2011/411 Industry delegation to China seafood expo

China Fisheries and Seafood Expo Trip Report

Attendance:

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FRDC
FISHERIES RESEARCH & DEVELOPMENT CORPORATION

The Qingdao seafood show tour certainly dealt some surprises from first hand. The trip began only hours before Qantas decided that its fleet should be grounded and as a result of industrial action. A complete last minute rebooking of all tickets ensured there was no shortage of drama's from the moment that Angelo, Charlie and Tony arrived in Melbourne. With all Qantas flights grounded, tickets were purchased over the counter at China Southern who watched us coming and instantly raised their airfare rates. In addition, all the connections in Hong Kong were missed and the moment we landed in Guangzhou the challenge of getting to Qingdao went up a notch. With no seats available on any flights we were forced to purchase 5 business class tickets to get us to Qingdao so as not to miss our hotel check in, which was already 6 hours behind schedule. Eventually the team the team arrived at the destination city and the beauty and size of the Chinese economy instantly revealed itself. The city of Qingdao is a modern and progressive hub for Chinese seafood business interests; It is perfectly positioned to take advantage of the distant water fleets that operate out of South Korea, Japan, Russia and Taiwan. As a result, the largest concentrations of seafood processing companies in China are located in or around Qingdao.

China's seafood trade is continuing to grow. Seafood exports from China grew at an amazing 32% last year, and imports grew at 13%. Aquaculture made up a bulk of the export growth, however fresh seafood inputs required for utilization of the enormous processing capacity, and increases in pricing of the high end live market made up a bulk of the import growth. The record high prices of seafood worldwide has been a significant catalyst for Chinese seafood processors to quicken steps of industrial restructuring, strengthening the processing and export capacity and sharpening competitiveness. This in turn has also seen a rise in labour and production costs, which seep out into the domestic economy, increasing prosperity and fuels a source for domestic demand of seafood.

During this trip, it is a priority to get a feeling for the depth of services available to Australia for processing of various seafood's, and also gain an understanding of potential markets for some underutilized east coast species like Ribbonfish and Royal Red Prawn. In addition, the themes presented at the show forums are of interest also.

The forums presented an overwhelming theme of sustainability. In the various discussions it was heard how for the first time Pacific nations had enforced the fishing days limits set in a region where 25% of the worlds tuna is caught. 28,349 days were divided among 8 nations, and within 6 months of announcement, the Solomon's already closed its EEZ to fishing boats and marked a significant milestone in the evolution of the PNA (Parties to the Naru Agreement), and effectively marking the arrival of the Pacific Tuna Cartel. The days are now traded between the PNA nations and initially sold at $2500 USD per day, quickly jumping to $5000 USD per day. It is expected that the fishing days will be exhausted by Nov 2011, possibly creating a supply vacuum of imported tuna into Australia and supporting local prices coming into Christmas.

Panel Discussion 3 – What are supermarkets, their suppliers and ngo's doing to sell more sustainable seafood ?

Moderator – Tatjana Gerling, Manager Whitefish (Asia/Arctic) WWF Smart Fishing Initiative.

This discussion was of particular interest to our group, helping us gain a picture of a true global trend that is continuing to gain momentum. Certification has a new backer the giant supermarket chains. NGO's like WWF have successfully convinced the large global retailers that social responsibility is inherent in their ability to sell seafood products. The global retailers (including Coles and Woolworths) will not settle for a future supply of seafood from an unsustainable source. By partnering with NGO's like WWF our fisheries management framework is set to undergo radical change driven by consumer pressure, or at least represented that way. Whilst NGO's and retailers share some divide between profits and social responsibilities, the retailers are convinced that the current widening gap in supply of wild caught seafood is probably set to continue for some time. Indeed in Australia, by 2013, all seafood sourced by supermarkets in Australia will have to be 100% traceable, and therefore will be easily categorized. This strategy is set cause a major upheaval in our seafood management as the whole of "economic efficiency" driver is price, which is set to significantly plummet for species that are not in a certification program at the very least. If the end user **can't** buy our seafood then it's landed value will drop, playing right into the hands of the supermarkets, that have committed to the certification supply programs.

