Seafood industry adapts to market changes

Declining global demand, rising labor costs force firms to provide more-valued-added products

BY LVY CHANG
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With China’s seafood industry no longer enjoying a “golden era” amid soaring labor costs and declining demand from overseas markets, many seafood producers are keen to upgrade their products, according to industry experts.

“The golden age for the development of the seafood industry has already passed, and we are now in a period of stable growth,” said Eric Wang, president of China Seafood (Zhanjiang) Co., a major producer of aquatic products for supermarket chains including Walmart and Walmart Retail Group.

“As a result, we have to transform our industry with more-valued-added products to expand our profit margin,” he added.

Located in Zhanjiang, a production base for shrimp in China’s Guangdong province, the company supplies products to Walmart, Alibaba, JD.com, and several other brands in Europe.

Wang said the company has two factories in China with different marketing strategies. The factory in Guangdong province serves as a production base for exports, while the other in Zhanjiang province is a major provider for the domestic market.

“Actually, 40 percent of the revenue of our factory in Zhanjiang comes from exports,” he said.

John Swanke (Zhanjiang), which took about 67 million years (510 million) last year, a double-digit growth compared with the previous year.

“We are now trying to keep that growth for business, but we did not believe in the past when demand from the global market kept increasing,” Wang said.

Between 1999 and 2008, which Wang called a “golden age” for the aquatic industry, growth in the overall market went from 16 percent to 20 percent.

However, as labor costs have continued to rise and there has been declining demand from Western countries, profit margins for Chinese aquatic companies have shrunk quickly.

Wang said that with the situation, his factory in Zhanjiang is focusing more on adding value to products.

“We are now putting more effort into producing products such as broadened shrimp and scallops, instead of just broadened shrimp and scallops, instead of just broadened shrimp and scallops,” he said.

“Tuna is more targeted and effort to catch the filleted products so that we can have a better price,” he added.

Jin Wei, secretary-general of Zhanjiang Association of Cold-chain Logistics, which was set up earlier this year, to provide logistics services to aquatic companies, and the role of the seafood companies in Zhanjiang is to set up a new strategy, as many are moving from being pure raw seafood exporters to seafood product processing companies.

“We can’t rely on the previous model for growth because the market has changed,” he said.

“Thus, we need a lot of room for improvement such as efficiency and technology in order to provide the products.”

He added that there are more opportunities in the domestic market with the growing appetite for seafood products from the country’s middle class.

A report from the Rabobank Group shows that the past two decades have seen China become a major seafood provider for the world, while the next two decades will see the country shift into a big consumer of seafood products.

“China is already the driver of global seafood, both in import and production, and I think the subsequent impact on the whole industry will be profound,” said Yu.

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Cai Pinghong, general manager of Zhanjiang Agriculture Technology Co., can talk for hours about the large range of chili peppers that grow at her 100-hectare production base.

The 38-year-old said she helped grow pepper plants with her father Cai Jin, who founded the company more than 20 years ago.

Zhanjiang Agriculture, which has the largest production base for chili peppers in Zhanjiang, a coastal city in Guangdong province, delivers different varieties to northern China.

“Chili peppers have become a part of my life because the region has been a major production base for chili peppers and the hot and humid weather here is very suitable for growing peppers,” even in winter,” Cai said.

In the offseason, vegetables can be planted in greenhouses as well as in fields and can be harvested in winter and spring, according to Cai. “The harvest time can last for half a year,” she added.

Zhanjiang’s average annual temperature is 24.7°C, and although the region has supplied many parts of the country with chili peppers for years, the vegetables are not a common ingredient for locals to use in their dishes as they prefer soybean-based foods.

Last year, chili peppers were named as a “strategic vegetable” in Guangdong province.

Cai said the company’s annual vegetable production could reach 20,000 metric tons, including chili peppers, cucumbers, cabbage and sweet potatoes.

Although Zhanjiang has a mature and prosperous planting industry, which produces abundant agricultural products, it is likely to be found due to a lack of promotion and an unestablished logistic industry.

Almost 10 to 40 percent of the vegetables were being damaged during storage and transportation, Cai said.

To solve that problem, Cai set up a refrigeration house with 30,000 tons of storage capacities where vegetables can be kept cool, before being packaged and delivered to other parts of the country.

This year, the Zhanjiang Association of Cold-chain Logistics was also set up to support the city’s agriculture and cold-chain logistics in industry planning, distribution network separation, investment promotion, and marketing.

“The discount rate has been largely reduced. Only 1 to 2 percent of vegetables get bad during the delivery,” Cai said.

The company sold in more than 600 million yuan (94.7 million) in 2018, an increase of 40 percent compared to the previous year.

Although the company’s growth rate has been consistent year over year, the discount rate has stayed high, which is critical for further improvement.

“A new step would be set up an online platform with an initial investment of 10 million yuan in order to sell the company’s green vegetables,” she said.

“It is not easy to build up an online shopping platform for vegetables because of the fierce competition and the logistics system, but it is a trend and we will take the first step toward that,” she said.

Cai Pinghong, general manager of Zhanjiang Agriculture Technology Co.