

Markets for South African hake

The hake deep-sea trawl fishery generates hake sales of R4.3 billion per year.¹ Exports make up 60% of all sales, but the domestic seafood market plays a key role in the industry's success. In fact, the industry's approach of meeting demand on both domestic and international markets has resulted in impressive product development and market expansion and enabled it to remain internationally competitive.

There are a number of reasons for the success of South Africa's deep-sea trawling industry. Most notably, producers have succeeded in positioning Cape hake as a premium groundfish² species; the government regulator (the Department of Forestry, Fisheries and the Environment) has done a good job of managing the fishery over several decades; and the Marine Stewardship Council's Chain of Custody certification³ has significantly enhanced the competitiveness of the industry. However, value adding – adding value to raw material – is another key success factor.

Figure 1 shows that less than a fifth (19%) of the South African hake catch is marketed without value added, i.e. simple headed-and-gutted (H&G) products. The bulk of the catch (73%) is produced as fillets, or fillet-type products such as steaks; loins; moulded portions; and sauced, coated and crumbed products. Fresh hake is a premium product that is marketed locally in fillet form or, when currency exchange rates are favourable, exported whole to Europe as "prime quality" or "PQ" hake.

Value adding takes place at sea and in land-based factories. Sea-frozen fillets are produced by large, sophisticated factory freezer trawlers, with 11 out of the 53 vessels in the South African deep-sea trawl fleet equipped to produce fillets at sea. At land-based factories, a much wider range of products is manufactured, including the fillet-type products described above. Value adding maximises the number of jobs created and sustained by the deep-sea trawling industry.

The international market for South African hake

Throughout the 1990s and early 2000s, the deep-sea trawling industry generally supplied customers in Spain with simple products such as H&G hake and sea-frozen fillets. In contrast, the domestic market was supplied with a full range of products: H&G hake and fillets for the food service (catering) market – including fish & chips shops and restaurant chains – and small (>1kg) value-added frozen products for the retail market. Over this period, the devaluation of the South African Rand and a periodic shortage of supply on the global market for groundfish, enabled the South African industry to increase exports, occasionally leading to a shortage of supply on the domestic market. However, this scenario changed very rapidly with the financial crisis of 2008 which led to a substantial decline in demand from Spain, and an oversupply of hake on domestic markets. The industry was forced to find alternative markets for its products and the certification of the South African trawl fishery by the Marine Stewardship Council (first in 2004 and again in 2019, 2015 and 2021) made this possible. Markets were developed in the countries of Northern Europe, including Denmark, France, Germany, Netherlands, Sweden, Switzerland and the United Kingdom where MSC certification is a qualifier rather than a differentiator; South African producers would not be able to sell their products in these markets without MSC certification.

Today the deep-sea trawling industry exports its products to at least 26 countries around the world. In the international market, South African producers are less brand-orientated and market hake as a South African product that competes on an equal footing with cod and haddock, the benchmark groundfish species.

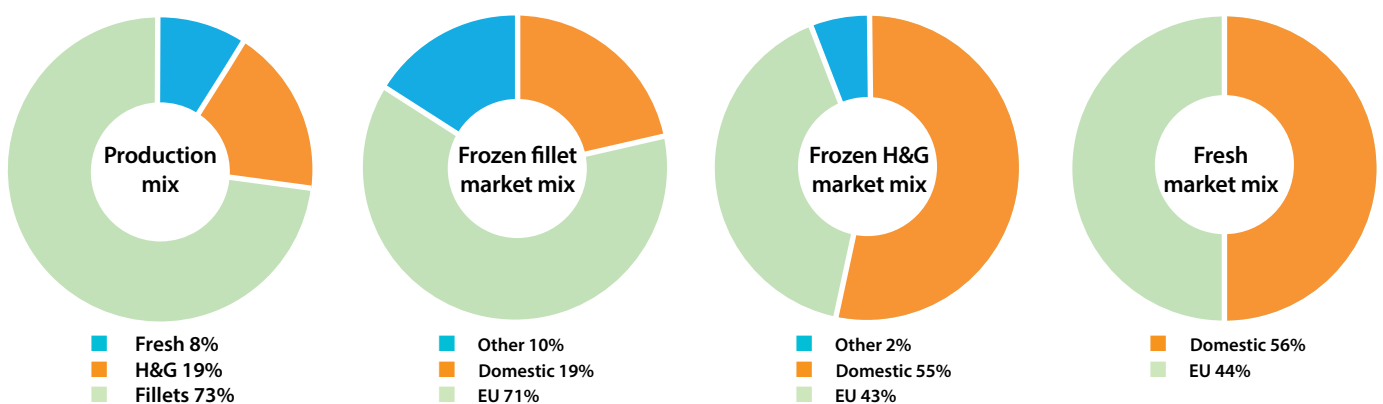


Figure 1: The nature of South African hake products and markets in 2023 ("Other" markets for hake fillets include Australia and North America.)

- 1 Data was compiled by independent economists Genesis Analytics in 2020, using data from the 2019 fishing year.
- 2 With their Namibian counterparts, South African hake producers contribute only 4% of the world's catch of groundfish – fish that live on or near the seabed, such as Pollock and Atlantic cod.
- 3 The MSC is an independent non-profit organisation that sets a standard for sustainable fishing and uses an eco-label to recognise and reward fisheries that meet the standard. SADSTIA considers the MSC to be the gold standard of fisheries sustainability programmes.

The domestic market for South African hake

The deep-sea trawling industry supplies all the major supermarkets, independent retailers, major seafood restaurant chains and fish & chips shops throughout the country with good quality hake products. An example of the industry's penetration of the domestic market is provided by a 2018 Nielsen study that found that 46.2% of South African households had purchased frozen fish from a retailer. (This data reflects only frozen fish sold in retail packs and not total fish consumption.)

The degree to which individual companies supply the export market, domestic market, or both, is largely dependent on their structure. For example, one rights holder operates two trawlers and supplies sea-frozen hake fillets (and a limited number of sea-frozen deep-sea species) to a single customer in Spain, while another rights holder specialises in the processing, packaging and sale on the local market of a wide range of species, including hake, horse mackerel, panga and snoek.

The two largest, vertically integrated companies – I&J and Sea Harvest – deserve special mention because they utilise wide-reaching distribution networks to service both the domestic and international markets. They also use their processing and marketing infrastructure to enhance their product offering, thereby adding value to a naturally limited hake resource.

References

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Food security

Trawling is an unselective fishing method and although hake is the target of the deep-sea trawl fishery, approximately 20 other species are regularly caught in trawl nets.

Bycatch is a valuable part of the trawl catch. While some species – most notably kingklip and monk – are exported, a number of bycatch species are consumed by lower income groups, particularly in the Western Cape, the centre of the fishery.

Horse mackerel, snoek, ribbon fish, panga and angelfish are some of the most popular low-value species marketed by the deep-sea trawling industry. There is an important and growing market for these species among foreign nationals living in South Africa. Bycatch species are generally sold to wholesalers and independent retailers and are appreciated by consumers as a source of low cost, high quality protein.

Other factsheets and position papers in the SADSTIA series:

SADSTIA. 2020. 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

SADSTIA. 2017. Certification by the Marine Stewardship Council is vital to the continued prosperity of the South African deep-sea trawling industry. SADSTIA Position Paper No. 3. Available at https://sadstia.co.za/wp-content/uploads/2023/06/Position_paper_3.pdf



Contact:

The South African Deep-Sea Trawling Industry Association
Tel: 021 425 2727 or 082 829 3911
Email: johann@sadstia.co.za www.sadstia.co.za

Unlocking the value of the Cape hake resource