



# Salmon farming

Status update: Global demand

**Lead Analyst:** martin.kaland@abgsc.no, +47 22 01 60 67

11 March 2021

Strictly Private & Confidential

*This document is for the use of the recipient only and should not be copied or distributed to any other person or entity. Please refer to important disclosures at the end of this presentation.*

# Agenda

Status update: Global demand

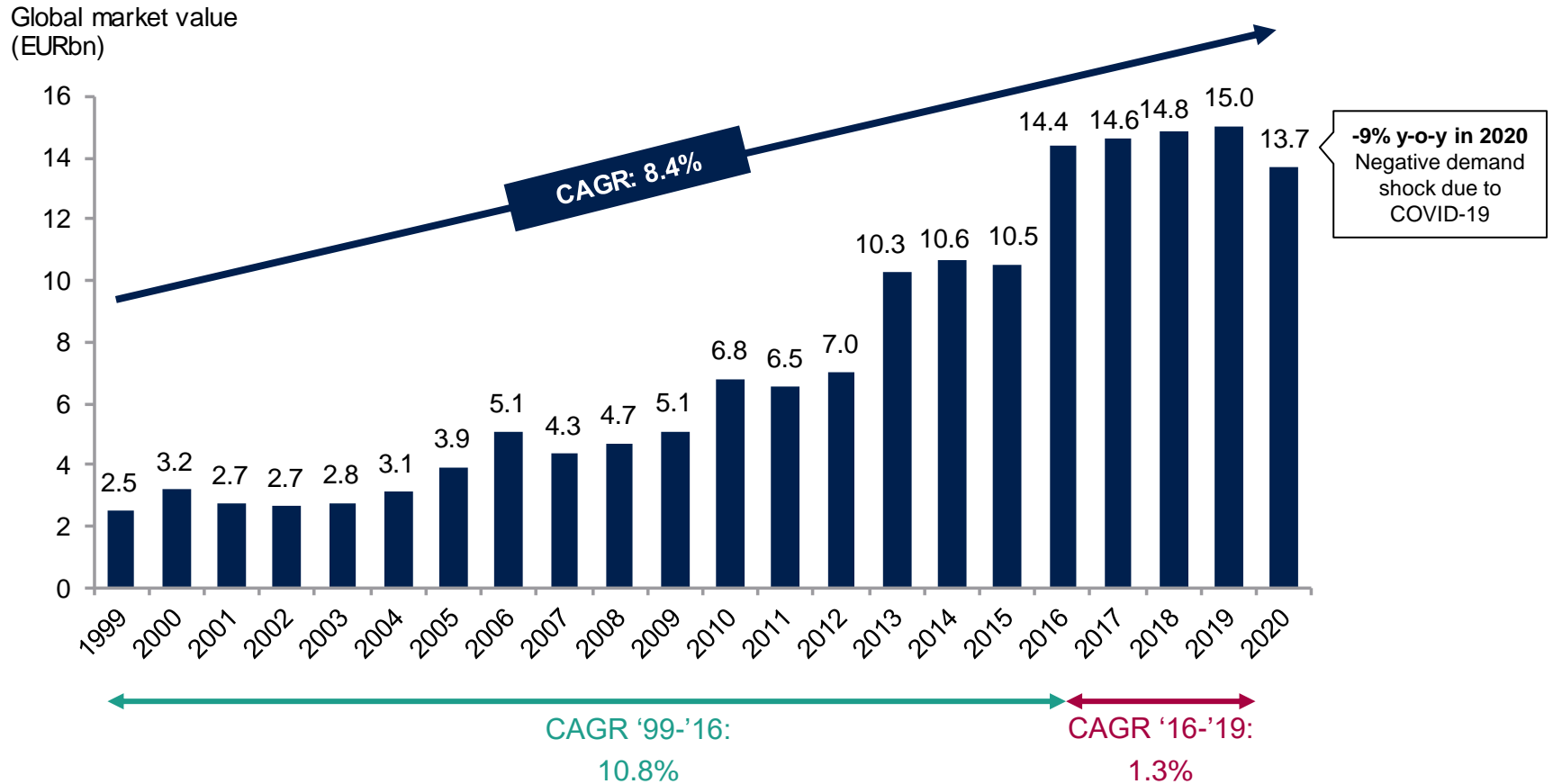
## 1 Supply and demand dynamics for Atlantic salmon

- 2 Short supply recap
- 3 Impact of COVID-19 on demand
- 4 The good, the bad and the ugly – a scenario analysis of the salmon price development going forward
- 5 Summary and concluding remarks

# Strong long-term trend for the Atlantic salmon market

Strong growth in total market value over time suggests solid demand, though weaker trend after 2016

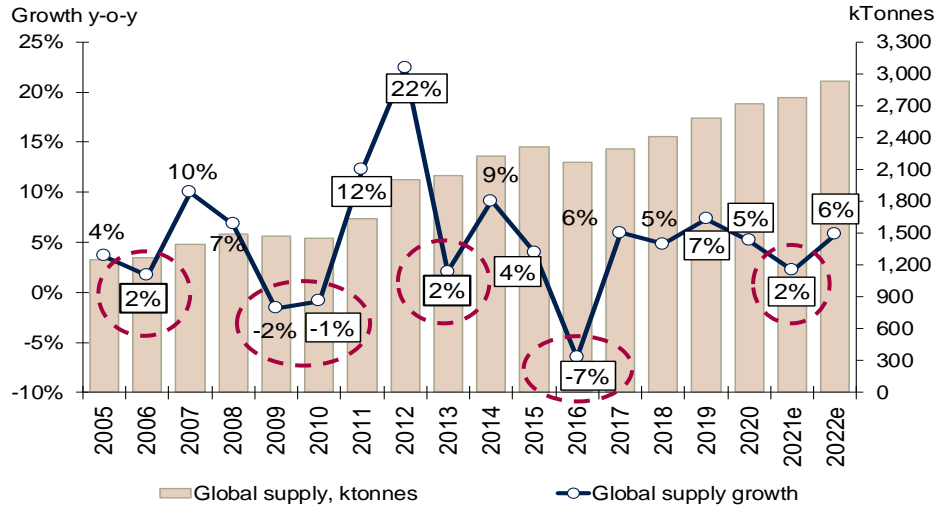
## Atlantic salmon - Global market value measured in EUR



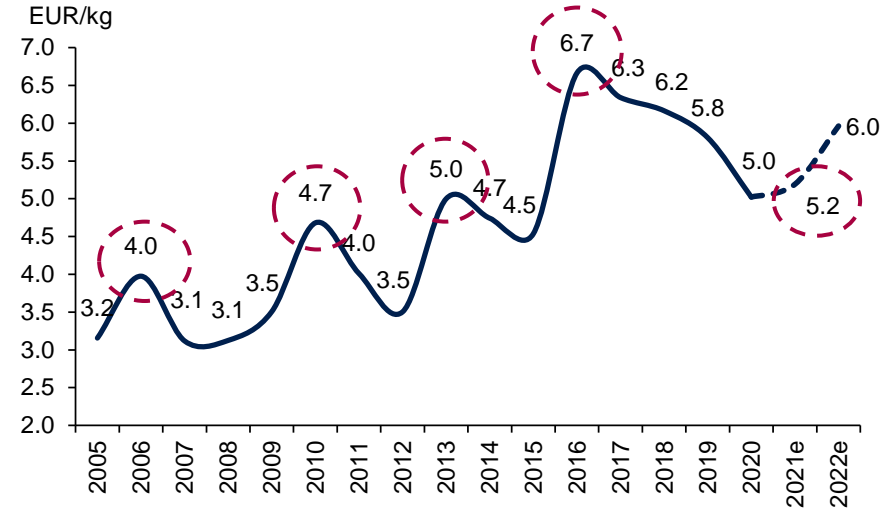
# Breaking down market value in volume and price

The big picture: Salmon farming is a supply driven industry

Global supply growth, Atlantic Salmon



Salmon price, Atlantic salmon, FCA Oslo (EUR/kg)



Salmon price primarily driven by supply growth – historical price jumps explained by low single digit supply growth

