

As we saw earlier, various countries emerged from the pandemic at different times. When we thought Thailand or Vietnam or Taiwan was faring much better than other countries in the region, the situation changed very quickly and the lockdown measures became a daily routine; different markets emerged at different times, and we are thankful most have come out of this, not without its casualties, not without its challenges. But we are here today, and we are thankful. So then,

What has been the biggest challenges lately?

The world today is a very different place compared with 2 years or even just 6 months ago.

Internationally, we have become more de-globalised as countries are made aware through recent events, how connected we were in the past decades, and how global disruptions have shaped national policies towards self-sufficiency, self-preservation and in our business, in food supplies, reshaping the way we do business from origin to markets.

In Norway, I think a buzz word in the last 10 days must be the word 'tax'! I'm sure you have heard, the Norwegian government, last week announced a bill proposing to add a 'rent tax' of 40% on salmon and trout companies, on top of existing taxes, and those are also expected to increase!

If this bill is approved, many investments impacting upstream supplies, downstream businesses (in the markets) and jobs could be affected. Investments directed to other locations, and Norway may see her share of market presence diluted as other producers increase their share of presence.

I'm not Norwegian, but if 60-80 cents of every dollar I earn goes to taxes, I think we can feel the 'pain'.

Record Prices H1 2022

Another challenge recently.

As more markets started opening earlier this year, the increase in demand of salmon was unfortunately met by an 'under-supply' in Norway and in Chile. The situation was aggravated further when Russia invaded Ukraine and freight costs shot through the clouds!

The swings in prices to record levels, followed by the falling recently of nearly half was, is not a healthy position to be in; there were lost opportunities to sustain a viable market presence when substitutes find new grounds, mention financial losses, and frustrations.

Cost Inflation

And no doubt on the plates of many globally. Cost inflation - Even though salmon farming remains one of the most efficiently produced proteins compared with land

animals, there is no doubt production costs have increased; Electricity (>10 times in Southern Norway), labour costs, packing costs, and feed have all increased.

Logistics will continue to be a challenge; Southeast Asia has seen improvements, but inter-continental freight, or those ports less regularly serviced, are still suffering long delays especially in sea freight. As markets open more and more, until supporting resources keeps pace, we expect delays and disruptions to continue.

And the list of challenges goes on, fish growth, fish stops growing, fish too big, fish too small, plenty surprises, never a dull day!

How have the local distribution in Southeast Asia developed?

Shifts in distribution between food service and retail is a natural and continuous market process; Traditional distributions were disrupted, and new channels were established, new players, big and small, coming in.

One channel in particular grew exponentially.

Pre-pandemic, seafood ecommerce sales were at best, “encouraging”, but I think the explosive growth came during the lockdowns. It was not common for people to buy seafood from a screen or Facebook Live (never heard of this until Covid), but comfort levels have changed.

During the pandemic, these shifts were noticeably obvious, towards the local consumers. People were forced to cook at home. Healthier choices and options. Sharing of recipes, sharing of pictures on Instagram, feeding ideas upon ideas to one another.

New-found love perhaps. (For the same amount of time and attention that others spend on their social media postings, if I paid the same amount of time to my wife, I think she would love me more!)

Post-pandemic, conventional distribution channels will continue. Understandably, online platforms losing some steam as consumers go out and spend in the retail shops and restaurants; example, we see Shopee started retrenching staff to reduce and manage their costs;

Platforms are moving from aggressive growths to sustaining and self-preservation modes!

I was chatting with a local supplier yesterday. Ecommerce business contribution has dropped 75% from MCO highs, but higher than pre Covid days. And I believe they plan to keep this channel going.

So with certainty, ecommerce has cemented for consumers, a greater awareness of options available, reaching a wider audience, some of whom were previously unreachable.

But it's a question we need to ask ourselves. Will this business model, in this market and segment, that has disrupted the traditional distribution channels and brought down some brick-and-mortar stores, be a up and coming 'star' for mainstream businesses?

How do you think the market will develop going forward?

We see a stable-up demand in the markets. Stable because of uncertainty and higher prices, up, because markets are still opening.

Record big volumes were exported recently when the prices softened. However, recent reports have indicated a slightly lower biomass this time versus a year ago and this may look to affect supplies in the near future.

But circumstances are different today vs 6/9/12 months ago, exchange rates have gone bananas everywhere, labour supply and costs are up, logistics challenges, taxes... many factors to consider.

Closer to the markets, another area of development that has picked up pace during the pandemic is Digitalisation; it's not exactly a new norm, but Covid has accelerated its growth and big investments are being poured in. For example, Vietnam recently signed MOUs worth over USD 10 billion with Singapore in this area of collaboration and business transformation. Why? Because we have seen how impactful this area could have on business.

I think this channel is a good complement to existing channels; Connecting people, bringing businesses closer and more accessible to the consumer, from pre-purchase behavioural decision at home to store front to final purchase, and the convenience (not just time but product extensions, product preparations including in-store experiential consumption).

In retail and food service, we cannot ignore this 'omni-channel' in marketing; it raises Profile, Awareness and Encourage repeat purchases.

After over two years of exposure and habitual usage, it has become a channel to be taken seriously.

So, barring any more global 'surprises', we expect demand to improve even as local consumption has improved but I think markets are still missing a link; And that is tourism and business dollar from China. Chinese travellers are largely missing in the international arenas. As it is, surviving businesses are starting to look less red, some recovering well, but I think the pivoting factor here would be the Chinese visitor. So that is something to watch out for.

Friday, 7th October 2022, NSC Seminar, EQ Kuala Lumpur

To conclude, inflation, labour shortages will persist for some time. Will there be a recession? The geo-political and economic issues, and how it impacts international trade, has never struck us so closely; many challenging questions, no easy answers. Everyone, especially the lower income, the less privileged, have suffered, one way or another.

As business leaders, and I think it is a healthy consideration and practise, as part of CSR or even ESG, how can we help our community? It is not an easy time for decision making to do what is good and right. But it is a challenge. May I encourage us all.

So, at a time when everyone is seeking to maximise their dollar value, in our business, from farm to plate, the entire channel of distribution should strive to create and provide the best product value available, to the Consumer, to the Diner, through good business practises, good product practises, and helping one another through this crisis!

So, know your products, know your origin. Thank you!