The panel:

Yasuyuki Yamamoto:	Aeon Topvalu, General Manager Grocery and Seafood Green Eye Merchandising Division
Lewis Allen:	Sainsbury Group China Region Rep
Lain Pollard:	MRAG Fisheries Economist
Yuanjun Guo:	Dalian GuoFu Aquatic Products Director
Chris Hanselman:	Pacific Rich Resources Group MD

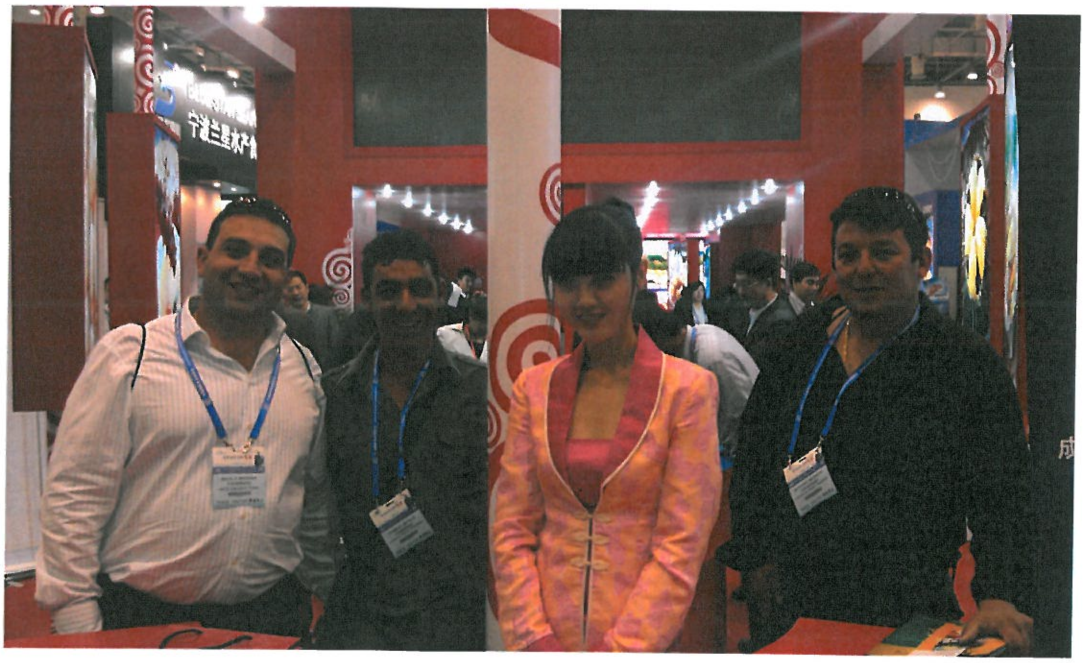
The panel was unanimous in agreeing that in the future soon, only sustainable seafood would be sold by the large supermarket chains, and that Eco labelling would play its role in ensuring that purchasing departments had identification of products clearly understood. What was interesting to me was that only WWF presented itself in this session. WWF is clearly positioning itself as a type of "non bias" consultant on the various eco certifications programs, and is probably set to gain significant revenue streams from this service. The battle front is converging on three fronts. Firstly, the sellers are demanding that their future suppliers produce seafood certified by an Eco program. Eco programs are heavily linked to management outcomes and are various in type and size all over the world, and are heavily influenced by ENGO's. ENGO's are non cooperative with industry and management and are looking to close fisheries and areas in general.

Not an easily controlled battle. However, there is a future for industry if the Eco labelling can be used effectively. If Australia can develop it's own "non-infiltrated Eco program" that is completely non bias to political pressure then this may give industry and option for reform into the future. It is certain that the momentum is moving for Eco labelled seafood in Australia, Industry must converge into these new consumer demands.

