



# Waves of change

Structural transformation has been good for South Africa's deep-sea trawling industry which is internationally recognised as sustainable and well managed

**A** study released by the independent empowerment research and ratings agency, Empowerdex, in 2016 found that more than 60% of South Africa's most valuable commercial fishery is black-owned. The finding came as a surprise to many because the deep-sea trawling industry, which generates annual sales in excess of R5 billion, has struggled to shrug

off perceptions that it serves only a few in the South African economy.

"The Empowerdex research confirmed that this is a transformed industry," says Tim Reddell, a director of Viking Fishing and chairman of the South African Deep-Sea Trawling Industry Association, SADSTIA.

"In the early 1990s, the industry was dominated by white-owned conglomerates

but today it is very different. There are 52 right-holders. The bigger players have been bought out at a shareholding level and many have introduced employee share schemes."

Sea Harvest and I&J, both household names in South Africa, are the only two large right-holders remaining in the deep-sea trawl fishery. Both are vertically integrated companies with strong brands in the local



market and successful export businesses. Other right-holders vary greatly in size and character. Whereas some are very small companies with hake quotas of less than 1 000 tons (out of an annual allocation of approximately 140 000 tons), others are diversified fishing companies with interests across a range of commercial fisheries including hake, horse mackerel, rock lobster and the small pelagic fishery for sardine and anchovy.

The Empowerdex study determined that the deep-sea trawling industry is 62.36% black owned and a level three contributor to broad-based black economic empowerment.

It also demonstrated that the transformation of the industry compares very favourably with other sectors of the economy. For example, the industry placed

fourth out of 10 when compared with other industries, scores for which were drawn from the top empowered listed companies in each sector. With a score of 79.17%, the deep-sea trawling industry came in after the construction and materials industry (83.12), the ICT industry (81.90%) and the forestry and paper industry (80.38%).

In spite of the structural change that has taken place in the deep-sea trawling industry, it is today more competitive than ever.

"Even though South Africa has strong local brands, fishing is essentially a global industry," says Reddell, explaining that local companies compete with Namibia, Argentina, New Zealand, the USA, Russia and China.

These countries produce large volumes of hake, cod, haddock and Pollock, as well as farmed salmon and a type of catfish called Pangasius that is farmed on a massive scale in Asia. In order to compete on the international 'whitefish' or 'groundfish' market, the South African industry has been compelled to benefit locally.

Rather than export commodity products, it produces fillets, loins, steaks, folded and moulded products, and coated and crumbed hake, mostly for retail markets where prices are right.

To do this takes skill and investment, but 10 years of ramping up investments in vessels and processing plants has paid off, says Reddell.



"The South African industry has retained and even grown the export contracts that make it profitable, cushioning it from currency fluctuations and uncertain market conditions." The industry's expansion into demanding markets in Northern Europe (Germany and Switzerland for example) has largely been on the strength of its certification by the Marine Stewardship Council (MSC), the world's leading certification body for sustainable, wild-caught fish. The South African trawl fishery for hake is the only fishery in Africa to have achieved accreditation from the MSC.

Right-holders in the deep-sea trawling industry operate capital intensive businesses that require large vessels and extensive skill to harvest fish about 100 nautical miles from the coast. Fishing takes place at depths of up to 800 metres. The catch is delivered to fish and chips shops in every corner of South Africa and processed and packaged into fish fingers and other popular hake products for local supermarkets. The demanding international market is supplied with a range of value-added hake products.

Collectively, the industry employs 7 050 people at sites in Saldanha Bay, Cape Town, Gansbaai, Mossel Bay and Port Elizabeth. Reddell concludes: "Change is happening and SADSTIA believes the Empowerdex report proves that the industry has transformed to a great extent, relative to other industries of similar size and complexity."