

## **The demand structure of the Spanish salted fish market**

### **1. Name of research leader**

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### **2. Project objective**

Estimate the demand structure for salted fish in Spain.

### **Subsidiary objectives**

1. Estimate the demand elasticity's of salted fish from different sources and in different product forms.
2. Examine the demand interrelationships between salted fish from Norway and its main competitor, Iceland.
3. Discuss the possible strategy for increasing Norwegian competitiveness in the Spanish salted fish market.

### **3. Research Background**

Spanish salted fish is a growing market undergoing a fundamental restructuring. A modern social situation leads to the need for the more convenient and light salted fish. New salting technologies and production processes have made the industry able to supply more diversified products to the consumer markets. Norway, Iceland, Faroe Island and other countries export both conventional salted, injected and light salted fish products to Spain. Among them, Norway mainly exports traditional salted fish and seems to begin to lose its market share. Iceland currently takes half of the total Spanish salted market (Lindkvist, K., et al, 2007). Knowledge of the demand interrelationships between different products and different sources is crucial for suppliers to adjust production and marketing strategies.

### **4. Research Problems**

The questions to be answered in the research are as follows:

1. What are the demand elasticity's (own price elasticity's, cross price elasticity's and income elasticity's) of the different products from different countries.
2. What is the interrelationship between different products assortments? Do the new products begin to substitute the traditional salted fish? Does the increase of income mean the higher demand for new convenient products ("Like ready to cook or ready to eat" products)?
3. What is the interrelationship between different salted fish suppliers? Is there a more demand for Icelandic salted fish at the cost of Norwegian salted fish?
4. Give suggestion to the Norwegian salted fish industry on production and marketing strategy.

### **5. Theories and methodologies**

We assume consumers' utility getting from salted fish can be weakly separable from other goods and two-stage budgeting is invoked to justify the conditional demand specification. Almost Ideal Demand System (AIDS) model which is developed by Deaton and Muellbauer (1980) based on the utility theory and demand theory is applied for estimation. Spanish salted fish demand is first segmented by source origin and then further by product assortments. The interrelationships between the different products and the different sources will be tested and reported.

### **6. Relation to the tasks of the main project:** T1: 1.2-1.4, T4: 4.1-4.3, 4.5

**7. Time-schedule:** 1. Dec, 2008 Get data from Norwegian Seafood Export Council. 2. Jan -Feb 2009 Literature review and data analysis with Excel and SPSS. 3. March-June 2009 Model selection and Final report of model result. 4. July-August 2009. Draft the report. 5. Sept-October, 2009 Revise the paper and submit it to an international journal.