Retail Concentration In Spanish Seafood Industry

Following the trend of growing seafood sales at non-traditional outlets, salmon are now readily available in supermarkets as well as from fishmongers.

José Fernández Polanco, Ph.D.
Universidad de Cantabria
Avenida de los Castros s/n E-3900
Santander, Cantabria, Spain
polancoj@unican.es

Julimar da Silva, Ph.D.
Almudena Briónes, Ph.D.
Universidad Autónoma de Madrid
Madrid, Spain

Summary:
The seafood production sector in Spain is adapting to face the challenges of increasing retail market concentration. Supermarket chains and other retailers are imposing various requirements on suppliers. In a review of government data on seafood sales and prices, the authors found the salmon sector is totally involved in retail concentration. Seabass and sea bream are between identification as products of mass consumption or niche products. Trout and turbot are more traditional species not affected by competition across retail outlets.

Retail concentration in the food sector has been increasing worldwide since the last decades of the 20th century. Although it seems to be a common trend in many countries of the Western World, it has evolved at different rates across countries.

Traditional retail channels persisted in holding significant market share in southern Europe during the last decade, even though the financial crisis seems to have hastened concentration in the seafood retail sector. Traditional fishmongers and fish markets accounted for 37.4% of total seafood sales in Spain during 2004. This quota decreased to 28.2% in 2011. Concentration is led by supermarket chains, in which seafood sales increased 29.7% in the same period.

This growth displaced all other outlet types, including other forms of concentrated retailing like "box stores" or hypermarkets. Competitive prices, a wider range of products and services, and a common marketing and promotional strategy appear to be the key factors of this success against the traditional channels. Proximity is another important advantage for supermarkets against hypermarkets, which are commonly located in outlying malls and require longer travel time.

Retailer Requirements

As concentrated retailers, supermarket chains impose requirements on their suppliers in terms of volumes, prices, raw materials, production processes and additives, certifications and other transactional costs with which producers focused on traditional retail channels may find difficult to comply.

As concentrations increase, some farmed species will find advantages and become products of mass consumption, while others will need to increase the profitability of their niche markets in order to sustain producers' incomes. In any case, the production sector in Spain will have to adapt its structures and strategies to face the challenges of a market with increasing retail concentration.

Aquaculture seems to be in a better position than fisheries to adapt output to these retailer requirements. Since aquaculture is done under controlled conditions, most of the issues affecting production processes that concern retailers can be assured. And stability in supply and prices is easier to manage, despite periods of turbulence, due to environmental or market-changing conditions.

However, not all fish-farming industries have reached the same level of development, and their market performances considerably differ from one to the other. As a consequence, retail concentration may result in opportunities for some species, but increase challenges and risks for some others.

Seafood Analysis

To examine how retail concentration is affecting seafood sales in Spain and its implications on different species of farmed fish, the authors reviewed data available from the Food Consumption Panel of the Spanish Ministry of Food and Agriculture on the quantities and prices of seafood sold in the four main retail categories in Spain.

The panel provides monthly data from 2004 to 2011, which resulted in a sufficient sample for reliable time series analysis. Cointegration of prices and quantities was tested across five species of farmed fish.

Results

The prices of total fish sales in the four main retail categories in Spain cointegrated in a single vector in the most simplistic model with unrestricted constants (Table 1). This result presented a common trend in the pricing policies of the different retail categories and evidenced a single market under a process of retail concentration led by supermarket chains.

Prices in all outlet types were related to those in supermarkets in a perfectly delimited market following a common trend in prices. But despite this general trend, certain species appeared to behave with some specialization by retail categories and consumer segments. In the case of farmed fish, differences between species were evident, and in some cases, prices in the different retail categories did not cointegrate under any potential model.

Salmon was shown to have the highest levels of cointegration across the four retail outlets. The model for salmon was almost identical to the one for total fish, indicating that salmon sales moved from traditional to concentrated retail chains in proportion to the whole fish market.

Seabass and sea bream will need some

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Table 1. Johansen test for total fish prices by retail categories. Unrestricted constant.

Rank	Eigenvalue	Trace Test	P	Lmax Test	P
0	0.473	92.409	0	53.948	0
1	0.314	38.461	0.003	31.663	0
2	0.077	6.798	0.606	6.759	0.526
3	0	0.039	0.842	0.039	0.842

Table 2. Compared results for different farmed species.

Species	Cointegrating Rank	Model Assumptions
Salmon	1	Unrestricted constant
Sea bream	2	Restricted constant
Seabass	2	Restricted constant
Trout	0	–