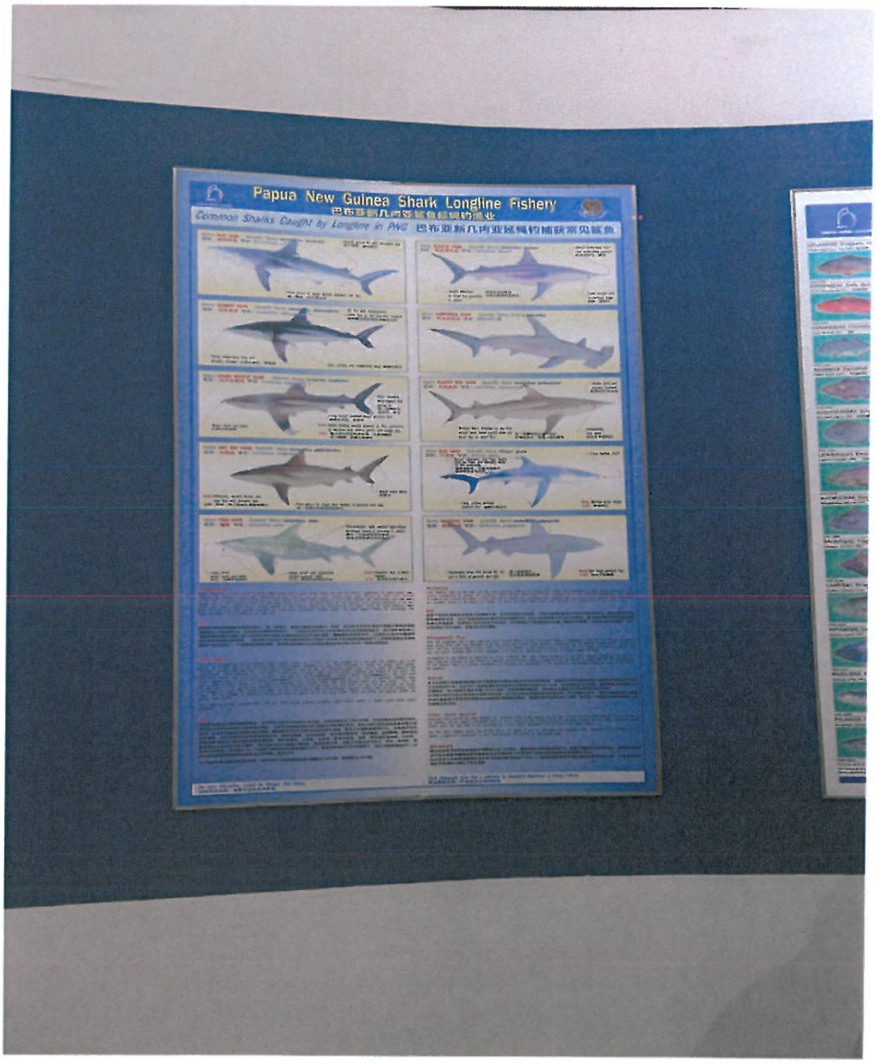
In all of this reform thought, the schizophrenic consumer in Asia will no doubt be divided between rich and poor. It wasn't until we visited an underground local fish market in Qingdao that our group realized the true breadth and expanse of the Asian seafood consumer. Live tanks crammed into tiny spaces in the basement of a building reflected distribution all over china to the poorer classes of consumers that can't afford to shop in the supermarkets. Twenty or so retailers packed themselves into an area no larger than 200m2 , selling any live product that was available, bypassing the need for extensive refrigeration, and running lean businesses. Where and how this seafood is sourced is unknown, however and global push for all fisheries to be Eco certified will stress these markets through price. I doubt that the poorer consumer of this high quality type of product will pay higher prices due to a sticker or tag being attached to the animal. And with the Chinese market set to continue on its consumption trend, the Eco programs will face a significant challenge in these areas of demand.

<u>Booth Visits</u>

We visited many booths over the 3 days, far too many to talk about. I will however talk about a few of the more interesting visits. The exhibition was divided into three main parts. Processed Seafood, Machinery and Equipment and Country stands.



Of great interest was the Papua New Guinea stand which was freely promoting the longline shark fishery for the fins.



Many of the discussions were centred around the supply fins from the capture of sharks that would no doubt be listed on the IUCN Red List. An interesting marketing tool was the posters printed in both English and Chinese, something that is seldom seen on Australian marketing strategies.

Note: Potential project to assess the effectiveness of the communication media used to promote Australian seafood overseas

<u>Booth D127 – Hongyunlai Top Alive Fish Gift</u>

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This small booth was incredibly busy due to the offering of a simple product, a tube to give a live fish as a present! The booth displayed what appeared to be a type of a Sturgeon fish being kept alive in a plastic tube. We visited the booth every day to check the live state and on each occasion the fish appeared to be in perfect health. This type of product is something I haven't seen in Australia, however whatever the method is, it may be able to be duplicated on a larger commercial scale. We have since made contact with the company and have ordered some tubes for delivery to Australia.

In conclusion, the trip was extremely useful for the group, most of whom had never seen any fish markets outside of Australia. The sheer size of the show was hard for the group to comprehend and trips around the various local fish markets allowed the group to experience firsthand the differences in the handling, logistics and quality of seafood being dealt with.

Many of the small local markets carried mainly live fish and crustaceans, which is mostly in demand by the average Chinese consumer, with a bulk of the frozen seafood sold in China being distributed into commercial restaurant and hotel chains. It was clearly apparent that the ability of the Chinese logistics engine to deliver live royal red prawns all over China in massive quantities, was a significant competitive advantage, and even though the entire Royal Red TAC in Australia could be purchased in one week in China, the uncompetitive nature of our fisheries and export regulations and the labour component needed to deliver the product makes our SE fishery unviable for export. In addition, local health laws would prohibit the handling of live fish the way that the Chinese do, and is such that the cost is cheap without the public outcry for humane practices.

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However, it was an excellent learning experience for the group, who in addition to experiencing local customs and culture in relation to seafood, made many contacts in the field of machinery and gear. In addition, discussion was exceptionally creative and stimulated ideas for the group to explore different methods of accumulating catch and offshore processing for low value species.

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