



Estimating the economic benefits of MSC certification for the South African hake trawl fishery



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ABSTRACT

Eco-labelling has become an essential component of the global sustainable seafood trade. The Marine Stewardship Council (MSC) is the world leader in certification and eco-labelling programmes for wild capture fisheries. While the environmental benefits of certification have been widely recognised, its economic benefits for specific fisheries are often anecdotal or unknown. The South African hake trawl fishery was first certified in 2004, re-certified in 2010 and most recently in 2015 for a further five years. This study was conducted to estimate the potential economic benefits of MSC certification to the Hake fishery. As a basis for this, an analysis of the global production and trade in whitefish, focussing on hake was conducted using the Food and Agricultural Organisation of the United Nations' FishStat and the United Nations' UN Comtrade data. Additional information was collected from industry sources, non-governmental organisations (NGOs) and from MSC-specific data on export volumes and values. A succession of four scenarios was proposed to simulate possible economic outcomes resulting from shifting to a non-certified fishery. The method then compared the current economic worth of the fishery to the progressive loss of value following these scenarios; the difference representing the net worth of MSC-certification to the fishery. The analysis showed that the fishery's Net Present Value (NPV) of combining these scenarios over a 5-year period corresponds to a 37.6% reduction vis-à-vis the status quo. This study showed that retaining MSC-certification is critical for the fishery to maintain its market position.

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1. Introduction

The inshore and deep-sea trawling components of the South African hake fishery first achieved Marine Stewardship Council (MSC) certification in 2004, via SADSTIA, the South African Deep-Sea Trawling Industry Association and SECIFA, the South East Coast Inshore Fishing Association. The fishery was successfully recertified in 2010 (Powers et al., 2011) and more recently in May 2015 (Andrews et al., 2015). Between 2011 and 2013, hake caught by the inshore and deep-sea trawl sectors accounted for more than 93% of the annual hake catch (Table 1). The handline and longline sectors which catch the balance of total hake caught were not part of the unit of certification.

South African hake competes globally on the wild capture whitefish market. The Groundfish Forum defines wild capture whitefish (as distinct from farmed fish product) as comprising all groundfish species from the order Gadiformes covering species from the family

Merlucciidae (hoki, *Macruronus novaezelandiae*; *Merluccius paradoxus* and *Merluccius capensis*, other global hakes) and Gadidae (cod, *Gadus morhua* and *Gadus macrocephalus*; haddock, *Melanogrammus aeglefinus*; whiting, *Merlangius merlangus* and pollock, *Theragra chalcogramma*).¹ According to the World Wildlife Fund (WWF), as of February 2015, 49.3% of global wild captured whitefish was MSC-certified (WWF, 2015).

The certification of a fish product generally gives the seller a competitive advantage and a price premium since it is often associated with superior quality. Fig. 1 shows that MSC-certified hake ranks higher than uncertified hake on both quality and price axes, and lies just below cod and haddock.

To date more than 320 fisheries are either already MSC-certified (256 in 36 countries) or working towards MSC certification (72)²

¹ From The Groundfish Forum (August 2012). Retrieved August 18, 2014, from The GroundFish Forum web site: <http://groundfishforum.org/>.

² Since the 2014/15 MSC Annual Report was published a further 19 fisheries have been certified and there are now 103 fisheries under full assessment. Retrieved January 29, 2016, from <https://www.msc.org/business-support/key-facts-about-msc>.

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Table 1
South African hake catch in metric tonnes by region and method, and TAC between 2008 and 2013.

