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CHANGING DIRECTION: Angus Macmillan's West Minch Salmon is one of a number of companies taking the organic route

The move by small independently-owned Scottish salmon companies to go for organic or sustainable status could be their route to survival.

An economist who has studied the industry's strategy and marketing says he believes that the multi-nationals controlling the industry, which in several cases are effectively being run by the Norwegian government, are trying to make salmon into a commodity.

The latest firm to announce the switch to organic production is West Minch Salmon in Uist. The company employs 65 people at their processing factory in Benbecula, hatchery on South Uist and four sea sites throughout the Western Isles.

Their managing director Angus Macmillan said the company began using organic methods six years ago and, after completing the change at the end of last year, hope to produce 1,500 tonnes in their first organic harvest.

In the past they have produced around 2,000 tonnes per year and the reduction of around 25 per cent is because of the regulations and associated costs of organic production.

The company will have to use more manpower as all feeding must be done by hand and, because they are not allowed to anti-foul nets, all the nets have to be changed and cleaned every two to three months.

They are unable to benefit from the "economies of scale" that the big multinationals can implement. Marine Harvest, for example, have three closely linked sites at Cairaidh, Sconser and Moll Ban in central Skye which, because of their proximity, are all served by one shore base at Sconser.

However, the organic process has strict cross-contamination rules so that West Minch have a firm "one loch, one farm" policy at their sites on Loch Uiskevagh in Benbecula, Loch Eport in North Uist and at Grosebay and Stockinish in Harris.

Angus Macmillan says he hopes the slow but steady growth in the organic market will reap long-term benefits for his company.

WEST MINCH Salmon's move towards a niche market would be endorsed by James Hosea at NHH — the Norwegian School of Economics and Business Administration — in Bergen who feels salmon is being commoditised.

Mr Hosea explained that making salmon a commodity means the market reaches a point where consumers think all salmon are the same.

"Consumers would not perceive differences between the products (i.e. salmon from different sources or companies) on offer and would therefore not be willing to pay a higher price for one product over another," he said.

"In this kind of market companies compete by cutting costs, rather than adding value for the consumers. Market prices are driven purely by supply

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and demand.

“In terms of the Norwegian salmon industry, this is very much where they are at. It is my belief that the industry in Norway is driven by a production culture that believes producing ever higher quantities at ever lower costs will bring sustainable profitability for the industry.

“The chief executive of Pan Fish has been quoted in the press here talking about a ‘protein war’ — **i.e.** salmon is in a battle against chicken and other sources of protein — and the industry press often carries -articles saying that the only way forward for the industry is to cut costs further. The logical outcome of this obsession is far higher quantities than the market can support and lower prices.

“It also leads to a situation where consumers get used to lower prices and no longer perceive differences between products. A previously high-value product becomes an everyday convenience item, perceived no different in terms of consumer purchase behaviour than other commodities.

“All salmon would be considered the same, regardless of where or who it came from. This is basically the essence of commoditisation”

“In this kind of market, there is no benefit to companies in trying to differentiate their salmon by branding the product, producing specialist items like organic salmon or changing their production methods to produce higher-quality salmon. All salmon would be considered the same, regardless of where or who it came from. This is basically the essence of commoditisation.”

Many foodstuffs are going down this route. In their agricultural sector report in the year after the foot and mouth outbreak in 2001, Anderson Consultants noted that “the one problem all businesses continue to face is the commoditisation of their product range”.

The focus on cutting costs has sad but predictable outcomes, which usually adversely affect employees, the environment and the product itself.

Whether it is sterilising workers on banana plantations by selling outlawed chemicals, polluting huge areas of the Amazon to extract oil as cheaply as possible, or using abattoir waste in cattle feed, industry will take whatever measures it believes it can get away with to cut costs in the commodity market.

In Britain, the Government is about implement a major deregulation programme with the target of cutting red tape and the amount of inspection businesses have to face.

The relaxation of health and environmental legislation may be felt in the fish farming industry very soon.

At the moment the Scottish Environmental Protection Agency are consulting on a move to create “superfishfarms”. The move is being promoted as the chance to get rid of poorly-sited fish farms but the end result will be fewer, larger sites with more fish packed together in a confined space.

