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2017

Top 40 Latin American Seafood Companies



Report Author



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TOP 40 LATIN AMERICAN SEAFOOD COMPANIES

Executive summary

Last year was one of feast and famine for Latin America's seafood exporters.

Chile and Ecuador's aquaculture farmers recorded bonanza profits from double-digit demand growth and limited supply, ensuring that they dominated the rankings of this top 40 list. However, the build-up of a massive, three-year El Niño weather phenomenon played havoc with Chile and Peru's pelagic fisheries, and the tuna industry further to the north didn't fare much better.

On the Atlantic coast, Argentina's fishing companies landed a record red shrimp harvest, spurring new investment in vessel and processing capacity. In Brazil, fish had to be imported to meet growing demand as the nation of 200 million emerges from a deep recession.

Aquaculture investments started to take hold in Brazil, heralding the start of what could be a promising future for the country as a major fish exporter. Foreign investors started aquaculture ventures in Central America, Colombia and Mexico. Overall, Latin America's aquaculture is starting to take a greater share of the profits from a global aquaculture industry that has been growing at an average of 8.3% a year since 1970 and is dominated by Asian producers, according to figures from the US National Oceanic and Atmospheric Administration (NOAA).

Chile has traditionally been the only Latin America country to feature in the top 10 ranking of global aquaculture production, occupying seventh place behind China, India, Vietnam, Indonesia, Thailand and Norway. That will likely change as profits increase in the salmon industry, while some Asian countries still battle with disease issues such as early mortality syndrome (EMS) at their shrimp farms. The outbreak of an algal bloom in Chilean salmon farms in March 2016 looked set to be the next crisis in the industry. However, it turned out to be a blessing, as the cutback in supply pushed up prices globally and improved sanitary conditions at farms. Ecuador profited from the continuing setbacks among Asian shrimp farmers with EMS – prices shot up and most of the top producers increased production by double digits during the year.

The region's exporters are beginning to weigh up the implications of sweeping political change across the Americas that could significantly alter their trading patterns. While the US imports more than \$10.4 billion annually in seafood including shrimps, salmon, tilapia and other shellfish, Latin American exporters are starting to diversify risk away from the US, especially with strong demand coming from China. The US Department of Commerce's decision in September to raise import duties on Vietnamese pangasius in September was a stark reminder that the Trump administration



has threatened to renegotiate trade agreements that the United States has with all countries across the globe.

Trump's ascendancy to president seemed initially to be a disastrous scenario for Mexico, with food exporters cast into uncertainty about the terms of the North American Free Trade Agreement (NAFTA), currently being renegotiated. His victory led to an economic slowdown in Mexico and had the immediate impact of restricting credit to Mexican companies. No breakthrough was achieved during a first round of talks in August between the three member countries.

The situation has also been eased by the fact that Latin America is beginning to see the green shoots of recovery following years of sluggish economic growth caused mainly by the drop in global commodities prices.

Brazil, despite a recent fresh political scandal, is expected to emerge from the deepest recession in its history with 0.2% growth this year, boosting discretionary income that could increase seafood consumption. As concerns over a hard renegotiation of NAFTA allayed, Mexico's economy grew more than initially thought in the second quarter at 0.6% and there is a growing consensus that the economy will resume the high growth trend seen in recent years. Argentina is slowly expanding under the new pro-business and markets approach of Mauricio Macri.

The revival is significant for seafood exporters as the region's two strongest domestic economies – Brazil and Mexico – consume more fish and seafood per capita than the United States. Latin America's seafood exporters are also seeing a strong increase in Asia, and especially China, which is slowly turning into a net seafood importer from its previous role as a top exporter.

"We hope it's a lot more rhetoric than action," said one major seafood importer based in California, regarding Trump's international trade policies. "After all, the American public is going to have to pay for that fish" when costs go up, he said.

