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## Chile

**Post:** Santiago

### **Red Tide and Labor Unrest Reduce Chilean Salmon Production**

**Report Categories:**

Agriculture in the News

Fishery Products

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**Report Highlights:**

A harmful algae bloom, which has been attributed to the El Niño impact, caused losses of 100,000 MT of Chile's salmon production -- approximately 12 percent of Chile's annual production during the first half of 2016. In May 2016 a "red tide" hit the coast of Chile in the 10th region of Los Lagos, causing massive deaths of fishes and mollusks. Consequently, fishermen staged protests and road-blocks demanding the government's assistance in the important salmon producing region of Los Lagos which has compounded the industry's woes. Industry sources estimated losses of US\$ 9 million/day in sales due to the road-blocks. The drop in production has increased the average price for Chilean salmon in the United States by 54% going from 3.5 USD/lb in January MY2016 to 4.97 USD/lb in June MY2016 (Fresh D trim fillets FOB Miami).

**General Information:**

Chile's salmon industry faced problems in March 2016 when a harmful algae bloom of *Pseudochattonella verruculosa* caused the loss of 40,000 MT of processed salmon production, which converts to approximately 100,000 MT of unprocessed production. Many of the companies had insurance that covered losses (for more detail see [Report](#)).

After the algae bloom, in May 2016, a red tide hit the coasts of Chile in the 10<sup>th</sup> region of Los Lagos, causing massive deaths of fish and mollusks.

The Chilean Society of Ocean Science (SCHM) issued a press release indicating that the red tide and deaths of marine fauna have been caused by "El Nino" effects and variations in the South Pacific Gyre. Such climate changes have increased water temperatures in the coasts of Chiloe (10<sup>th</sup> region), which caused increased salinity of the waters due to decreased inflow from rivers and rainfall, and has brought an inflow of low oxygen and high nutrient waters. All of these factors increased the algae bloom, which consumes oxygen and harms regular ocean fauna present in the region's coast.

As a result, fishing activity in that region was at a standstill and fishermen from Chiloe Island were on a strike, demanding support from the government to offset their income loss due to the red tide. The strike prompted the closing of various roads, affecting economic activities and movement of people in the region. The Chilean government designated Minister of Economy, Luis Felipe Céspedes, as the coordinator for negotiations and offered a compensation of up to 750,000 Chilean Pesos (CLP), to be given in four payments to the affected fishermen. The government released initial disbursements of 300,000 CLP, approximately 438 USD, to individual bank accounts. However, fishermen on Chiloe continued their protest only to stop between May 12<sup>th</sup> and May 19<sup>th</sup> when all the fishermen groups from different territories in the region came to an agreement with the government. Protests and road blocks have been stopped.

### **Salmon industry losses**

Chile's salmon industry has 80 percent of the production facilities located in the 10<sup>th</sup> region and during the protests production activities were paralyzed. Since salmon processing and logistic activities could not be carried out, industry sources have estimated a loss in sales of US\$9 million per day during the time the roads were blocked.

The industry warned that this could result in further losses, because production facilities were not accessible, so processes like oxygenation of the fish pools couldn't be performed, causing potential problems in salmon quality and decrease in production. If a decrease in salmon production occurs, it is feasible that there will be an effect on direct employment from the industry.

Chile's leading salmon industry association, Salmon Chile, issued a [statement](#) (Spanish only) saying that 39,000 MT of salmon were unfit for human consumption due to the algae bloom, of which 35,000 MT were destined for fish meal or dumping sites and 4,000 MT were disposed at sea, all in accordance with local and international regulations. Chile's Ministry of Economy's Fishery Department (Sernapesca) issued this [Report](#) (Spanish only) about the disposal.

Industry representatives indicate that the algae bloom resulted in the loss of 4,500 of a total of 35,000 direct jobs that the industry employs. Since Chile is a major producer of salmon, the restricted salmon

supply increased prices in the United States. The production decrease has increased average price for Chilean salmon in the U.S. by 54% going from 3.5 USD/lb in January 2016 to 4.97 USD/lb in June 2016 (Fresh D trim fillets FOB Miami). (Source: [Salmonex](#)).

### **Government response**

The Chilean Government, through the Ministry of Economy, formed an expert committee to study and investigate the red tide causes and effects as a response to the demands made by local fishermen from the 10th region.

The salmon industry has been calling to reduce overall salmon production volumes and expand to southern areas in Aysen and Magallanes regions. Sernapesca (Ministry of Economy) is working on a sanitary regulation that establishes maximum densities for salmon production, which limits the overall production volumes of salmon. The regulation is based on technical specifications in order to minimize sanitary issues in the production process and it includes various factors such as salmon mortality rates.