		2008	2009	2010	2011	2012	2013
Offshore Trawl	West Coast	99,375	80,499	79,894	92,249	94,509	116,059
	South Coast	17,507	15,700	19,512	21,990	20,955	25,734
Inshore Trawl	South Coast	5,496	5,639	5,472	6,013	3,223	3,958
Longline	West Coast	4,191	5,238	3,795	5,965	6,554	8,049
	South Coast	2,702	3,588	1,717	2,913	1,845	2,266
Handline	South Coast	231	265	275	185	8	10
Total hake catch (mt)		129,502	110,929	110,665	129,315	127,094	156,075
Hake TAC (mt)		130,532	118,578	119,800	155,280	144,671	156,075
% of TAC caught		99.2%	93.5%	92.4%	83.3%	87.9%	100.0%
% of TAC caught by inshore + Offshore Trawl		93.8%	85.9%	87.5%	77.4%	82.0%	93.4%
% of hake catch caught by inshore + Offshore Trawl		94.5%	91.8%	94.8%	93.0%	93.4%	93.4%

Source: Rademeyer and Butterworth (2014) and DAFF (2002–2013).

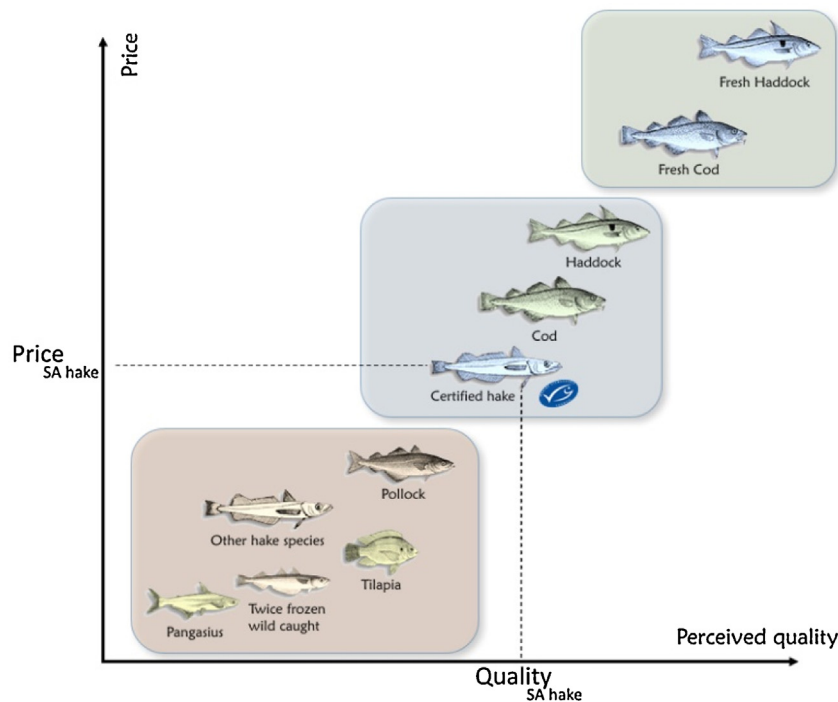


Fig. 1. Perceived quality versus prices for the most common whitefish species; based on Geldenhuys (2013).

Table 2
Perceived socio-economic, environmental and biological benefits of certification and eco-labelling for the producers, consumers and retailers.

Expected benefit/stakeholder	Retailers/food service sector	Consumers	Producers
Price increases	x		x
Improved client relationship	x		x
Improved management resulting in longer-term sustainability	x	x	x
Better knowledge of provenance/source	x	x	x
Continued/improved access to markets			x
Improved public image	x		x
Product differentiation and market segmentation	x		x

Note: this list was compiled from various sources, and does not imply that all these benefits will be realised with every instance of certification.

(MSC, 2015a). The preferential procurement of eco-labelled products by retailers and informed consumers (Tindall et al., 2008) is leading to a range of socio-economic benefits (Roheim and Seara, 2009) quite aside from the initial motivations which are and were primarily environmental (Martin et al., 2012; Heupel and Auster, 2013). Such socio-economic benefits include the potential to contribute to poverty alleviation and food security in developing

countries, which contribute 70% of global fish supply, by providing access to markets and underpinning the sustainable utilisation of fish stocks (ISU, 2012; Perez-Ramirez et al., 2012). The WTO acknowledges that labelling environmentally-friendly products is important but should not be used as a trade barrier (WTO, 2005). Table 2 provides a summary of benefits (Standing, 2009; UNEP, 2009; Mathew, 2011).

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