Not all political factors affecting the industry have come from outside the region. Brazil looks set to implode once again as details emerge of a bribery scandal involving the current president Michel Temer that could derail an economic reform package that the country needs to implement to overcome a deep fiscal deficit.

The scandal, which continues the corruption saga that saw former president Dilma Rousseff impeached only a year ago, could scare off foreign investors including those considering growing Brazil's aquaculture industry. Rabobank said Brazil – with more than 10% of the world's fresh water supplies – could be poised for spectacular growth in its aquaculture industry with the population increasingly in need of fish protein. The Dutch bank also highlighted Central America as an area with high growth potential in aquaculture.

The election of entrepreneur Mauricio Macri in December 2015 in Argentina led to cheers from the business community and a flood of foreign investment. Macri has not been all good news for fishing though, as he cut legacy subsidies to companies operating in the southern Patagonia region of the country. While red shrimp was in abundance last year, other species such as illex squid all but disappeared from Argentine waters.

Chile introduced a new legal framework to regulate the salmon industry last year, including new density limits and a key 3% limit on any increase from a particular farm. However, the industry awaits a key decision on the redistribution of



licenses and production areas. In a twist of irony, Marine Harvest, which holds the most licenses in Chile, has significantly reduced output in the country after criticizing the reforms. Invermar, a smaller producer, has complained that the licenses are unfairly distributed in the hands of the bigger producers.

Many of the licenses were issued at the advent of the industry in the 1970s and 1980s and no longer make any sense with the technological advancements in salmon farmers, several top executives have said. The incompleteness of the legislation will ensure that Chile has higher cost farms than Norway or other salmon producing countries, according to Marine Harvest.

While Ecuador's shrimp farmers enjoyed an extraordinary year of profits, they will have a cautious view of the government of Lenin Moreno, who will continue the socialist policies of his predecessor Rafael Correa.

The former president has so far shown signs of being more pro-business in his approach as president, unlike Correa who maintained an antagonistic relationship with Ecuador's business leaders during his ten years in power, especially those from his home city of Guayaquil, which has blossomed in recent years thanks to shrimp and banana farming profits.

Ecuador signed a key free trade agreement with the European Union, allowing farmers to diversify away from Haithong, the Vietnamese port where shrimp is re-exported to China. Ecuadorian producers are also cautious of the current plans of the US administration to revise trade accords with suppliers, especially as the South American country is a major supplier after Asia and the third-largest of tilapia to the US after China and Indonesia.

Peru's pro-business President Pedro Pablo Kuczynski has given the country's fishmeal exporters some breaks to aid their financial recovery after three tough years of El Niño oceanographic conditions. Production Minister Bruno Giuffra allowed the industry to fish to within five miles of the coastline, from 10 miles previously, a crucial step in allowing fishing companies to achieve 98% of a 2 million-metric-ton production quota for the second season in the center north area last year when oceanographic conditions were just starting to improve after El Nino. The production ministry followed up with a 2.8m quota for the first season of this year, which was 85% fished, and deputy fisheries minister Hector Soldi said in August that the government may follow up with another 2.8m ton quota for the second season.

Mexico's tuna industry also received a boost with the change in oceanographic conditions, with landings of yellowfin and bigeye tuna doubling in the first few months of the year, as revealed to *Undercurrent News* by both top producers Grupo Pinsa and Grupomar during the seafood trade shows of Boston and Brussels.

The World Trade Organization (WTO) ruled in late April that the US had treated Mexican tuna companies unfairly by not allowing them to sell tuna with a Mexican catch label, giving the upper hand to importers from Ecuador and Thailand. The ruling affected Mexico the right to trade tuna with the US until a year, which allows the government to increase tariffs on US goods. While not directly benefiting the tuna industry, the WTO ruling could give the Mexican government leverage to talk to other global WTOs, including input terms for the tuna processing industry.

