



Hoki Value Chain

May 18th 2010

Graham Stuart

Value Chain Analysis for One Tonne of Hoki

- Follow 1 tonne of Hoki Catch to Market
- Cost Analysis at Each Stage
- Analysis of the Returns
- Understanding the Sensitivities



Value Chain for One Tonne of Hoki

- A "High Value" hoki Cascade
 - Caught on a Ukrainian Charter Vessel
 - Processed in China
 - Sold in the USA
- Sales Revenues from one green weight tonne of catch:
 - sold to customers of long standing
 - Schwanns
 - McDonalds
 - and including value add portions
 - Frozen fillets
 - Fat line out block
 - A and B grademince
- At current prices and a USD exchange rate of 0.70 revenue from this product group would be NZD 2,485 for every green weight tonne caught.

3



Value Chain for One Tonne of Hoki

- This product grouping represents one of the higher than average market applications for hoki.
 - Outside New Zealand and Australia most pricing is denominated in US dollars
- Cost Structure
 - Most costs denominated in US dollars
 - Fuel, Charter, Processing (in China) and sales and Logistics
 - Total direct costs to get the product to the customer is approximately NZD 1,900
 - Total harvest cost approximately USD 570 (NZD 810 @ 0.70)
 - Warehousing, Storage & freight approximately USD 490 (NZD 700 @ 0.70)
 - Sales and Distribution Costs approximately USD 270 (NZD 390 @ 0.70)
- Leaving a contribution before overheads and ACE cost of approximately NZD 585



Value Chain for One Tonne of Hoki

- Harvesting Hoki Today Represents Marginal Economics

	NZD per GWT
Revenue @ USD 0.70	2,485
Total Cost	1,900
Total Contribution before ACE	585
<u>Quota Cost</u>	<u>680</u>
Return after ACE	(95)
Investment	
Working Capital	670
<u>Fixed Assets</u>	<u>150</u>
Total Assets Employed	820
Return on Investment	-12%



Value Chain for One Tonne of Hoki

- Key Messages
- The Key Sensitivity Is To The Final Sale Price
 - Price moves +/- 5% contribution moves +/- NZD 124
 - Fuel moves +15% contribution moves -NZD 37
 - Exchange rate moves to 0.60 contribution moves up by NZD 98
 - Exchange rate moves to 0.75 contribution reduces by NZD 40
 - Move processing to New Zealand contribution is eliminated
 - Use a New Zealand crew and vessel contribution reduces by approximately 30%
- As long as there is surplus harvesting capacity the price for ACE will remain high, but in the long run unless we can get the market price up ACE prices will come under pressure.




