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Original Articles

Profitability in Norwegian salmon farming: The impact of firm size and price variability

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ABSTRACT

In this paper, we investigate the impact of firm size and price variability on firm profitability in the Norwegian salmon farming industry using a panel data set of all companies from the period 2000 to 2014. Several proxies for firm size are included in the analysis. We find that firm's share of total sales has a positive impact on profitability, while an alternative proxy, total assets, is negatively linked to profitability. Financial leverage (gearing) has a negative impact, but liquidity (current assets/current liabilities) is not found to significantly affect profitability. Operating efficiency indicators like working capital management (net working capital/total assets) and operating leverage (fixed assets/total assets) are positively associated with profitability. Finally, we find that salmon price variability increases profitability, and that smaller companies are more able to take advantage of the profit opportunities that price variability offer, compared to larger companies.

KEYWORDS:

Firm size | price variability | profitability | salmon

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Notes

Markets can also create additional risks through reputation effects (Bronnmann & Asche, 2017; Liu, Lien, & Asche, 2016; Sha, Roheim, Insagnaris, & Asche, 2015) and regulations (Chu & Tudur, 2014; Osmundsen et al., 2017).

After adjusting for inflation this number is 10.7 million in 2015.

Additional information

Funding

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Source: Marine Resource Economics

The Effects of Business Environment and Strategy on a Firm’s Rate of Return on Assets

Source: Financial Analysts Journal

Patterns in the Relative Price for Different Sizes of Farmed Fish

Source: Marine Resource Economics

Fish Price Volatility

Source: Marine Resource Economics

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