It will be a profitable move for the bigger companies as they will be able to reduce staff numbers further but many people, including fish farmers themselves, fear the health and environmental consequences.

LOCHABER councillor Michael Foxley said: “They tried this in the mid-80s and had an outbreak of the disease furunculosis and one area lost half a million fish, so they went back to small-scale production. They tried this again in the mid-90s with bids for farms producing thousands of tonnes and we got the outbreak of ISA. If we allow them to do this again, we will have another major disease outbreak.”

He said it was a policy of “complete madness” designed by “multinational accountants who are trying to make salmon as cheap as possible”.

However, food scares, such as the foot and mouth outbreak, BSE and growing concerns about the battery farming of chickens, has seen the growth in recent years of a trend to counter the commodity market and it is to this new market that West Minch Salmon and the likes of Loch Duart — known as the “Sustainable Salmon Company” — are looking.

It doesn’t just make environmental sense, it also makes economic sense, argues James Hosea. He said: “My belief is that the industry needs to take a consumer-based market approach, rather than a purely production-focused approach.

“Companies work to find out what consumers are looking for when buying products and how they can better tailor their product or service to fit with what the consumer wants.

“This leads to differentiation of the products, less intense competition and higher margins as -consumers are making their purchase decisions based on more subjective judgements like perceived quality, familiarity with the brand and previous consumption experience rather than just price.

“This is the approach taken by most consumer goods companies.

“Wine is always a good example of this kind of industry. At the end of the day wine comes from grapes and contains a moderate amount of alcohol, but this is not how consumers perceive it. They consider things like the grape, the place the wine comes from and the packaging as well as the price when buying wine.

“Consumers perceive a difference between French wine and Chilean wine.

“There is tremendous potential for the salmon aquaculture industry to ensure long-term sustainability and profitability... by focusing on a market-led approach”

“It is my belief that this situation exists in the markets for salmon, but that the main salmon companies are too blinded by their obsession with ever lower costs and higher production to realise that the future sustainability and profitability of the industry lies in having a far greater understanding of consumers and what they actually want to buy.

“The ‘herd mentality’ seems to be a strong influencing factor in this.

“Producers are not prepared to break from ‘the more for less’ mantra for fear that they will lose out to their competitors. At one meeting with a senior

figure in the industry I got the distinct impression that his company were proud that they had got rid of their marketing department and cut what they considered an unnecessary overhead as a result.

“After discussing some branding opportunities at another meeting, he appeared very interested but did not feel comfortable with changing strategy from a production-led to a market-led approach as it was against the flow in the industry.”

WEST-COAST fish farmers in Scotland can well understand this element of commoditisation.

Earlier this year Marine Harvest admitted that it had got rid of around two-thirds of the employees on one of its largest sites in Skye. At the time the company claimed they were unable to say whether this was typical of their operations of a whole. However, Michael Foxley has unearthed figures which show that the company have cut a similar proportion of workers at some of their sites in his area too.

These cuts are over and above the announcement earlier this month of around 140 job cuts following Marine Harvest’s takeover of ailing Norwegian fish farm giant Stolt Seafoods.

Marine Harvest have been playing the commodity game and in 2003 posted losses of more than £6 million.

They are not alone. After taking over Highland Fish Farms, Pan Fish proceeded to reduce their West Highland staff numbers from around 70 to just 12. They have lost hundreds of millions of pounds over the last four years in the bid to make all salmon equal.

It is only by getting away from this mentality that the industry can solve its current problems, James Hosea believes. “George Orwell’s ‘Animal Farm’ always comes to mind when reading about the salmon industry,” he said.

“‘All salmon are equal!’ would be a good battle cry for Norwegian salmon producers. But not all salmon are equal, and it is by understanding this that the industry will get out of the problems it is currently in.

“There is tremendous potential for the salmon aquaculture industry to ensure long-term sustainability and profitability for both the industry and the communities that rely upon the jobs it brings, by focusing on a market-led approach rather than a purely production-led approach.”



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