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Fishery Products

SARS Causes Problems for Seafood Industry

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Report Highlights:
The Australian seafood industry is facing sharply reduced sales to major export markets in Hong Kong, Chinese Taipei, Singapore and China as a result of the recent SARS outbreak.

Includes PSD changes: No
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Canberra [AS1], AS

The Severe Acute Respiratory Syndrome (SARS) outbreak is having widespread economic effects in the region. Tourism in the Asia region, which was already negatively impacted by the war in Iraq, has been further damaged by the SARS outbreak. Australian agricultural interests are now reporting declining exports to the Asia region, attributed in part to the SARS outbreaks. Specifically, the Australian seafood industry is facing sharply reduced sales to major export markets in Hong Kong, Chinese Taipei, Singapore and China. These export difficulties have been further exacerbated due to a recent surge in the value of the Australian dollar, which has lowered returns for Australia's U.S. dollar-denominated exports.

SARS Causing Difficulties for Australia's Seafood Industry

New export markets are being sought by the Australian seafood industry as export demand has fallen and seafood prices have plummeted due to the SARS epidemic. Since the April 2003 outbreak of SARS in Asia, export demand for seafood has reportedly fallen significantly as consumers attempt to avoid infection by not eating out in public places. Industry sources claim that if the SARS crisis worsens and prices continue to fall, a large segment of the Australian seafood industry will no longer be viable.

As seafood prices fall, boats are sitting idle, workers have been laid off and seafood businesses have closed. The West Australian Rock Lobster Council reports that prices for lobster have fallen from US$22 to US$8. Coral trout, a popular Australian fisheries export, which would normally fetch US$25/kg, is now priced below US$10/kg.

Concern is growing about the lack of airfreight capacity to alternative markets, such as the U.S. and Japan, with airlines operating fewer flights. Airfreight to these markets is now at a premium as exporters divert produce away from China and Hong Kong. Concern is also growing that increased supply to alternative markets could lead to reduced returns for these exports.

Amid industry fears that the fishing industry will collapse, fishermen have asked state governments for assistance. At this stage, it does not appear that any financial assistance will be forthcoming. However, assistance in developing new markets and help with business planning is likely to be provided by some state governments.

The Federal Government is hoping an increase in domestic consumption will curb the growing crisis. The situation is seen as a benefit for domestic consumers, as the market is being flooded with inexpensive premium seafood that would normally go overseas.

The SARS outbreak has reinforced to the Australian seafood industry that they need to expand beyond Asian markets and target other premium markets, particularly the United States. The Federal Government is urging seafood producers to target the lucrative U.S. market by using the guide titled, "A$34 billion reasons to access the US seafood market," which was actually launched, in February 2003, prior to the SARS-related difficulties. A copy of this guide is available at: http://www.affa.gov.au/corporate_docs/publications/pdf/fisheries/34billion.pdf

Exports are Important for Australia's Seafood Industry

Australia's major commercial seafood species are prawns, rock lobster, abalone, tuna, other finfish, scallops, and oysters. The gross value of Australian seafood production (including aquaculture) is about $A2.4 billion (approx. $US1.5 billion) annually, with fish accounting for about 36 percent, crustaceans 41 percent, and molluscs the remaining 22 percent.

A significant proportion of Australia's seafood production is exported, with annual export value of edible products normally totaling about $A1.7 billion. Rock lobster is the leading export item, accounting for about 30 percent of this total. Other major export items include prawns, whole tuna and abalone.

Australia's exports of edible seafood products have risen significantly in recent years. Between 1988/89 and 2001/02, the total volume of exports rose by 74 percent, with the real value of exports rising by 91 percent. The bulk of Australia's exports (around 90 percent) are to six markets: Japan, Hong Kong, Chinese Taipei, the United States, China and Singapore.

Japan is Australia's largest export market, however, with the development of other markets in the Asian region, its market share has dropped from 58 percent in 1988/89 to 42 percent in 2001/02. Over the same period, Hong Kong's share of edible fisheries products rose from about 18 percent of the total to 27 percent. Chinese Taipei, Australia's third largest market takes around nine percent of Australia's seafood exports. The United States also accounts for around nine percent. China's market share rose from next to nothing in 1988/89 to 10 percent in 1997/98, but has fallen off somewhat more recently. Singapore's annual export share has been fairly stable since the 1980s, accounting for approximately three percent of the total.

Over the longer term, the Australian Bureau of Agriculture and Resource Economics (ABARE) forecasts Australia's seafood exports to continue to increase, particularly to the United States. Australia's exporters are exploring a number of potential new markets in Europe and the Middle East. Australian fisheries production increased five percent during the period 1999/2000 to 2001/02, while aquaculture production increased by more than 19 percent during this same period.