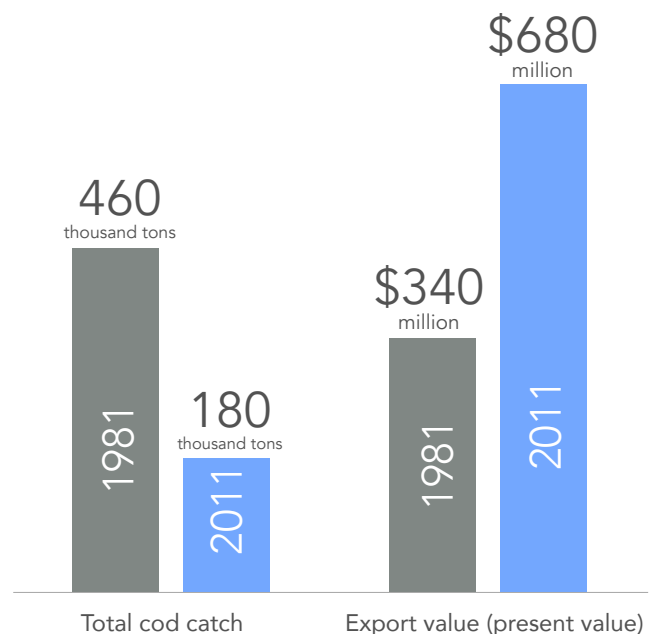


TWICE THE VALUE FOR 40% OF THE CATCH

While quotas have declined in Iceland, some nations have seen large increases recently, particularly in cod quotas in the Barents Sea. This has triggered concerns about the effects of such a global increase in production on global market prices. If history is any indication, such worries are probably unnecessary for Icelandic fish producers. Icelandic cod landings dropped from 460,000 tons to 180,000 tons between 1981 and 2011 while the total export value of cod products went from \$340 million to \$680 million (present value). This vast increase in export value per landed ton can mostly be contributed to the significant modernisation of the industry, in the form of increased raw material utilization, product diversification and innovation. This value increase per landed each cod has continued in the past few years but for it to sustain in the future, investments in innovation in fisheries and related technology sectors must increase.

- Cod is undoubtedly the most important fish species in Iceland in terms of export value.
- Many producers are concerned about the effects of increased cod quotas in the Barents Sea on market prices. The total cod quota for Norway and Russia in the Barents Sea this year is one million tons.
- In comparison, Icelandic vessels landed 460.000 tons of cod in 1981. Thirty years later, in 2011 the total cod catch was 180.000 tons.
- The export value (present value) however went from \$340 million in 1981 to \$680 million in 2011 (present value).
- The total catch declined by 60% whereas the export value increased twofold. Export value per each landed kilogram went from \$0,7 to \$3,8.
- By examining export data, some assumptions can be made on the causes for this massive growth in export value. The range of products made from cod has been transformed, technology changes have yielded new production methods and rest raw material is better utilized.
- For one thing, frozen fillets and whole fish created 75% of the export value in 1981. In 2011, these products only accounted for about 25% of the export value.
- Catch utilization has changed dramatically due to increased utilization of cod by-products such as heads, liver and roe. The export value of products made from cod

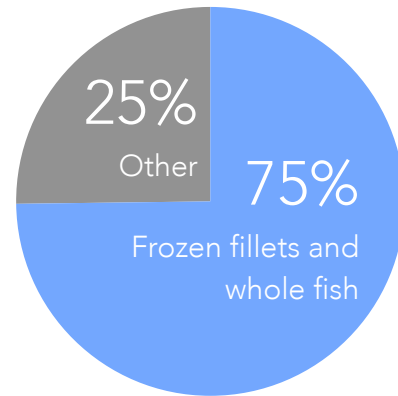


heads was \$64 million in 2011, quite a lot when keeping in mind that many nations don't utilize this part of the fish at all.

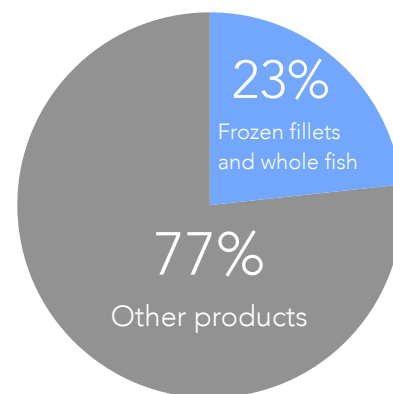
- Despite this 60% decrease in total catch, exports of liver oil went from 1800 to 3700 tons between 1981 and 2011.
- The value added in production has generally been transformed. Instead of frozen products, a number of different, more advanced products create the lion's share in Icelandic cod export value.
- In short, the modernization of the fishing industry has played the biggest role in boosting export value. Moreover, an incentive for utilizing each landed fish has been created and producers now think in terms of quality, not quantity.
- Today, the cod export value per kilogram is considerably higher in Iceland than in other countries.
- The diversity of products makes changes in international market prices less relevant for Icelanders than many other nations. In order to keep this advantage however, innovation and investments in fisheries and related technology sectors must improve.

For more information, please contact Haukur M. Gestsson (haukur@sjavarklasinn.is), economist at the Iceland Ocean Cluster.

1981



2011



About the Iceland Ocean Cluster

The Iceland Ocean Cluster began its existence as a research project in the University of Iceland in the spring of 2010. The goal of the I.O.C. is to increase the value of the companies operating in the cluster. Partners include leading firms within the ocean cluster, but by building and maintaining networks the IOC creates new opportunities for cooperation and innovation. At any given time the I.O.C. team is working on various project based on cluster ideology. Major projects in 2012 include establishing an advanced processing cluster in Reykjanes, joint marketing of tech firms and increasing service to foreign vessels in Iceland.