# How we think about demand for salmon

Demand can be interpreted as the salmon price changes not explained by supply

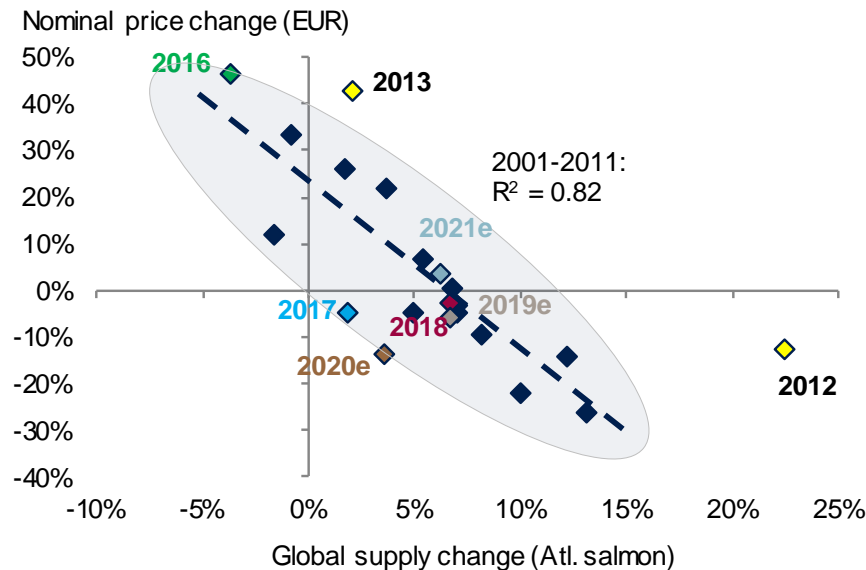
## Important characteristics of Atlantic salmon as a product

- Mainly marketed fresh and is a perishable product with limited storability (2-3 weeks shelf life)
- Hence, almost every harvested salmon is consumed, and consumption and production goes hand in hand
- This makes it challenging to observe underlying demand, but we can look at the historical salmon price reaction to changes in supply

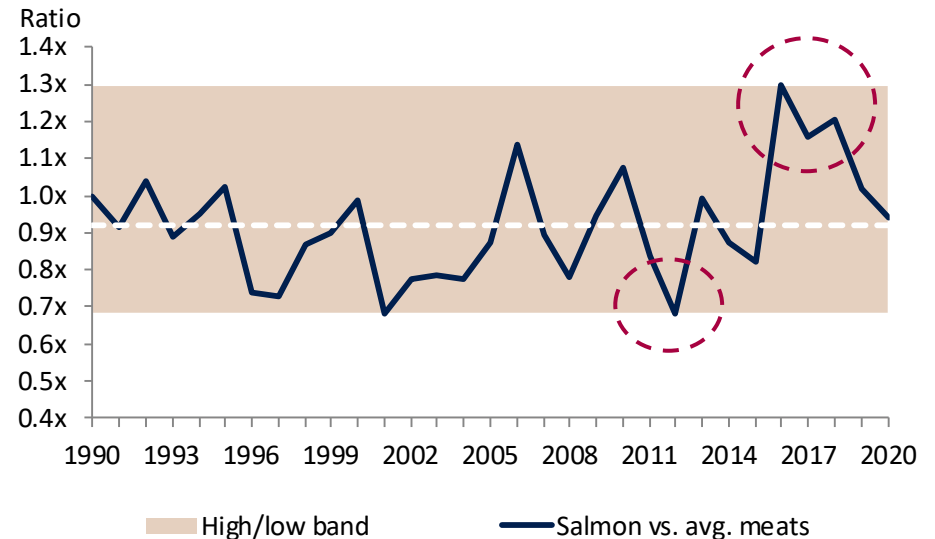
## Why have we seen weak price responses after 2016?

- The salmon price jumped from EUR 4-5/kg to EUR 6-7/kg
- Salmon became more expensive relative to other proteins
- The chart below illustrates how relative pricing mattered in 2012-2013 when salmon was cheap vs. other proteins and expensive vs. other proteins from 2017-2019

## Global salmon supply vs. salmon price change



## Salmon price/meat price ratio 1990 – 2020

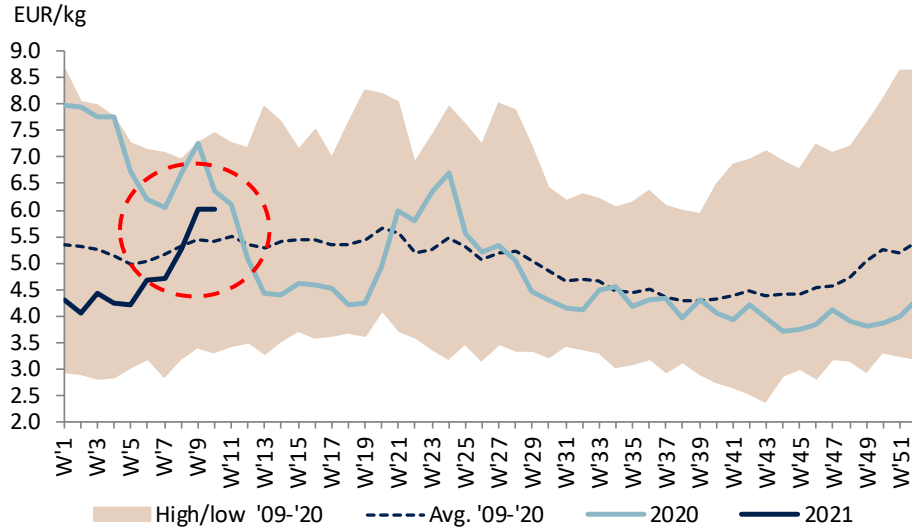


Note: The global supply change includes inventory effects

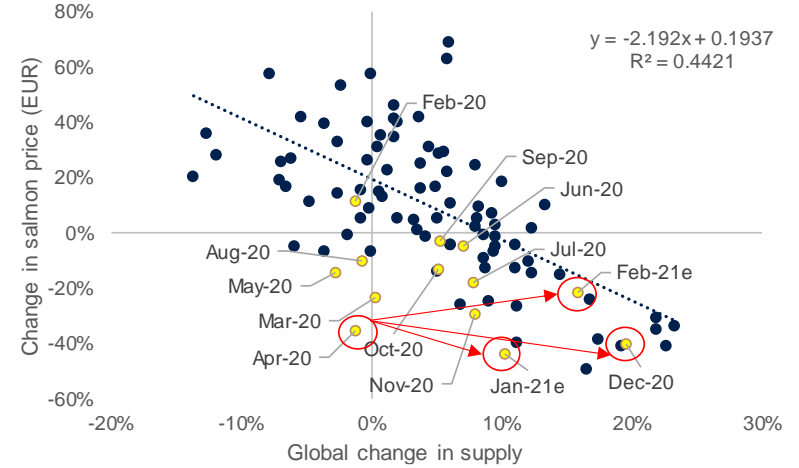
# Latest data points: surprising strong price increase...

...despite still low activity in foodservice - Strong supply growth coming down could be a relevant factor