Although this is the first year that this report



Latin America's top 40 seafood companies, by 2016 revenue

Company	Species	Country	Revenue (USD millions)		Change (%)	Source
			2016	2015		
1. Corporación Agrícola	Salmon	Chile	500	500	-1%	Regulatory filings
2. Corporación	Pelagic	Chile	450	450	-10%	Regulatory filings
3. Grupo Pasa	Tuna	Mexico	350	350	1%	Company
4. Corporación Agrícola	Multi	Chile	300	300	1%	Regulatory filings
5. Grupo de Pesca (Grupo Pasa)	Tuna	Multi	250	250	5%	Annual report
6. Corporación Agrícola	Shrimp	Ecuador	200	200	1%	Company
7. Multigrupo	Salmon	Chile	180	180	1%	Regulatory filings
8. Los Pasa (Agrícola)	Salmon	Chile	150	150	1%	Regulatory filings
9. Pesca	Salmon	Chile	140	140	1%	Regulatory filings
10. Pesca	Multi	Multi	130	130	1%	Presentation
11. Corporación de Alimentos (Agrícola)	Shrimp	Ecuador	120	120	1%	Company
12. Agrícola	Salmon	Chile	110	110	1%	Regulatory filings
13. Tecnología de Alimentos (Agrícola)	Pelagic	Peru	100	100	-1%	Company
14. Agrícola	Salmon	Chile	90	90	5%	Presentation
15. Corporación Agrícola (Agrícola)	Tuna	Brazil	80	80	1%	Estimated
16. Pesca	Multi	Argentina	70	70	1%	Company
17. Pesca	Shrimp	Ecuador	60	60	1%	Company
18. Corporación	Tuna	Mexico	50	50	1%	News articles
19. Agrícola	Tilapia	Multi	40	40	5%	Estimated
20. Pesca	Pelagic	Peru	30	30	-1%	Company
21. Pesca Internacional	Tuna	Multi	20	20	5%	Estimated
22. Corporación Agrícola (Agrícola)	Tuna	Ecuador	10	10	1%	Export data
23. Pesca Agrícola	Salmon	Chile	10	10	5%	Export data
24. Pesca Agrícola	Salmon	Chile	10	10	5%	News articles
25. Pesca	Shrimp	Ecuador	10	10	1%	Export data
26. Pesca Agrícola (Agrícola)	Salmon	Chile	10	10	-1%	Regulatory filings
27. Pesca Agrícola	Salmon	Chile	10	10	10%	Company
28. Corporación Agrícola	Pelagic	Peru	10	10	10%	Company
29. Pesca Agrícola (Agrícola)	Pelagic	Multi	10	10	5%	Annual report
30. Corporación Agrícola	Pelagic	Peru	10	10	-10%	Annual report
31. Pesca Agrícola	Salmon	Chile	10	10	10%	Regulatory filings
32. Pesca	Salmon	Chile	10	10	10%	Company
33. Pesca	Salmon	Chile	10	10	-10%	Company
34. Corporación Agrícola	Pelagic	Peru	10	10	-10%	Regulatory filings
35. Pesca Agrícola (Agrícola)	Salmon	Chile	10	10	5%	Company
36. Pesca Agrícola (Agrícola)	Multi	Argentina	10	10	-10%	Estimated
37. Pesca Agrícola (Agrícola)	Tuna	Ecuador	10	10	1%	Export data
38. Pesca Agrícola	Multi	Multi	10	10	5%	Estimated
39. Pesca	Shrimp	Ecuador	10	10	10%	Company
40. Pesca Agrícola	Tuna	Ecuador	10	10	1%	Company

Source: Matt Craze/ Undercurrent News. The revenue figures were gathered from a mix of public and private sources such as regulatory filings, annual reports and export data, and corroborated by company executives where possible



COUNTRY PROFILES

Chile

Disastrous algal bloom losses spur higher prices.

