	3112
Total for	22428		39200
Others			
Others not Listed	<input type="text" value="4572"/>		<input type="text" value="6952"/>
Grand Total	30022		49307

**Import Trade Matrix Norway, Groundfish, Fillets**

Time Period:  Units:   
 Imports for:  **2005**  
 U.S.:  U.S.:

Others		Others	
Russia	1301	Russia	1492
China	711	China	734
Thailand	459	Thailand	398
UK	142	Denmark	149
		UK	119
		Iceland	136
		Korea, south	69
		Sweden	34
Total for	2613		3131
Others			
Others not	<input type="text" value="482"/>	<input type="text" value="1025"/>	
Listed			
Grand Total	3098		4206

4206