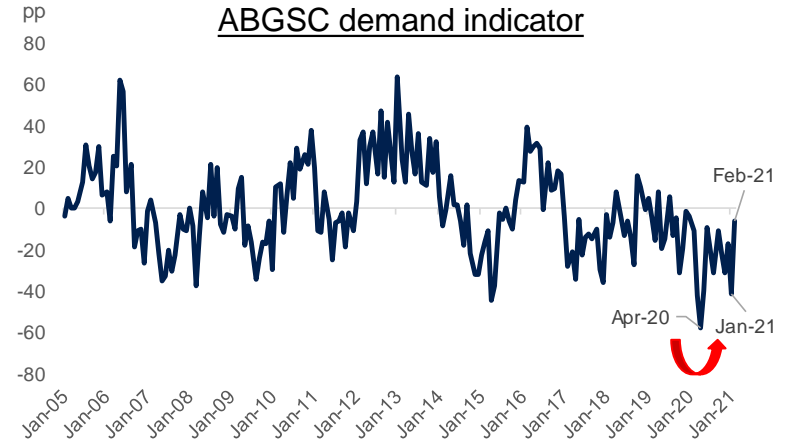
Salmon price in Europe, EUR/kg



Global salmon supply vs. salmon price change



ABGSC demand indicator



# Agenda

## Status update: Global demand

1 Supply and demand dynamics for Atlantic salmon

## 2 Short supply recap

3 Impact of COVID-19 on demand

4 The good, the bad and the ugly – a scenario analysis of the salmon price development going forward

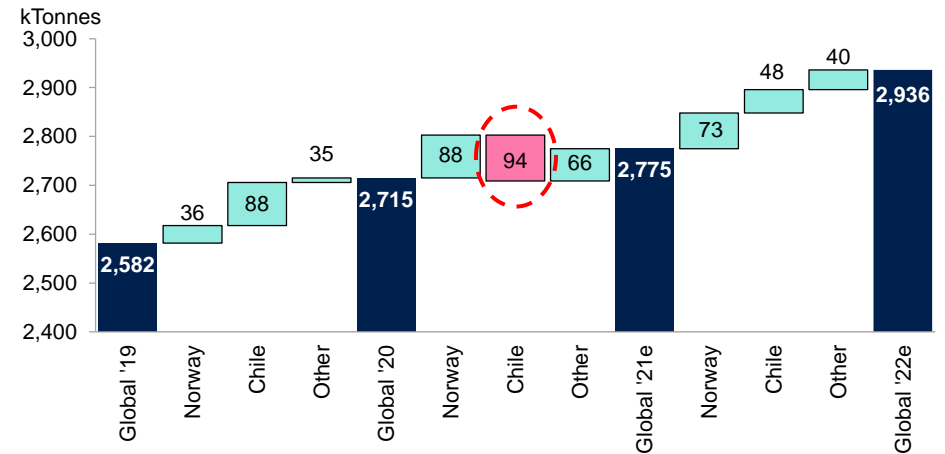
5 Summary and concluding remarks

# Low growth in global harvest volumes expected in 2021e

We expect +2% growth in global harvest volumes, primarily driven by lower volumes from Chile

ANNUAL SUPPLY FIGURES								
kTonnes WFE	2015	2016	2017	2018	2019	2020	2021e	2022e
<b>Global</b>	2,317	2,166	2,295	2,406	2,582	2,715	2,775	2,936
<i>y-o-y growth</i>	4%	-7%	6%	5%	7%	5%	2%	6%
<b>Norway</b>	1,234	1,171	1,208	1,253	1,333	1,369	1,457	1,530
<i>y-o-y growth</i>	3%	-5%	3%	4%	6%	3%	6%	5%
<b>Chile</b>	598	504	564	660	690	778	685	733
<i>y-o-y growth</i>	3%	-16%	12%	17%	5%	13%	-12%	7%
<b>UK</b>	166	157	177	154	191	181	204	210
<i>y-o-y growth</i>	-3%	-5%	13%	-13%	24%	-5%	12%	3%
<b>Canada</b>	135	146	139	146	138	141	141	146
<i>y-o-y growth</i>	42%	8%	-5%	5%	-6%	2%	0%	4%
<b>Faroës</b>	76	77	80	72	87	81	98	103
<i>y-o-y growth</i>	-9%	2%	4%	-11%	21%	-7%	21%	5%
<b>Other</b>	108	110	126	120	143	164	191	215
<i>y-o-y growth</i>	10%	2%	15%	-5%	19%	15%	16%	12%

## Global supply growth by region

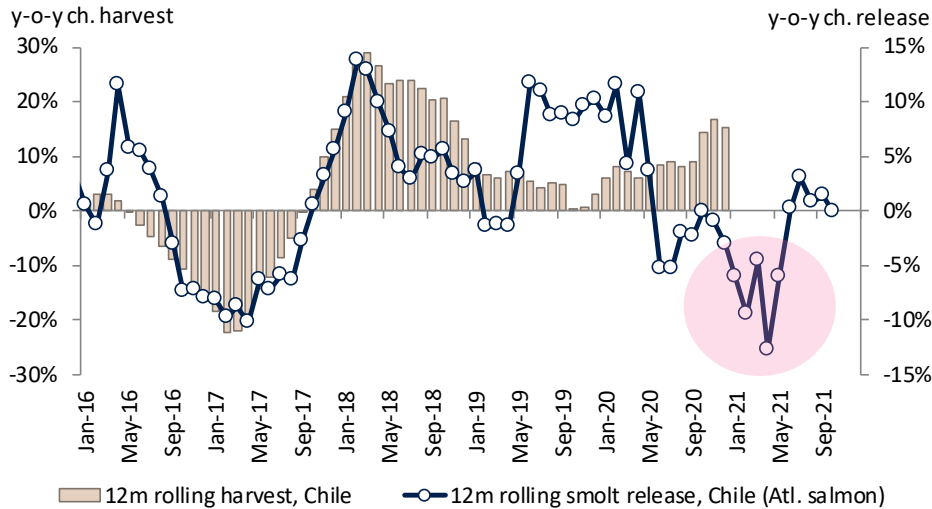




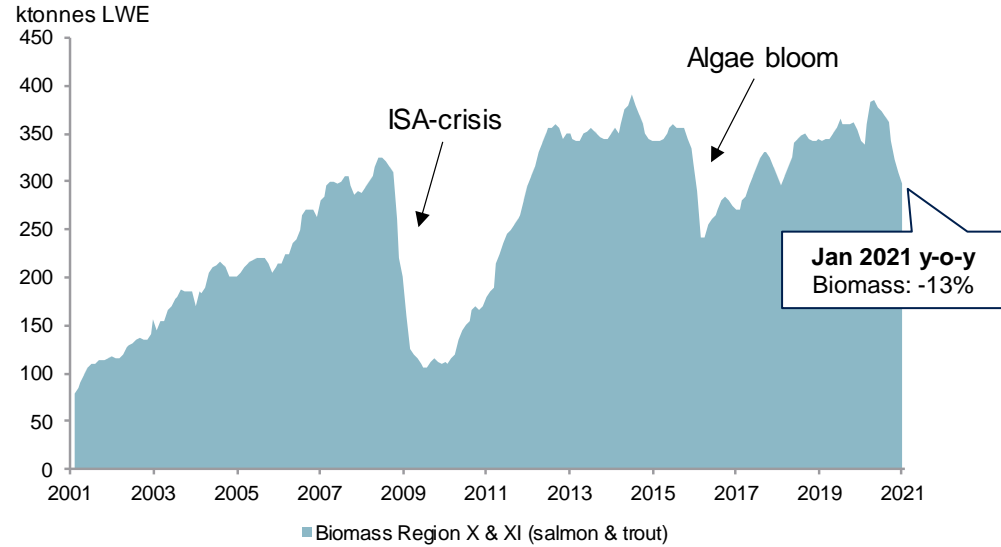
# Why Chilean harvest volumes are expected to come down

The most important leading indicator, smolt release, came down in the first half of 2020

Trailing 12m smolt release vs. harvest, Chile



Biomass and growth y-o-y, Chile



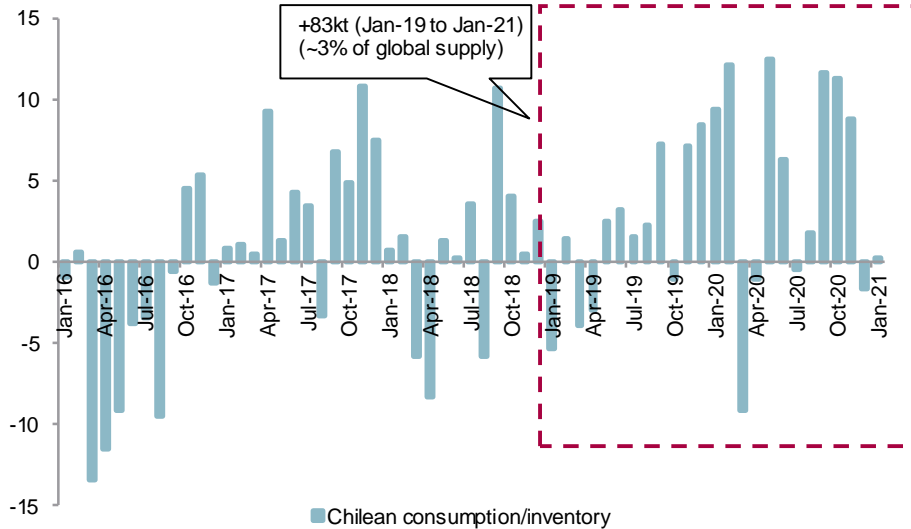
**Lower smolt release suggest lower harvest volumes short-term. Main risks:**

