

AM20-0065



Fisheries New Zealand

Tini a Tangaroa

Aide-memoire:

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To: Hon Stuart Nash
Minister of Fisheries

Date: 5 February 2020

Impact of Coronavirus on the seafood industry

Key Messages

- On 4 February 2020, you received an aide memoire providing you with information on the current known impacts of the Coronavirus on primary sector trade and MPI's response (AM20-0062 refers).
- This aide memoire provides additional information regarding the trade impact of the Coronavirus specifically on the seafood industry.
- The Ministry for Primary Industries (MPI) and Fisheries New Zealand is closely monitoring the impacts of Coronavirus on New Zealand's seafood industry (particularly rock lobster) and providing exporters with the latest information. The situation is evolving rapidly and there remains significant uncertainty.
- Most primary sectors have experienced some sort of impact, largely from supply chain disruption at the Chinese end or through the reduction of transportation links to China. To date the forestry and seafood industries are the primary sectors most severely impacted by the outbreak.
- There remains no change in the market access and regulatory settings of export and import of food and primary products for China.
- MPI is hosting a second inter-agency meeting with primary sector exporters on Wednesday 5 February (today) to report on the latest developments and to discuss how it can best support them. Representatives from the seafood industry (SeafoodNZ) will attend this meeting.

Security Level – In Confidence

- MPI officials are working closely with the New Zealand rock lobster industry, which appears to be the sector most acutely affected at this time, to consider options that might provide relief to fishers and exporters.

Background

1. Most primary sectors are experiencing some disruption to their trade with China as a result of the Coronavirus, including issues with supply chains, delayed payments, cancelled orders, and cessation of some airfreight services. Lower consumer confidence, combined with other factors such as travel restrictions to China will likely affect overall Chinese consumer spending on high value products. This in turn will likely cause other flow on effects that will impact sectors more broadly (e.g. labour and employment etc.). The forestry and seafood industries are the most severely impacted at this stage.

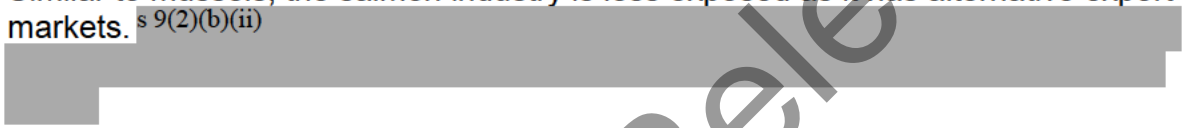
Seafood industry concerns

2. The seafood industry is particularly concerned about holding product in the water and the lack of cold storage space. The key concern is around live/chilled products (e.g. rock lobster, chilled salmon, mussels, pāua etc.) that are highly perishable. These account for approximately 45% of fisheries exports to China. These products are likely to be diverted to other lower value markets in the short-term.
3. Aside from the live rock lobster industry, the main airfreighted seafood product is chilled salmon. Chilled salmon accounts for less than 1% of seafood exports on average in February s 9(2)(b)(ii)

New Zealand's current seafood export products and markets

4. Mussels, rock lobster, salmon, orange roughy and pāua make up a significant portion of New Zealand's live/chilled export products.
5. The top countries that New Zealand export to by total value in each species (referred above) are China, United States, South Korea, Thailand, Hong Kong, Japan, Australia, Malaysia and Singapore.
6. **Appendix One** highlights the export value and market share for the top four countries for each species.

Value of New Zealand's seafood exports to the Chinese market

7. New Zealand currently provides 81% of fresh mussels that China imports, but this only represents 1% of total mussels exported from New Zealand (\$4.9m). This means that while orders from China for live mussels have stopped and many orders for frozen/chilled mussels have been cancelled, the impact on the New Zealand mussel industry is not particularly significant.
8. China is the leading export market for New Zealand live rock lobster, accounting for 99% of all exports (\$290.4m) making it extremely exposed to impacts of the Coronavirus due to the perishable nature of live rock lobster (paragraphs 17-20 explains this further).
9. New Zealand currently exports 8% of chilled salmon to China (\$6.9m) with the United States being the largest export market for this species at 59% (\$50.5m). Similar to mussels, the salmon industry is less exposed as it has alternative export markets. s 9(2)(b)(ii)

10. China is the leading export market for New Zealand live/fresh Pāua, accounting for 67% (\$3.5m) of all exports. Officials are uncertain as to how exposed this species is yet and will continue to monitor the impacts and work with industry to understand what those might be.
11. It is too early yet to determine what the impacts will be for the other species, but if the situation persists, we may expect to see market impacts in other export destinations as our products could face tough market competition from seafood and other proteins previously exported to China.

It is too soon to determine the full impact on the seafood industry

12. MPI is closely monitoring the impacts of Coronavirus on New Zealand's primary sector trade and providing exporters with the latest information. The situation is evolving rapidly and there remains significant uncertainty.
13. It is too soon to tell what the full extent of the impact will be on the seafood industry. Some exporters and fishers will likely implement their own contingency plans. This may include halting their exports until they have further clarity or not harvesting products until they can determine market demand.
14. The impact on remaining fisheries exports (e.g. mainly frozen) is likely to be determined by the level of broader disruption in China. Alternative markets continue to have a strong demand for some of these products.

