

Tasmanian salmonids,
the freshest available
because it is grown locally



*South East farm, D'Entrecasteaux
Channel Tasmania*

Annual Report 2013/14



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The Tasmanian salmonid industry (“industry”) is committed to the production and sale of premium quality Atlantic salmon and Ocean trout, along with complementary investments in other added-value, premium Tasmanian seafood products.

The industry conducts its operational activities, from salmon farming and processing through to sales and marketing in Tasmania with over 1,552 employees and 1,550 hectares of farming space. Its growing reputation is based on a quality product and an innovative approach to sustainable salmon farming.

We are a dynamic organisation operating in an industry of great importance to the Tasmanian economy and with an international reputation. Our purpose is to build on our potential and our opportunities for growth within the global salmon market through the production and sale of premium Tasmanian salmonids.



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Executive Summary

The Tasmanian salmonid industry is proud of its Tasmanian-centric business and character, carrying out operations from the dramatic West Coast of Tasmania, to the Tamar River in the north to the D'Entrecasteaux Channel & Huon River in the south east of the state.

In a global industry our provenance has a distinct advantage. Tasmanian farmed salmon is recognised as the best in the world. It is subject to the strictest environmental and animal welfare regulations; is benchmarked as the most sustainable in the world; and is rich in protein and omega 3.

The worldwide market for salmonids continues to grow steadily as consumer trends focus on healthy eating and food traceability. With strong support from the Commonwealth and Tasmanian governments, the industry continues to experience strong growth and sales momentum. Sales are proving resilient with sales approaching \$550 million at wholesale levels and the industry contributes \$190 million to the Tasmanian gross state product.

However, our provenance goes beyond simple geography. We play an important role in a large number of Tasmania's rural communities, employing over 1,500 people who take great pride in their work and their 'island' life. From HR to IT, processing to aquaculture innovation, science to quality control, we employ skilled people, across many disciplines, who are just as passionate about our product as we are. Their expertise and our expanding skills base are fundamental as we drive the industry forward.

We also use local suppliers wherever possible, and last year TSGA spent > \$12m with Tasmanian businesses based in the same rural communities as ourselves.

It is those factors that reinforce and strengthen our sense of provenance. Tasmanian salmon is produced and delivered by a truly local team, and this is invaluable on the domestic market. The industry is well positioned to reach out to new markets that demand premium salmon with confidence – as a sustainable producer of high quality salmon and as authentically and proudly Tasmanian.



Tinderbox, North West Bay Tasmania

INTRODUCTION

I remain enormously impressed by the dedication and commitment of the industry to growing the salmonid industry in Tasmania. There is an unequivocal understanding that with a premium product there are increasing opportunities to build upon our domestic operations, and substantially expand our domestic markets.

For much of 2013/14, the drive for production efficiencies, including balanced supply, feed strategy, health and logistical optimisation, has continued. The industry is evolving with a greater customer and market focus that drives growth .

Early in the year, three Tasmanian salmonid companies performed strongly in an independent, international benchmarking report that looked at corporate, social and environmental reporting. Tassal improved from second place on the seafoodintelligence.com (an independent international seafood market intelligence news and information service) report last year to be ranked number one this year. While both Huon Aquaculture and Petuna are new to the report this year, both were ranked eighth and twelfth respectively.

The report is published annually to help key stakeholders assess the level of transparency and communication among salmon farmers worldwide as they relate to corporate, social and environmental sustainability. This was an excellent result for the companies and the Tasmanian industry more broadly. To be recognised for doing this work well is not only gratifying but provides important confirmation that our approach is being recognised for excellence at a global level.

Behind such an achievement lies a comprehensive strategy for health management and staff training. The industry's approach is to develop multi-skilled personnel and ensure that they share a sense of ownership of corporate goals, thereby, alongside required technical and WH&S training, regular in-house courses are delivered, including 'fish health and welfare', ensuring that every member of production staff can be the eyes and ears of the biologists/veterinarians and support a collective effective response. As an industry that deals with 'livestock' in the outdoor environment, this has been a particularly effective approach to contain and manage fish welfare issues. Incidences of naturally occurring disease or higher mortalities are always met with a quick and appropriate response.