- 1) Strong smolt release in H2'20 which could be ready for harvest in H2'21
- 2) Record strong KPIs could continue to improve
- 3) Frozen inventories to drive effective supply growth higher

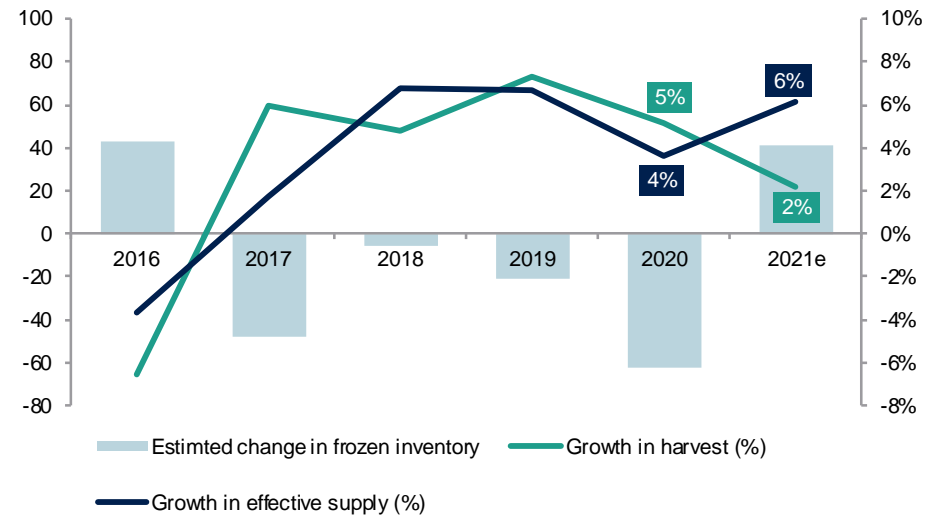
# Don't forget frozen inventories

Frozen inventories to bring effective supply growth higher than harvest volumes

Estimated inventory build-up Chile (harvest-exports)



Estimated change in inventory and effective supply growth



We expect inventory release to lift effective supply growth to +6% in 2021e, well above +2% in harvest volumes

# Agenda

## Status update: Global demand

- 1 Supply and demand dynamics for Atlantic salmon
- 2 Short supply recap

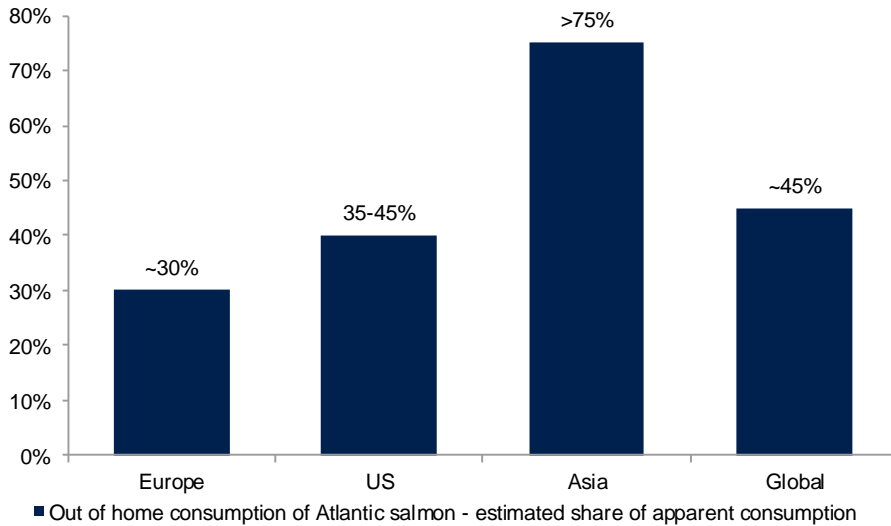
### 3 Impact of COVID-19 on demand

- 4 The good, the bad and the ugly – a scenario analysis of the salmon price development going forward
- 5 Summary and concluding remarks

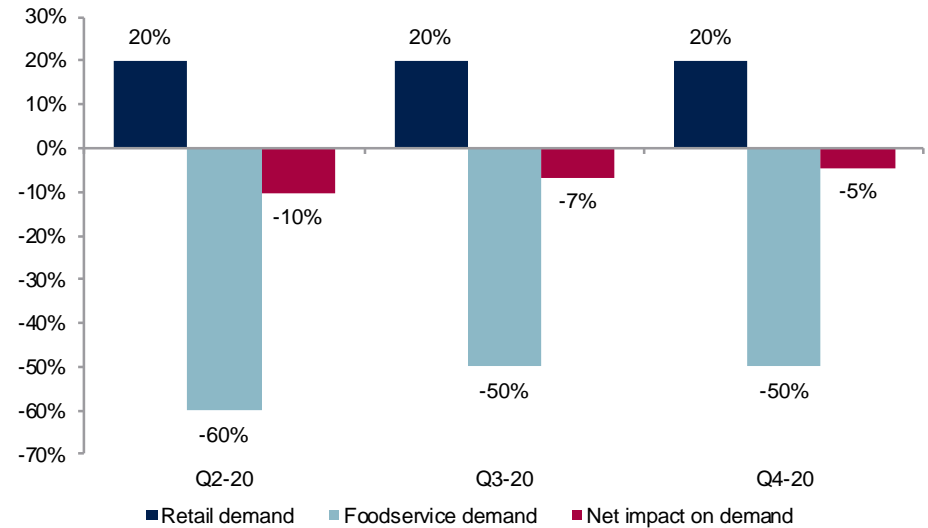
# Strong retail demand not enough to offset drop in foodservice

Demand estimated down 7-10% early in the pandemic, and now closer to 5% in Q4-2020

Foodservice consumption in key markets (% of consumption)



Development in net impact on demand since Q2-2020

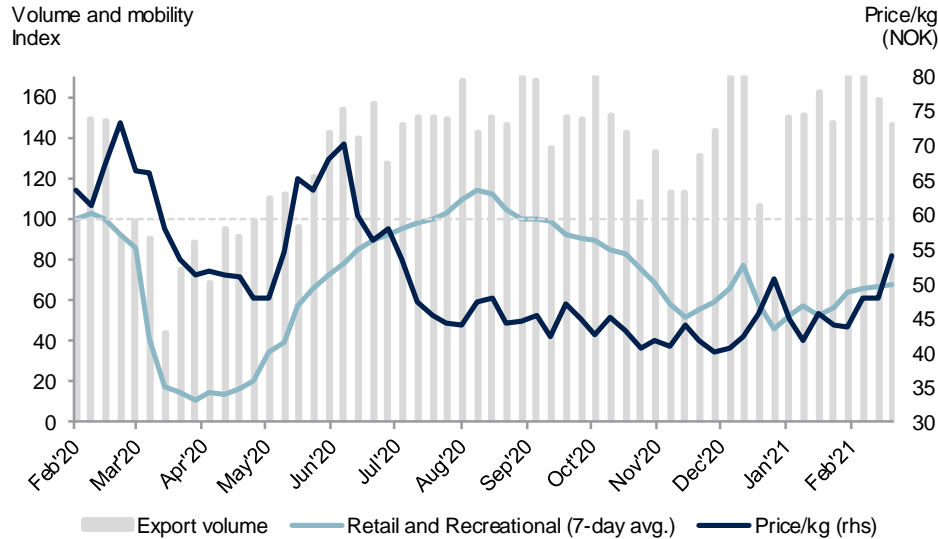


**Retail demand for more elaborated products remains strong**  
**Foodservice is still running at low activity levels due to prolonged measures against COVID-19**

# Status update for HORECA using mobility data for restaurants

Mobility data in restaurants illustrates the importance of foodservice for the salmon price