15. MPI will also need to consider the impacts on complimentary sectors such as processing of seafood for other markets. Officials are aware that New Zealand exporters often have a number of arrangements with processors in China where product is then re-exported into Europe. It is uncertain what the implications of the Coronavirus will be on these relationships.

Rock lobster

16. China is the leading export market for live rock lobster, accounting for 99% of all exports. The outbreak has significantly impacted demand for rock lobster. s 9(2)(ba)
(i)
[REDACTED] This has come at an unfortunate time for exporters with a large volume of rock lobsters being held in New Zealand holding facilities to meet export demand for Chinese New Year celebrations (25 Jan – 8 Feb).
17. Fisheries New Zealand is working with industry to actively consider options that might provide relief to fishers and exporters at this time. MPI proposes to consult and advise on an urgent amendment to regulations to allow carry forward of up to 10% of uncaught annual catch entitlement (ACE). This amendment will need to be made before the start of the new fishing year on 1 April. MPI will provide a separate briefing on this (B20-0067 refers).
18. Demand in other markets is currently limited. The collapse of the Chinese market has impacted most rock lobster exporting countries leading to increased supply into alternative markets. The domestic market in New Zealand is also small (about 100 tonnes annually), although this may be driven by domestic prices reflecting export prices less the cost of transport.
19. Industry also estimate that 420 tonnes of rock lobster will be uncaught for the current fishing year. This could result in a loss of annual revenue to the catching sector alone of approximately \$36 million (based on average port price information of \$86.00), 15% of the total potential revenue of \$236 million.

MPI's response and engagement with primary sector exporters

20. The New Zealand Government has limited ability to manage many of the risks and disruptions as a result of Coronavirus – including port and transport delays and changes in market conditions. MPI is however working to ensure exporters are updated on the situation so they can implement their own contingency plans (AM20-0062 refers).
21. To better understand and manage risk, MPI/MFAT/NZTE (including its Beijing based representatives) are seeking information from New Zealand businesses and officials based in China around the impacts of Coronavirus on their operations, supply chains, and the regulatory settings.

Security Level – In Confidence

22. MPI/MFAT are undertaking analysis on the longer-term economic impacts of Coronavirus and will report to ministers and industry on their findings.
23. MPI will host a second inter-agency meeting with primary sector exporters on Wednesday 5 February to report on the latest developments and to discuss how it can best support them.
24. MPI will continue to work closely (via MFAT) with Minister Parker's office, who is currently responsible for handling all media enquires related to the trade aspects of Coronavirus.

Minister / Minister's Office

Seen / Referred

/ / 2020

Security Level – In Confidence

Appendix One: 2019 Export value (NZ\$ millions) and market share for top four countries by total value in each species¹

Species	Country	Fresh/Live	% fresh/live market	% total species market	Frozen	% Frozen market	% total species market	Other processed state (e.g. dried)	% Other processed market	% total species market
Mussels	United States	\$0.4	6%	<0.5%	\$76.5	27%	23%	\$18.4	36%	5%
	China	\$4.9	81%	1%	\$30.4	11%	9%	\$2.1	4%	1%
	South Korea	<\$0.1	<0.5%	<0.5%	\$13.6	5%	4%	\$9.0	18%	3%
	Thailand	<\$0.1	1%	<0.5%	\$22.1	8%	7%	\$0.3	1%	<0.5%
Rock Lobster	China	\$290.4	99%	97%	\$5.4	89%	2%			
	Hong Kong	\$2.6	1%	1%	<\$0.1	1%	<0.5%			
	United States	\$0.2	<0.5%	<0.5%	\$0.3	5%	<0.5%			
	Japan	<\$0.1	<0.5%	<0.5%	\$0.2	4%	<0.5%			
Salmon	United States	\$50.5	59%	44%	\$9.5	50%	8%	\$2.9	27%	3%
	Australia	\$11.6	14%	10%	\$0.5	2%	<0.5%	\$1.4	13%	1%
	Japan	\$4.6	5%	4%	\$3.5	18%	3%	\$0.6	5%	<0.5%
	China	\$6.9	8%	6%	\$0.2	1%	<0.5%	<\$0.1	<0.5%	<0.5%
Orange Roughy	United States	\$0.3	46%	<0.5%	\$28.5	51%	50%	\$28.8	51%	51%
	China	<\$0.1	<0.5%	<0.5%	\$23.0	41%	40%	\$23.0	40%	40%
	Australia	\$0.3	53%	1%	\$2.4	4%	4%	\$2.7	5%	5%
	Malaysia	<\$0.1	<0.5%	<0.5%	\$0.8	1%	1%	\$0.8	1%	1%
Pāua	Singapore	<\$0.1	<0.5%	<0.5%	<\$0.1	<0.5%	<0.5%	\$16.5	64%	47%
	China	\$3.5	67%	10%	\$3.1	84%	9%	\$0.8	3%	2%
	Hong Kong	<\$0.1	1%	<0.5%	\$0.1	4%	<0.5%	\$5.9	23%	17%
	Malaysia	<\$0.1	<0.5%	<0.5%	<\$0.1	<0.5%	<0.5%	\$1.7	7%	5%

¹ Data source: StatsNZ, Overseas Merchandise Trade