Chile's salmon industry is rapidly leaving behind the weak prices of 2015 and the algal bloom disaster in the first quarter of last year that killed millions of fish and led to

losses last year. Blumar and Camanchaca, which also fish anchovy, said the higher salmon prices offset the dramatic decline in catches of pelagic fish caused by El Nino. Corpesca, the fishing unit of Chile's billionaire Angelini family and the only major fish exporter that didn't get into the salmon business, saw revenue slump 20% to \$568.9 million, from \$699m a year ago. As such, AquaChile, despite flat revenue, claims first place as the largest seafood company in Latin America last year.

“

So far in our history we have learned from being hit from one crisis to the next. This is no different.

-- Victor Puchi

widespread reduction in volumes. The disaster looked to be the biggest on paper since the outbreak of the infectious salmon anemia (ISA) in 2007. The ensuing reduction in supply from Chile has since pushed prices to double the levels seen at the end of 2015.

Multiexport Foods, which had a fantastic year and almost surpassed Empresas AquaChile in salmon exports in dollars, surged 141% in equity value for the year ended March 13. Even AquaChile, reeling from uninsured losses that wiped out an expected profit in 2016, rose 80%. Every single salmon farmer, including AquaChile, avoided

Regardless of the algal bloom outbreak that appears to have been triggered by El Nino, the industry, in its own words, mishandled the ensuing chaos. The salmon farmers, without a contingency plan for such a deadly outbreak of algal bloom, were unable to move the dead fish out of the sea, leading to accusations by many stakeholders including Greenpeace that rotting salmon were the cause behind an outbreak in May of another deadly algae that shut down the country's mussel farms. This created a tense standoff leading to roadblocks erected by local fishermen, halting salmon shipments to customers in the US for most of May. Combined with a 5% reduction in Norwegian supply, prices surged on global markets and traded at above \$6 a pound for Trim D fillets in Miami



COMPANY PROFILES



Corpesca

2016 turnover:

2015 turnover:

Ownership:

Private (parent company EMPRESAS COPEC: COPEC CC)

Country:

Chile

Key executive:

Claudio Elgueta, General Manager | Roberto Angelini, Chairman

A: Av. El Golf 150, Floor 15, Las Condes, Santiago

T: +56 224764000

W: www.corpesca.cl

Activities:

Fishing | processing

Shareholders:

Pesquera Eperva | Pesquera Iquique-Guanaye | Empresas Copec

Species:

Pelagic

Copec hints at fishing exit after tough year caused by El Nino, fishing law scandal

Corpesca, the fishing arm of the industrial conglomerate owned by the billionaire Angelini family, had a terrible 2016.

Landings of anchovy and sardines were heavily affected by El Nino weather, the company continued to be closely associated with a legal investigation into payments to congressmen over the enactment of the Chilean fisheries law that was revised in 2012. Worse still, the company's peers – Blumar and Compania Pesquera Camanchaca – fared much better than Corpesca because of bumper profits generated by their salmon businesses, highlighting that the company should have diversified away from the slowly declining business of fishing in Chile.

Corpesca would have topped the ranking of the top 40 Latin American fish and seafood companies based on 2015 data. However, revenue slumped by 19% to \$568.9 million, compared with \$699.3m in

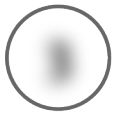
2015, with its net loss deepening to \$65m last year, from \$23m in 2015.

Parent company Empresas Copec announced a major shake-up with the release of the company's fourth-quarter results, scheduling a vote on a \$90m share sale to pay down debt and strengthen the company's finances. The company sold 60% of its Brazilian soy enrichment unit Sementes Selecta SA to Korea's CJ Cheil Jedang Corp for \$214m, hinting that it is not pursuing a strategy to expand into aqua feed. Requests for interviews with Copec's senior management about the future of Corpesca were rebuffed.