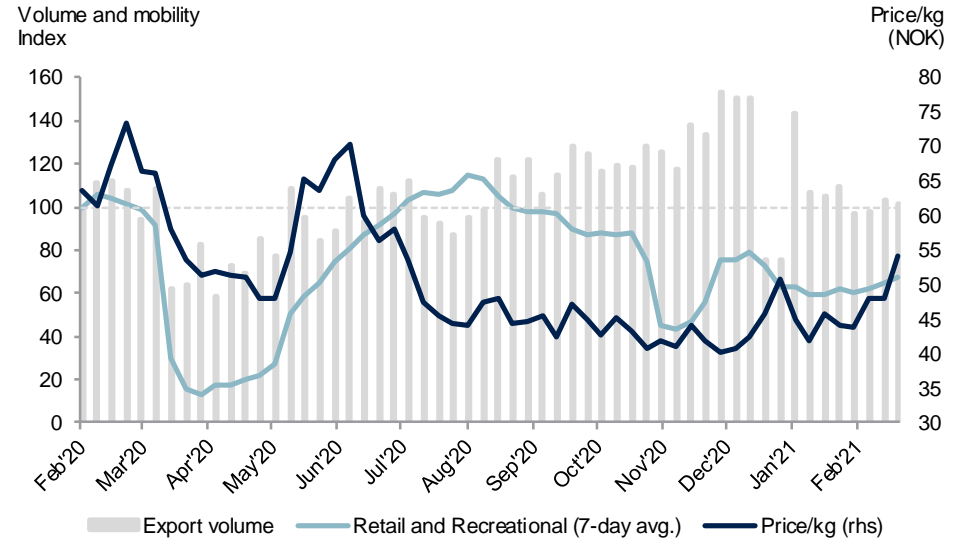
## Italy: Activity in restaurants vs. salmon price



First round of lockdown. Price and volumes dropped.

Second round of lockdown. Low price and soft volumes

## France: Activity in restaurants vs. salmon price



First round of lockdown. Price and volumes dropped.

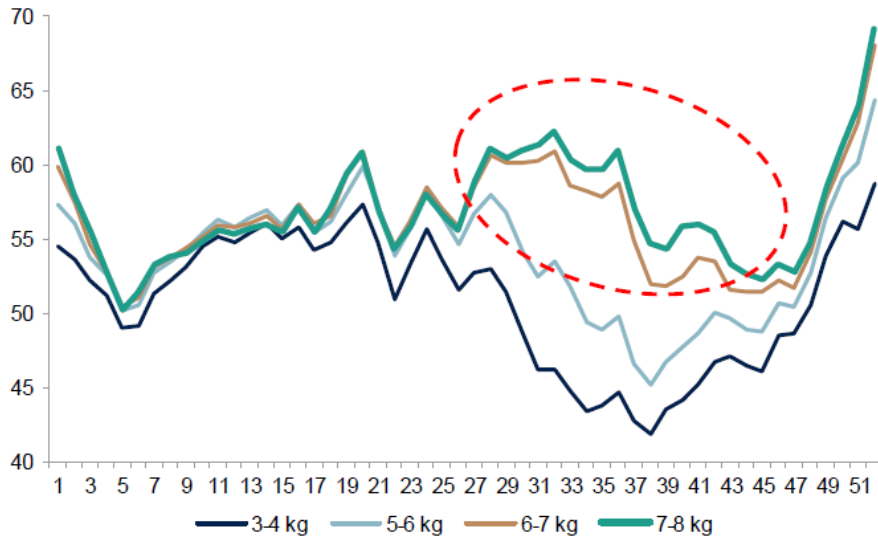
Second round of lockdown. Lower price, but higher volumes

Quick price recovery when restrictions were eased in May-June 2020 supports quick recovery when more countries re-open

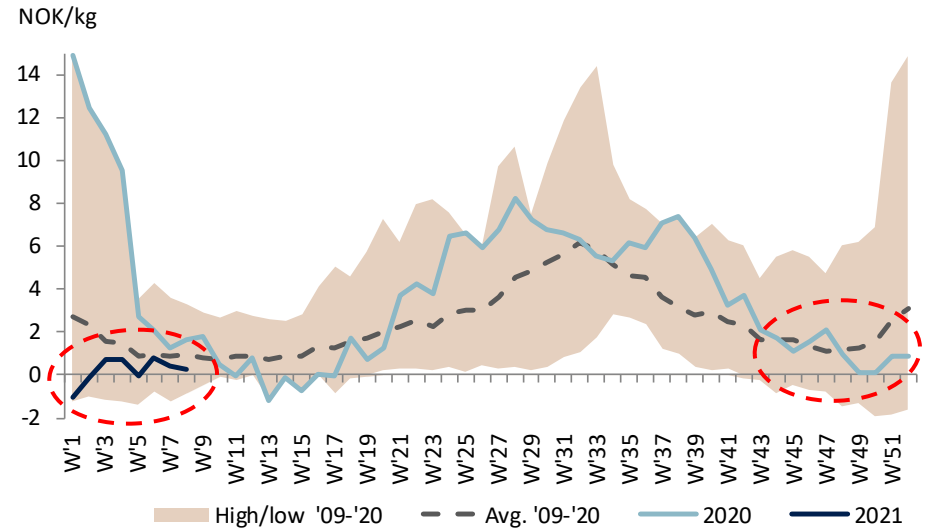
# Slow HORECA also visible in weak price premium for large fish

An indicator for HORECA-demand as this fish primarily is sold to this segment

Average price for large fish higher and more stable



Price spread 5-6kg vs. 3-4kg size (Norway)

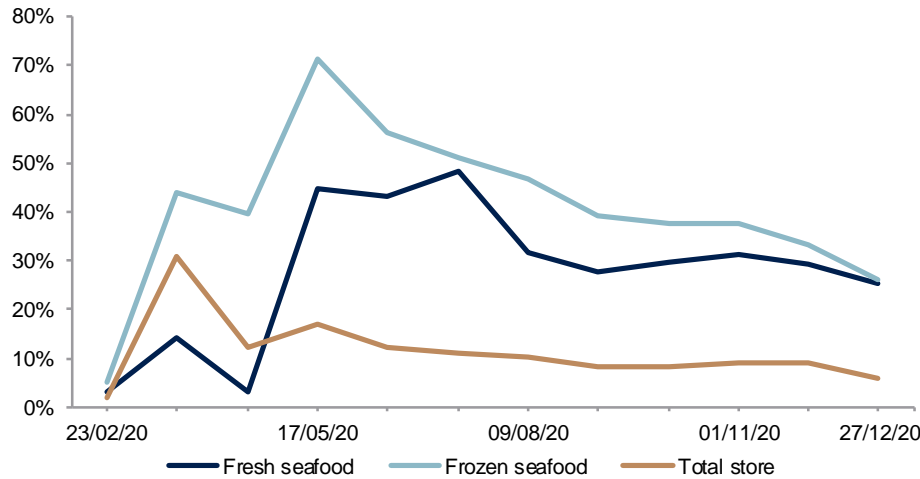


# Status update retail: recruiting new consumers

Data from the industry suggest that 50% of increased retail demand stems from new consumers

## Seafood sales at US retailers, growth y-o-y

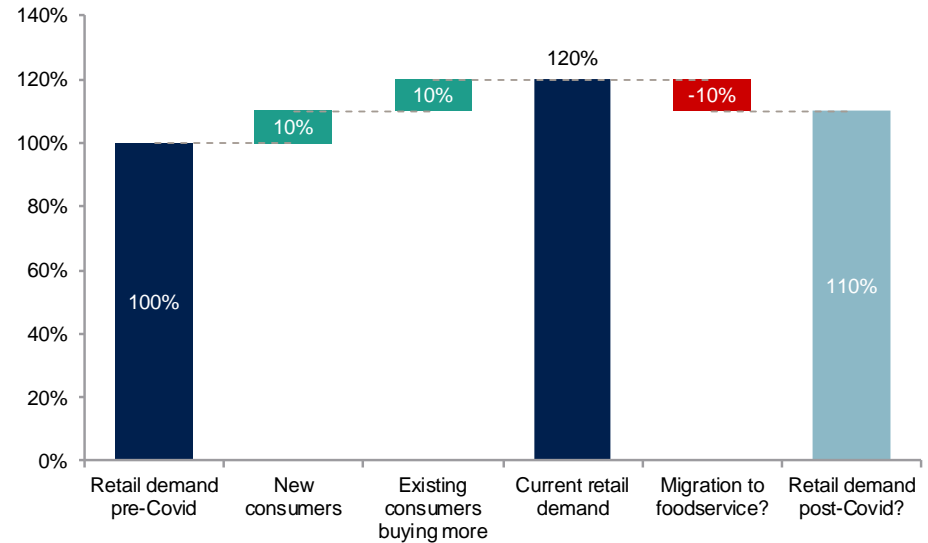
USA retail sales (y-o-y, %)



