Profile of the BC Farmed Salmon Industry in 2008

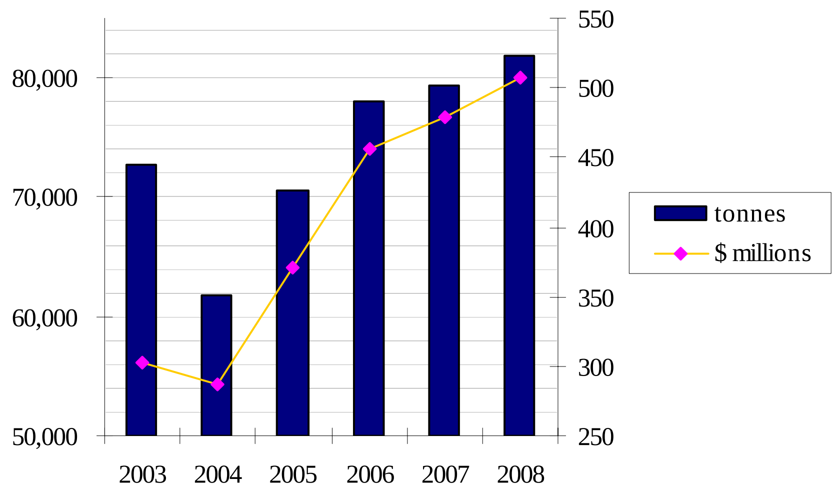
April 2009

This industry snapshot has been developed by PricewaterhouseCoopers LLP for the BC Salmon Farmers Association. The profile of farmed salmon production in British Columbia in 2008 was developed from a number of official sources, as well as our own estimates and knowledge of the industry.

The BC salmon farming industry experienced relatively strong output and sales in 2008. Production increased from 71,400 dressed tonnes in 2007 to 73,600 dressed tonnes in 2008, a 3% increase. Producers realized overall good yields as they appear to have fully recovered from disease problems experienced in the early part of this decade.

Wholesale sales increased from $479 million in 2007 to an estimated $507 million in 2008, representing a 6% increase that is due to a combination of increased output and higher prevailing prices.

BC Salmon Farming Production & Wholesale Value 2003-2008



Source: BC Ministry of Environment. Production is shown in round metric tones. The wholesale value estimate for 2008 has been estimated by PwC.

The BC salmon farming industry's contribution to the local economies of coastal communities on Vancouver Island remains significant. The North Island continues to the most dominant production area with more than half of the farm gate value in 2008.

The industry's contribution to provincial GDP in 2008 was slightly higher than in previous years, at approximately $180 million. Based on surveys conducted by the BC Ministry of Agriculture, Food and Fisheries, direct employment in hatcheries, grow-out, other farm activities and processing is estimated at approximately 2,800 person years[1]. This represents more than a doubling of industry employment since the early 1990s. Based on multipliers that estimate direct, indirect and induced impacts that are similar to agriculture and food processing, the industry's economic output is over $800 million and the total employment over 6,000.

Summary of Economic Impacts of BC Salmon Farming in 2008

Production	73,600 m.t.
Wholesale Value	$507 million
Exports	$354 million
Contribution to BC Economy:	
Direct GDP	$180 million
Direct Jobs	2,800

Structurally, the BC industry is now down to primarily four producers: Marine Harvest, Mainstream, Grieg Seafoods – who all farm Atlantic salmon – and Creative Salmon who is the lone Chinook producer. The US market continues to be the most important market for the Atlantic salmon producers. In contrast, most of the Chinook exports are to Japan.

Exports of farmed salmon, over 90% of which are destined to the US, increased slightly from $345 million in 2007 to $354 million in 2008, a 3% increase. Demand for BC farmed salmon was buoyed by fewer exports to the US from Chile, its main competitor. Strong prices in the US market were offset by the high Canadian dollar prevailing in the first three quarters of 2008.

The US import market for farmed salmon was $1.4 billion in 2008, essentially unchanged from 2007. The BC industry's share of this market was up slightly at 23% in 2008. The share held by the industries in New Brunswick and the other Atlantic provinces remained unchanged at 11%. BC's share of the important fresh whole Atlantic salmon market was over 60% in 2007 and 2008.

The BC industry has the strongest market penetration on the US west coast. Farmed salmon represent an estimated 50% of all fresh seafood sales in the California market and the BC industry is the leading supplier to this market.

[1] *British Columbia Seafood Sector and Tidal Water Recreational Fishing: A, Strengths, Weaknesses, Opportunities, and Threats Assessment*. GSGislason & Associates Ltd. for the BC Ministry of Agriculture, Food and Fisheries, February 2004. The total employment figure is based on an estimate of 1410 person years engaged at the farm production level that includes all finfish aquaculture and 1405 person years engaged in primary and secondary processing of farmed salmon and related sales activities.

Share of the US Farmed Salmon Import Market by Product Form in 2008

		British Columbia		New Brunswick[1]	
		2008	2007	2008	2007
Atlantic Salmon	**Fresh Whole**	62%	61%	22%	26%
Atlantic Salmon	**Fresh Fillets**	2%	2%	7%	4%
Chinook Salmon	**Fresh Whole**	91%	94%	-	-
Coho Salmon	**Fresh Whole**	93%	89%	-	-

[1] Includes minor shares held by the other Atlantic Provinces

Source: PricewaterhouseCoopers Estimates

BC's share of world production of farmed salmon was 5% in 2008. Worldwide production in 2008 was flat – gains by European producers were offset by the production drops in Chile caused by disease problems affecting Atlantic salmon. The corresponding reduction in exports from Chile represents an opportunity for the BC industry to gain market share.

Market prospects for BC farmed salmon therefore remain strong despite a faltering US economy, as shortages in supply continue. The BC industry should remain competitive, particularly as it enjoys lower fuel costs to market.