Globally, in the salmon industry there are limited supply growth projections for the next couple of years, combined with an increasing demand for salmon. The Tasmanian salmon industry is in a similar position. Supply growth was less than 10 per cent for 2013/14.

Whilst the industry has robust operational and financial risk mitigation strategies in place, however, it still faces agricultural risk. Risk mitigation, particularly around operational risk in the marine environment, is a continuous focus for the industry, with mitigation planning focused on both the consequence and likelihood of risks.

Atlantic salmon prefer cooler water. Warm water temperatures can reduce supply growth and increase costs (to deal with the effect of warm water).

The industry competes in a global market where the growing supply of fresh and frozen fish products is an increasing challenge to our market position. The industry's exposure is mitigated by entering into fixed price and volume contracts for its salmon products. The traded price of Tasmanian farmed salmon continues to be buoyant as a result of continued demand against short supply. Maintaining appropriate price points will be important for the ongoing viability of the industry. The industry, with its comprehensive and pioneering regulations for good practice, fish health and sustainability, continues to maintain its status as having the preferred premium fresh seafood product on the market.

The price of important raw materials, and particularly feed, presents an economic risk, and while the industry has invested in sourcing strategies and built up strong working relationships with its supply chain partners, the volatility of international markets is beyond its control.

The industry's relationship with our customers is overwhelmingly positive. One of the key strengths is industry's ability to work in partnership with its customers. 2013/14 saw a number of innovative and creative marketing strategies launched by the companies, with tremendous success in regard to sales and managing reputational risk. A close working partnership ensures our product is delivered to the customer's satisfaction and the endorsement this trading relationship provides has allowed the industry to build its domestic markets. It also encapsulates how the industry will continue to grow in the future through a premium product, developed with the domestic market's requirements in mind.

2013/14 was not without its challenges, however, with more balanced and efficient production being put in place, I fully anticipate that 2014/15 will see the industry deliver a product that not only maximises quality and our provenance but which also exceeds the needs and expectations of our customers.



TSGA MEMBERSHIP AND STRUCTURE

As before one of the strengths of TSGA is that it has a good mix of directorial tenure. Many of the Directors are very experienced in business and, given the nature of the industry, have survived and lived through a number of different business cycles.

I would like to thank my fellow Directors who have given willingly of their time and energies to the business of TSGA during the year.

Dr Adam Main as TSGA CEO has robustly and effectively supported the Board and the industry in a careful and intelligent way despite the stimulating, hectic and challenging issues which always seem to be on his plate. His achievements have been profound and his performance and approach to industry matters widely respected.



*Compliance Dive at Southport,
Tasmania*

KEY INITIATIVES

Over the past year TSGA and its Directors have been working hard to provide the best possible platform for the protection and promotion of the salmonid industry not just today, but for the longer term. These actions have included:

- Realisation of an election commitment of \$500,000 funding for the expansion of the Aquatic Animal Health Centre of Excellence at Mt Pleasant for ongoing vaccine R&D and other significant fish health issues;
- participation on the Experimental Aquaculture Facility Steering Committee to oversee the design, development and commissioning of a state of the art salmon research facility in partnership with IMAS, CSIRO and feed companies;

- Project Management of the construction of an Aquaculture Hub in Macquarie Harbour to support the on-water expansion over the next 5 years;
- Participation in the marine values workshop series;
- Establishment of the Community Forum in Strahan and the development of supporting policy and processes;
- Session Chair of the international salmonid program at the World Aquaculture Society/National Aquaculture Council Australasian Aquaculture conference in Adelaide;
- Coordination of an international Social Licence to Operate workshop in partnership with the SfCRC and IMAS;
- Negotiation of a new and revised Industry Partnership Agreement with the FRDC.

While each of these initiatives are important in isolation they should be seen as part of a much broader strategic TSGA approach which aims at enhancing its role and expanding support for its members with a view to insulating them from the exigencies of politics and the market; to take advantage of commercial opportunities; and deal with the predictable and unpredictable challenges, commercially and otherwise, in the future.