Empresas Copec has distanced itself from its historical fishing business, with the investigation into the political scandal still in full force and grabbing national headlines. In the company's most recent corporate presentation, a description of the company is buried on page 44 of the 49-page



COMPANY PROFILES



Grupo Pinsa

2016 turnover:

2015 turnover:

Ownership: Private

Country: Mexico

Key executive: Ruben Velazquez, Pinsa commercial director

A: Av. Puerto de Mazatlan #406 CP 82050, Col. Parque Ind. Alfredo V Bonfil, Mazatlan, Sinaloa

T: +52-669-982 5210

W: www.pinsacomercial.com.mx

Activities: Fishing | processing | distribution

Subsidiaries: Pinsa Comercial

Brands: Dolores | Mazatlan

Species: Yellowfin tuna | skipjack tuna | bigeye tuna

Grupo Pinsa gets some good news after tough year

Grupe Pinsa as the top Mexican tuna producer will be more optimistic about this year's markets after landings in the eastern Pacific improved and the World Trade Organization (WTO) ruled in Mexico's favor over a longstanding trade dispute.

The WTO ruling deemed that the US had unfairly determined that Mexican tuna exporters including Pinsa were not complying with standards to protect dolphins in the Gulf of Mexico. The ruling allows Mexico to impose trade sanctions worth \$163 million a year against the US, until the government of Donald Trump allows Mexico to export using a country's dolphin friendly label. The label is important because it allows Mexican tuna processing companies to sell to large supermarkets such as Wal-Mart, and take on competitors such as Thailand and Vietnam, Pinsa commercial director Ruben Velazquez told television channel Milenio in August.

Although Mexico consumes more tuna than it captures in national territory, the ruling is significant because the country has 30% surplus processing capacity and it is on the doorstep of the United States, Velazquez said. The Mexican tuna industry is hopeful that the WTO ruling can be leveraged in the renegotiation of the North American Free Trade Agreement (NAFTA).

"The American market is the biggest in the world [for tuna] and Mexico is really significant because of its proximity," Velazquez said. "We have quality fish that we can export."

The US is likely to challenge the WTO ruling, prolonging the conflict that is already 9 years old and one of the longest running cases overseen by the WTO. Round 2 of NAFTA negotiations are just getting underway after a tense opening to talks which ended without any significant breakthroughs.



COMPANY PROFILES



Mitsubishi (formerly Cermaq Chile and Salmones Humboldt)

2016 turnover:

2015 turnover:

Ownership: Public 8058: Tokyo

Country: Chile

Key executive: Francisco Miranda, chief operating officer

A: 3-01 Marunouchi 2-Chome, Chiyoda-ku, Tokyo, 100-8086, Japan

T: +81 3 32102121

E: info@mitsubishicorp.com

W: www.mitsubishicorp.com

Activities: Trading | import | processing | aquaculture | wild catch

Subsidiaries: Princes | Toyo Reizo Co | Southern Cross Seafood | Cermaq | Salmones Humboldt

Brands: Prices | Toyo Reizo Co

Species: Bluefin tuna | skipjack tuna | Atlantic salmon | shrimp | pangasius

Getting bigger in Chile as Cermaq, Salmones Humboldt combine

Cermaq will rise in the ranks of the Latin American fish and seafood exporters this year through parent company Mitsubishi Corp.'s decision to merge Cermaq Chile with the Salmones Humboldt farming business that it already held in the South American country.

The combination was completed on Dec. 1, 2016 and brings together 130 salmon farming licenses and 15 hatcheries in the country, under the guidance of chief operating officer Francisco Miranda. The executive spoke in a statement about the challenge of merging cultures between Cermaq, essentially

a Norwegian company, and Salmones Humboldt, which had a combination of Chilean and Japanese management.

The measure is the culmination of Mitsubishi's aggressive move into the salmon market when it acquired Cermaq in 2014 for \$1.4 billion, purchasing a leader in salmon farming in Norway, Chile and Canada. The company combines Chilean and Canada farms on its annual reports into an Americas division.

Cermaq CEO Geir Molvik, who replaced Jon Hindar