Grocery shoppers stocking up on seafood early in the pandemic

Fresh and frozen seafood up 25-30% vs. +6% for consumer-packed goods overall

## Salmon: Survey and panel data in favor of sticky demand

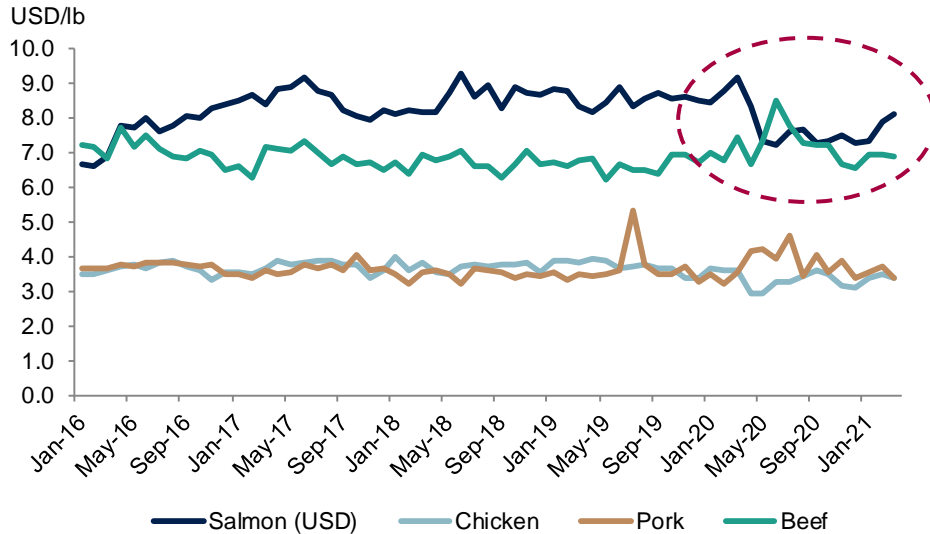


Consumer trends and habits in retail could prove sticky and result in higher retail demand also after foodservice is back

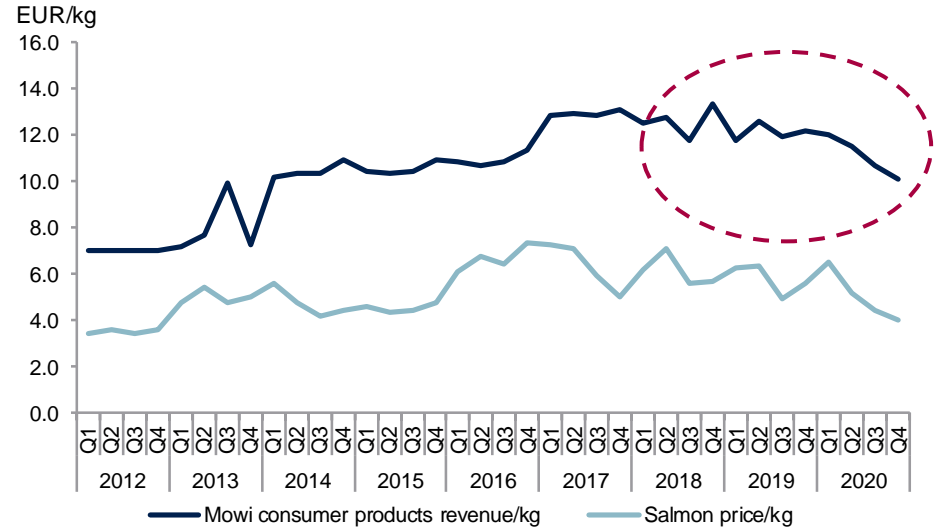
# Status update retail: positive demand impact from lower price

Prices to end-consumers are gradually coming down – Improved pricing of salmon vs. other proteins

US retail: Prices, boneless fillets/T-bone



Revenue/kg in Mowi's Consumer Products segment



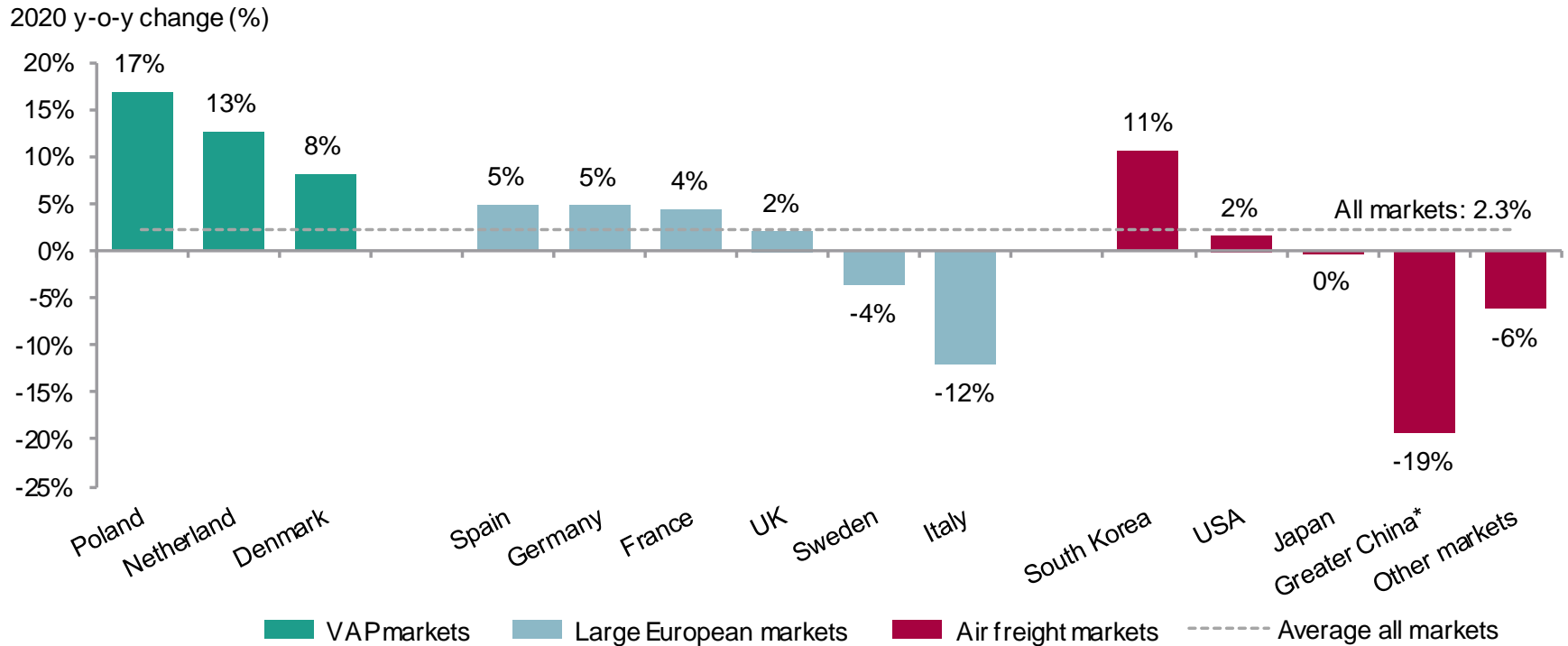
Lower prices to end-consumers to support demand for salmon going forward