TSGA Technical Committee (TSGA TC)

- In 2013/2014 the membership of the TSGC TC changed with the introduction of new key member representatives, and as a result the committee has strengthened its capacity to deal with significant issues such as fish health, benthic & broadscale modelling and better understanding of dissolved oxygen dynamics.
- The ongoing role of the TSGA TC is to provide strategic guidance to the Board with respect to all of industry technical issues and Research & Development (R&D).
- The TSGA TC has had success and the presentation of a united industry front has assisted our industry in changing the traditional approach to R&D by the research sector. Demonstrating an effective strategy for the extension of outputs to industry, and articulating the ROI for the sometimes significant investment made into a project, are examples of the new mandatory requirements for submitting proposals.

Macquarie Harbour Dissolved Oxygen (MH DO) Working Group

In February 2014 the Tasmanian Salmon Growers Association (TSGA) established the Macquarie Harbour Dissolved Oxygen (MHDO) Working Group with the purpose of verifying the scope of dissolved oxygen (DO) reductions in the bottom waters of Macquarie Harbour and, to the extent allowed by available data, determine attribution. The purpose and aims of the Group are to:

- verify the scope of dissolved oxygen reductions in bottom waters of Macquarie Harbour and to determine attribution.
- work cooperatively in the study of DO issues in the Harbour and to guide studies undertaken under the leadership of Philip Gillibrand of CSIRO (Project Leader).

- provide approved (by the MH DO Working Group) information and advice to other stakeholders on matters relating to dissolved oxygen issues and related processes in Macquarie Harbour.
- provide a final report, including recommendations, which was issued to DPIPWE in October 2014.



FRDC Industry Partnership Agreement

A key factor behind the salmonid farming sector's strong growth is the role of research and development. In 2013-14 the Tasmanian government and Industry continued to contribute financially to salmonid research undertaken by the Commonwealth Fisheries Research and Development Corporation (FRDC). The salmonid IPA is the largest sector funded arrangement for FRDC nationally. A review of the IPA process and arrangement began with a strategic planning session early in 2014 and the final version of the IPA is due for release in November 2014.

National Aquaculture Council (NAC) and Tasmanian Aquaculture Council (TAC):

TSGA continues to undertake an important role within NAC and TAC, which provides an essential role in lobbying and advocating on behalf of Australian aquaculture in general and in particular on behalf of the salmonid industry as one of its major members. In particular, the work which NAC does in aquatic animal health and welfare and biosecurity and in protecting the salmonid industry in terms of trade and market access is important.

THE FINANCIAL RESULT

The TSGA finished the 2013/14 financial year with a **\$10,331 surplus**, which was within budget expectations. Total revenues were **\$2,038,914** compared to \$1,318,397 in 2013.

The budgeted position for 2014/2015 appears sound, but there is little contingency funding available and any additional/unplanned activity will draw upon the reserves accumulated from 2012/13. Feed levies will account for all operating expenses and the income for Project Expenses will continue to be secured through invoices to each company for their predetermined share.

WHAT LIES AHEAD?

Despite there being fiscal uncertainty at a state level, the industry's relationship with government is very sound. Political support for agriculture at federal and state levels has improved business confidence generally, and we have now, more than ever, established more inclusive, open, frank and deliberative dialogue with government and the community, to meet a range of needs and interests.

Ongoing double digit growth is predicted for the next five year cycle, and to achieve this, the industry is committed to achieve global best practice. To move forward we will engage more with government at the "front end" of DPIPW and state growth decision making. There is no doubt that the last twelve months has seen improved communication and coordination between federal and state governments for aquaculture development, planning and management. The industry accepts that firm government regulations provide comfort to both regional and topical community interests. TSGA members see a real need for TSGA to provide leadership in protecting and establishing our credentials as an industry for socio-economic and environmental sustainability.

TSGA members are strategically setting about to be globally cost competitive in trout and salmon production with the aim of achieving premium returns to investors and the Tasmanian community. Barring the unexpected, there should be challenging but rewarding times ahead

C.N. DOCKRAY
CHAIRMAN
31 October 2014

*Bruny Island, D'Entrecasteaux
Channel Tasmania*

