

# Investment in the hake deep-sea trawl fishery



The industry that has developed around the hake deep-sea trawl fishery is highly capital-intensive. It uses ocean-going vessels, sophisticated processing plants and significant skills to produce high quality products for local and international markets.

**The insured asset value of vessels and processing facilities is R7.6 billion.<sup>1</sup>**

## Investment in vessels

Harvesting in the hake deep-sea trawl fishery is currently undertaken by a fleet of 53 trawlers of various sizes:

- Freezer trawlers. There are currently 27 freezer trawlers operating in the fishery. The majority of these vessels (16) focus on harvesting and producing H&G<sup>2</sup> frozen hake products, while the remainder have onboard processing facilities.
- Wetfish (fresh fish) trawlers. The wetfish trawler fleet currently consists of 27 vessels. These trawlers predominantly focus on harvesting hake for further processing on shore.

**The insured asset value of the current fleet is approximately R3.7 billion.**

Rights holders have invested in the industry by buying new vessels. Capital expenditure on vessels between 2005 and 2019 was more than R3.7 billion, or on average R247 million per year. For example, after 2009, Sea Harvest invested in recapitalising its fleet to the value of R450 million and in 2015, I&J spent R405 million on two new vessels. More recently, Sea Harvest acquired and converted a new freezer trawler for a total cost of R250 million.

Vessels also require constant maintenance and planned repairs, e.g. dry docking, where vessels are taken out of the water, occurs every 18 to 36 months. The industry spends roughly R300 million per year on maintaining the fishing fleet.



**Table 1: Approximate vessel replacement costs based on insured asset value**

	Capacity (tonnes)	Insured asset value		
		Low	Average	High
Small vessels	≤2 000	R8 000 000	R41 000 000	R80 000 000
Medium size vessels	2 000–4 000	R24 000 000	R72 000 000	R160 000 000
Large vessels	≥4 000	R63 000 000	R134 000 000	R290 000 000

Source: Felet *et al.*, 2020.

**Unlike many other parts of the world, where vessel owners receive incentives to invest in new vessels, the South African deep-sea trawling industry has never been subsidised by government.**

<sup>1</sup> Data was compiled by independent economists Genesis Analytics in 2020, using data from the 2019 fishing year.

<sup>2</sup> Headed-and-gutted (H&G) hake is considered to be the trawl fishery's baseline or commodity product; value is added to H&G hake by skinning, filleting, moulding, coating and packaging.



## Investment in processing assets

The processing level of the value chain involves the beneficiation of hake into value-added products such as filleted hake pieces or crumbed hake. There are a variety of ways in which this processing takes place:

- **At-sea processing:** A limited number of freezer trawlers (11) have processing facilities on board. These vessels focus on the first stage of value-add processing, namely filleting.
- **Small primary processing facilities:** A number of deep-sea rights holders operate small, unspecialised processing factories focused on the basic filleting (often hand filleting) of various fish species.
- **Large industrial processing facilities:** These facilities typically comprise both a fresh fish facility and a value-added facility. The former produce frozen or fresh filleted fish products that can be tailored to a variety of product specifications; the latter manufacture crumbed, battered and sauced hake products.

**The total insured capital asset value of the processing facilities currently operated by rights holders in the hake deep-sea trawling industry is estimated at approximately R4 billion, with ongoing annual investment in maintenance and recapitalisation.**

### References

Felet, A., Fiandeiro, F., Ntanzi, A., van der Hoven, Z., Moses, P-J. & Goagoses, L. 2020. Economic study of the hake deep-sea trawl fishery and the implications for future fishing rights allocation policy. Johannesburg, South Africa, Genesis Analytics. 136 pp.

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**SADSTIA.** 2021. Employment in the hake deep-sea trawl fishery. SADSTIA Factsheet No. 4. Available at [https://www.sadstia.co.za/wp-content/uploads/2023/06/A4-Factsheets\\_4.pdf](https://www.sadstia.co.za/wp-content/uploads/2023/06/A4-Factsheets_4.pdf)

**SADSTIA.** 2021. Value adding in the hake deep-sea trawl fishery. SADSTIA Factsheet No. 6. Available at [https://www.sadstia.co.za/wp-content/uploads/2023/06/SADSTIA-FACTSHEETS-2021\\_web\\_61.pdf](https://www.sadstia.co.za/wp-content/uploads/2023/06/SADSTIA-FACTSHEETS-2021_web_61.pdf)



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