# Regional differences: Which markets show strength?

Impact of COVID-19 also visible in Norwegian export statistics

**Norwegian exports of Atlantic salmon to selected markets in 2020, growth y-o-y**



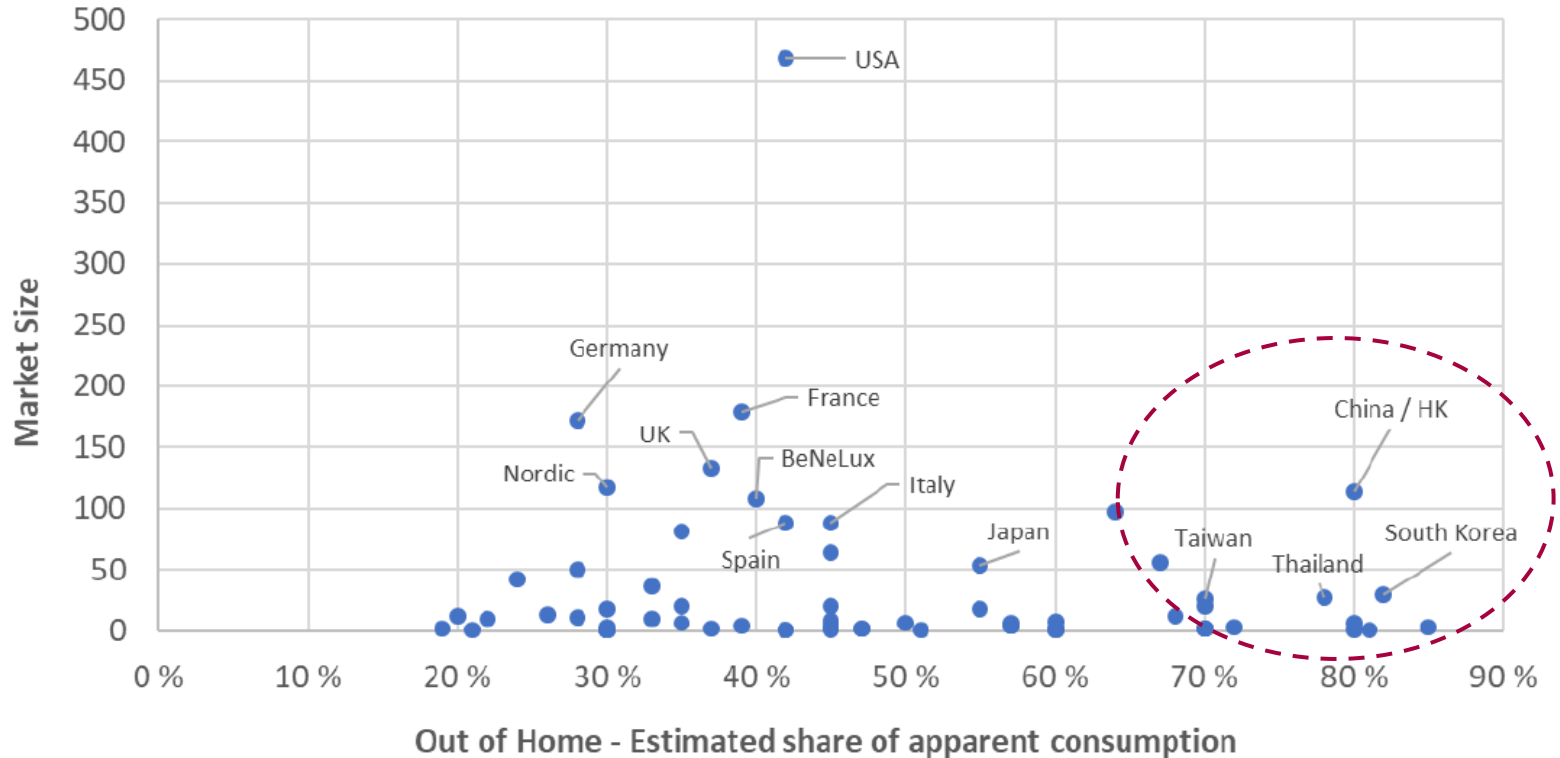
**Volume growth absorbed by value-added processors (VAP) – A reflection of demand allocated from foodservice to retail**

17 Source: ABG Sundal Collier, Norwegian Seafood Council  
 Note: Greater China includes China, Hong Kong, Thailand and Taiwan

# Regional differences: some important drivers

Share of HORECA consumption and airfreight costs/challenging logistics

**“Out of home” consumption by market, 2019e**

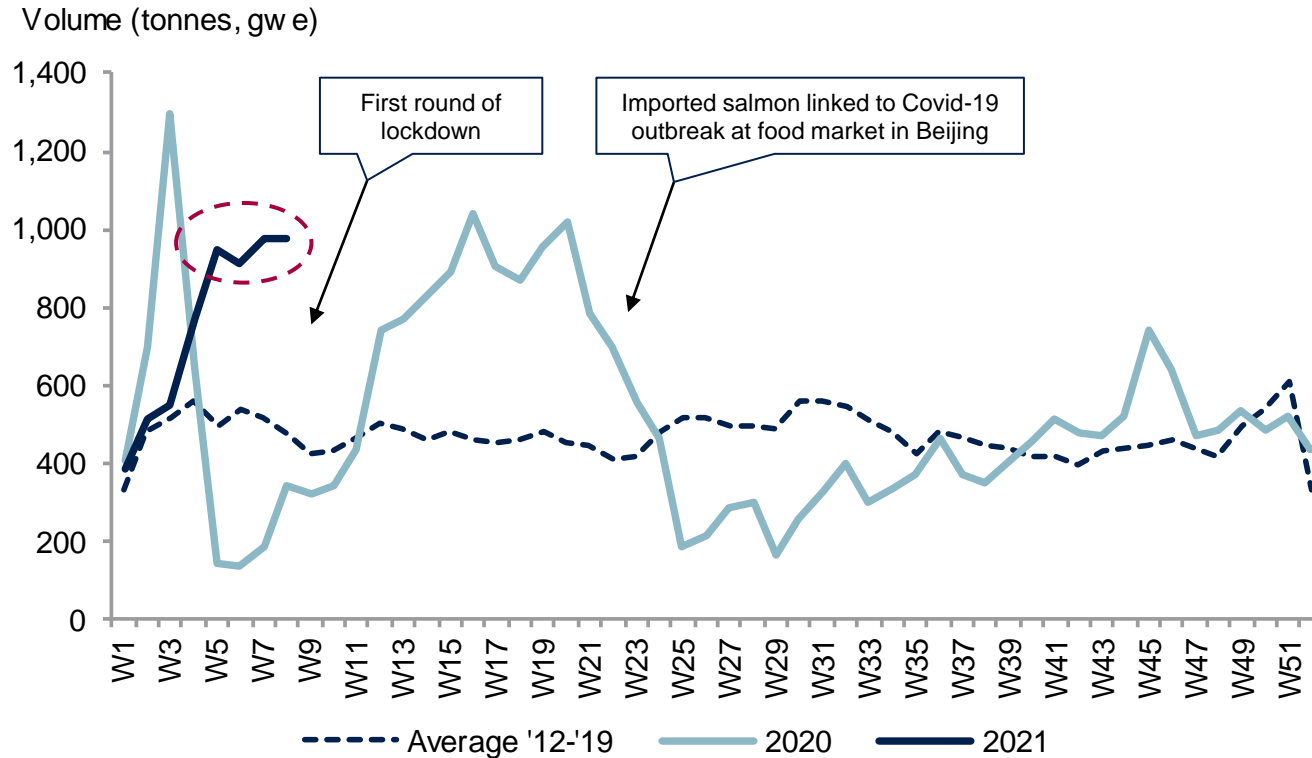


Lower Norwegian export volumes to “airfreight”-markets likely driven by a combination of high share of foodservice and more challenging and expensive logistics

# Case study: China and Hong Kong

Low demand in China driven by country specific events, but gradual recovery and strong trend in 2021

## China & Hong Kong: Weekly exports of fresh whole fish from Norway



More positive demand signals from Asia so far in 2021 and not only from China (South Korea holding up very well)

# Agenda

## Status update: Global demand

- 1 Supply and demand dynamics for Atlantic salmon
- 2 Short supply recap
- 3 Impact of COVID-19 on demand
- 4 The good, the bad and the ugly – a scenario analysis of the salmon price development going forward**
- 5 Summary and concluding remarks



# The good, the bad and the ugly

## Salmon price estimates in three different demand scenarios

### The good

#### Assumptions

- ABGSC «effective» supply estimates
- A significant positive demand impulse from March to December 2021
- Not observed since 2016, but supported by low salmon price vs. other proteins and relief post Covid-19

### The bad

#### Assumptions

- ABGSC «effective» supply estimates
- A neutral demand impulse, i.e. salmon price only determined by historical relationship to supply growth
- Does not fully reflect that we come from a low salmon price level in 2020

