

In China, Fish Means Prosperity

By *Ralph Bean*

In China, where life often revolves around food, seafood is king. No celebration is complete without fish, and in a country where business deals are cemented over banquets, nothing commands prestige like a table piled high with fresh crabs, oysters and fish. This obsession is even reflected in the language: the character meaning fish, *yu*, is closely associated with prosperity, because the sound for that

character is identical to the sound for the character for surplus or plenty.

Even simple restaurants in rural areas often keep a tank of live fish for their customers to choose from. In the big cities, top-quality restaurants boast row upon row of tanks stocked with an almost unimaginable variety of aquatic creatures, many of them imported.

Future prospects for imports are very bright. As their incomes continue to grow, China's consumers are demanding more and more fish and seafood. Average per capita consumption rose from 5.2 kilograms (1 kg. = 2.2046 pounds) in 1998 to 5.8 kg. in 1999, then again to 6.7 kg. in 2000. Ur-

ban consumption—11.7 kg. per person in 2000 and growing—is almost three times that of rural areas. At the same time, domestic seafood production is limited by new limits on fishing. China's entry into the World Trade Organization should provide further support for imports, with tariffs scheduled to fall to 14 percent or less by the end of 2005 and most nontariff measures to be eliminated completely by 2007.

The Right Bait . . .

Although demand is strong, there are distinct tastes and trends in the Chinese fish and seafood market that exporters must take into account.



Chinese consumers prefer live to fresh and fresh to frozen. In the case of seafood, limited supplies and high prices have made consumers more willing to buy frozen products. For freshwater products, however, widespread availability and low prices mean that consumers are reluctant to accept anything other than live or fresh.

By the same token, consumers tend to prefer fish caught in the wild to aquaculture products, feeling that wild-caught products are better tasting and more nutritious. This feeling has been reinforced by recent scandals over the use of banned antibiotics in China's aquaculture industry.

The traditional seafood varieties favored by Chinese consumers include croaker, squid and ribbonfish (any of various elongate, greatly compressed marine fishes). Government restrictions on ocean harvest levels have led to increased imports to meet demand, so these traditional favorites are often imported from India and Southeast Asia.

Rapid growth in incomes in major cities such as Beijing, Shanghai and



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Guangzhou, however, has led to a boom in imports of other products, including lobster, oysters, cod, salmon, geoducks (a type of clam) and crabs. These products come primarily from Russia, the United States, Canada, New Zealand, Australia, Japan and Europe. At the extreme high-end are products designed to impress business clients or to be given as gifts, such as live salmon from Norway, or expensive, exquisitely packaged Alaska King Crab from the United States, and sold for \$20 apiece.

... To Net the Retail Customers

At the retail level, several trends are worth watching. One is the rapid rise of hypermarkets in the major cities. Carrefour and Wal-Mart have established a strong presence in the larger, more prosperous cities and are rapidly moving into smaller cities throughout China. Catering to middle-class consumers with increasingly limited time, hypermarkets offer a wide variety of processed products, ranging from filets to fully processed fishballs and crabsticks to ready-to-eat meals. Japanese-style sushi and sashimi are also becoming more popular.

For supermarkets, the emphasis remains on live sales, and these outlets routinely maintain a large number of bubbling tanks full of freshwater fish, crabs, eels and shellfish.

... To Hook Restaurants

Traditional Chinese restaurants continue to stock large quantities of live fish, as consumers typically want to select their fish. The growing community of Western restaurants, however, tends to buy partially processed products. Chinese restaurants typically buy both live and fresh stock at wet markets, while Western-style restaurants sometimes purchase directly from processors.

In rural areas, restaurants often buy directly from fish farmers. Due to low consumer incomes and limited refrigerated transport and storage in areas farther inland, seafood is not widely available in rural areas beyond the coast.

... Or To Land a Big One

As a major consumer of fish and seafood imports, China's processing sector merits special mention. This industry swallows up over 10 million metric tons of raw material every year, and had a total processing output of 6.5 million tons in 2000. Although processing continues to outstrip domestic production, a recent price slump



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has reduced profitability: the volume of processed products increased by 4.4 percent in 2000, but their total value fell by 7.1 percent.

The industry also suffers from limited product varieties and inconsistent quality. Frozen products dominate the production mix, accounting for over half of the total, followed at quite a distance by dried products and those used for animal feed. Over the past three years, surimi production has seen the fastest growth of any sector.

Estimates of the number of processing plants vary wildly, ranging from as low as 443 to as high as 7,000. Most are located in



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The 43.8-Million-Ton Gorilla

While processing dominates China's fish and seafood trade, it is dwarfed by the sheer size of the domestic market. At 43.8 million tons, China was the world's largest producer of fish and seafood in 2001, a scant 15 percent of which was processed.

Most of the growth has been in aquaculture, which accounts for 40 percent of Chinese domestic production. China now accounts for over half of the world's freshwater aquaculture production.

Despite its success, China's aquaculture industry is beset with problems. Traditional aquaculture concentrates on low-value species and can cause serious environmental problems. The transition to less polluting, higher value soy-based aquaculture is underway, but is being undermined by soybean import barriers. Exports have also suffered in the wake of revelations about China's use of antibiotics that are banned in many countries.

ARE THEY BITING?

coastal provinces, particularly Zhejiang, Jiangsu, Fujian, Shandong, Jilin and Guangdong. Fujian and Shandong are the primary dried product processors, and Shandong accounts for 41 percent of China's fishmeal output. Shandong, Guangdong, Fujian and Zhejiang are the main centers for surimi production, although Guangxi province has experienced rapid growth too.

Fish Out of Water

China's booming consumer market for fish and seafood is easily lost in the trade statistics. The vast majority of trade goes into and comes out of China's gargantuan fish processing sector. Of the \$1.3 billion worth of products China imported in 2001, the majority was processed for re-export. Imports of raw materials for processing and re-export are further supported by a 100-percent tariff rebate, paid at the time of export. Chinese exports, largely in the form of reprocessed imports, amounted to \$4 billion in 2001. Imports were dominated by frozen fish (63.8 percent), while exports

were dominated by processed fish (21.3 percent) and filets (19.6 percent).

These rough statistics tend to overwhelm the smaller—but higher value—consumer trade and conceal important details. For example, while China is a net exporter of live fish, the unit value of live fish exports is a mere fraction of that of live fish imports, indicating that China is exporting low-value products while bringing in higher value products for its own use. ■

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