### The ugly

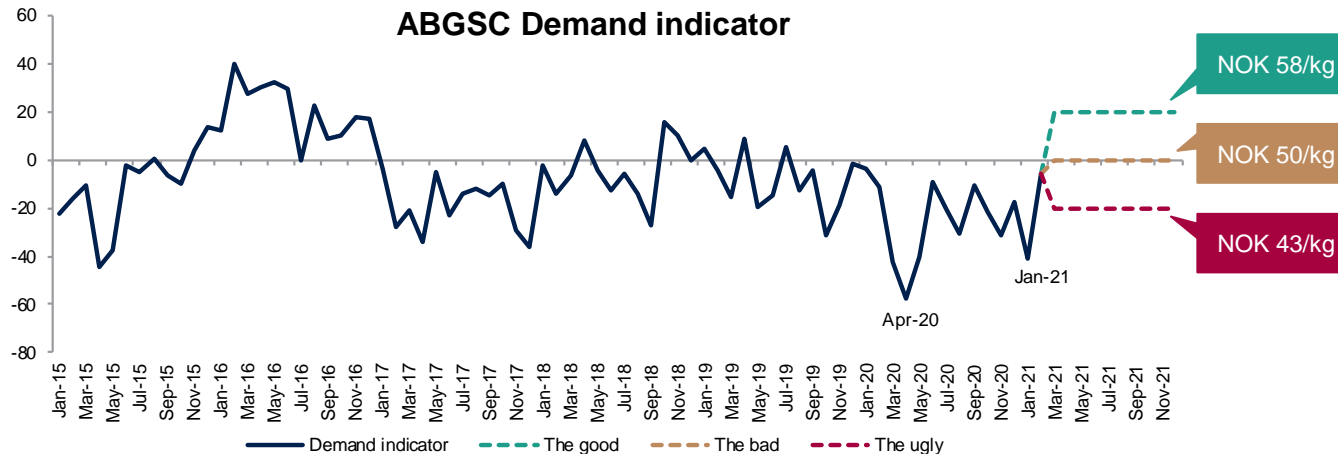
#### Assumptions

- ABGSC «effective» supply estimates
- A negative demand impulse similar to what we have seen in 2020
- Implies a salmon price in the low 40's through most of 2021

The good	Q1	Q2	Q3	Q4	FY'21
Salmon price	56	63	60	55	58

The bad	Q1	Q2	Q3	Q4	FY'21
Salmon price	53	52	51	46	50

The ugly	Q1	Q2	Q3	Q4	FY'21
Salmon price	49	41	42	39	43



# Agenda

## Status update: Global demand

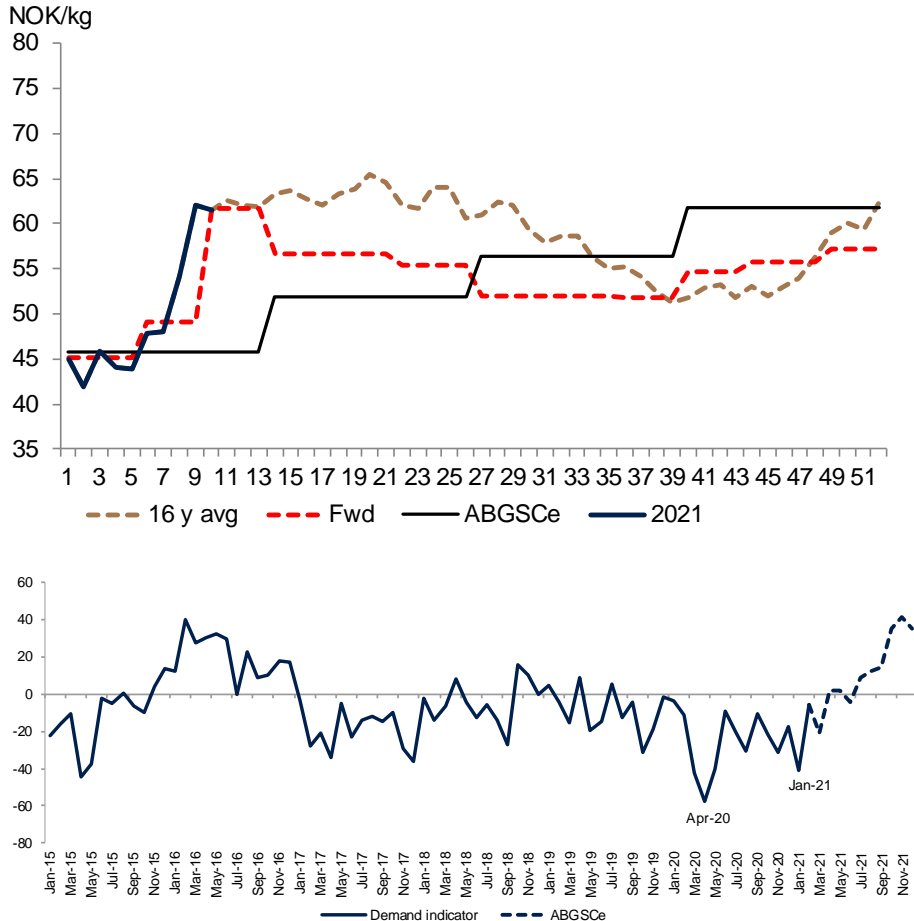
- 1 Supply and demand dynamics for Atlantic salmon
- 2 Short supply recap
- 3 Impact of Covid-19 on demand
- 4 The good, the bad and the ugly – a scenario analysis of the salmon price development going forward

## 5 Summary and concluding remarks





# ABGSCe price assumption for 2021 and 2022

We are above the forward curve in H2'21 – NOK 54/kg for 2021e and NOK 62/kg for 2022e





## ABGSC price assumption vs forward curve and seasonality



## Upside risks

-  Lower global supply growth
-  Faster and stronger HORECA recovery
-  Short-term boost in foodservice segment
-  Attractive price vs other protein

## Downside risks

-  Higher global supply growth
-  Slower HORECA recovery
-  Less sticky demand in the retail segment
-  Higher unemployment causes lower demand

---

### Norway

ABG Sundal Collier ASA  
Pb. 1444 Vika  
Munkedamsveien 45E  
7th floor  
NO-0115 Oslo

Tel +47 22 01 60 00  
Fax +47 22 01 60 60

---

### Sweden

ABG Sundal Collier AB  
Box 7269  
Regeringsgatan 65  
5th floor  
SE-103 89 Stockholm

Tel +46 8 566 28 600  
Fax +46 8 566 28 601

---

### United Kingdom

ABG Sundal Collier Ltd.  
St Martins Court  
5th floor  
10 Paternoster Row  
London EC4M 7EJ

Tel +44 207 905 56 00  
Fax +44 207 905 56 01

---

### Denmark

ABG Sundal Collier ASA  
Copenhagen Branch  
Forbindelsesvej 12, St.  
DK-2100 Copenhagen Ø

Tel +45 35 46 30 00  
Fax +45 35 46 30 10

---

### Germany

ABG Sundal Collier ASA  
Frankfurt Branch  
Schillerstrasse 2  
5. Obergeschoss  
DE-60313 Frankfurt /Main

Tel +49 69 96 86 96 00  
Fax +49 69 96 86 96 99

---

### USA

ABG Sundal Collier Inc.  
850 Third Avenue  
Suite 9-C  
New York  
NY 10022

Tel +1 212 605 38 00  
Fax +1 212 605 38 01

---

### Singapore

ABG Sundal Collier Pte Ltd  
10 Collyer Quay  
Ocean Financial Center  
#40-07, Singapore 049315

Tel +65 6808 6082

This material has been prepared by ABG Sundal Collier ASA, or an affiliate thereof ("ABGSC").

This material is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the materials. It should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this material are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of ABGSC as a result of using different assumptions and criteria. ABGSC is under no obligation to update or keep current the information contained herein. ABGSC, its directors, officers and employees' or clients may have or have had interests or long or short positions in the securities or other financial instruments referred to herein and may at any time make purchases and/or sales in them as principal or agent. ABGSC may act or have acted as market-maker in the securities or other financial instruments discussed in this material. Furthermore, ABGSC may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant companies. Neither ABGSC nor any of its affiliates, nor any of ABGSC' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material.

© 2021 ABG Sundal Collier ASA. All rights reserved. ABG Sundal Collier ASA specifically prohibits the redistribution of this material and accepts no liability whatsoever for the actions of third parties in this respect.



**ABG**  
SUNDAL COLLIER