OVERVIEW OF SHRIMP FARMING INDUSTRY - MAIN PRODUCERS, MARKETS, PERSPECTIVES AND CHALLENGES

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Overview

- Shrimp production and trade increased significantly across the world during the last decade supported by sustainable development in the aquaculture sector.
- Greater availability of shrimp and prawn through aquaculture and affordable prices increased imports into the traditional US and the EU markets.
- Overall imports of raw shrimp in Japan has started to fall but the market imports more value added shrimp processed in shrimp producing countries.
- The emergence of new markets is another factor supplementary to this business.
- Consumption of shrimp has increased in most of the producing countries in Asia and Latin America creating better opportunities and buffers in their domestic and regional markets.
- Farmed shrimp has also paved the ways in exporting higher value products.
- Today such products are exported to the Japanese, US and European markets.

Current Scenario

Overall availability of aquaculture shrimp remains low in Asia since late 2012.

Farmers in East Asia-from China to Malaysia-lost millions of dollars of crops affected by to the EMS disease.

The problem surfaced in the Eastern region of Thailand during late 2012 and now affected the southern aquaculture belt of the country. Obviously there will be delay in season's first harvest in Thailand, which some predict, could be as late as June/July.

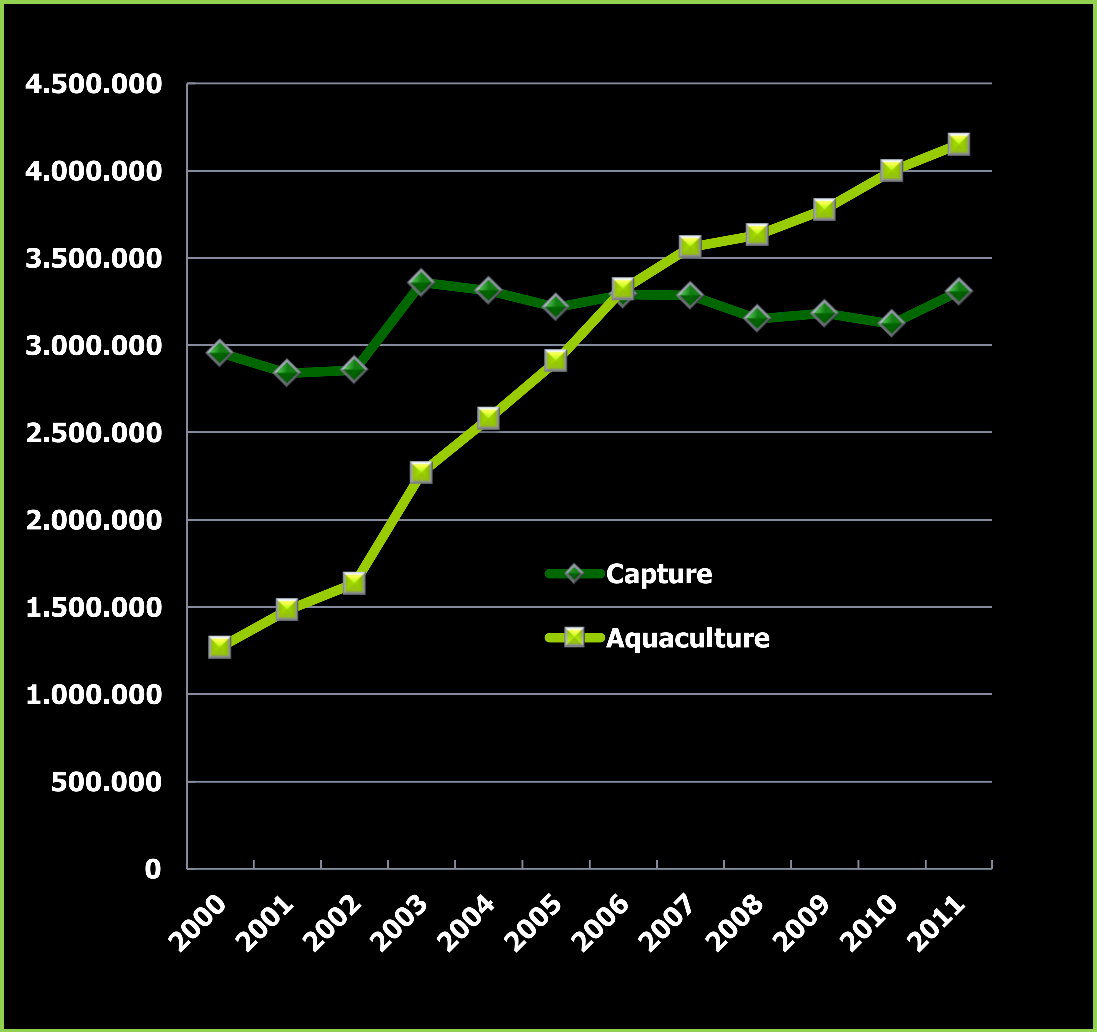
The poor harvest persists in Vietnam since last year; nearly 80% shrimp farms in Mekong Delta area was affected by EMS disease and also by lack of adequate bank loans. For many months raw material shortage remains a serious problem to the export processing industry in Vietnam. The *ethoxyquin* issue is also restricting exports to Japan.

Indian farmers are holding better stocks, which they are harvesting on demand. This strategy is keeping farm-gate price stable.

The white spot disease also hits hard farm production in Latin America and wild shrimp landing have been disappointing along the Pacific coast.

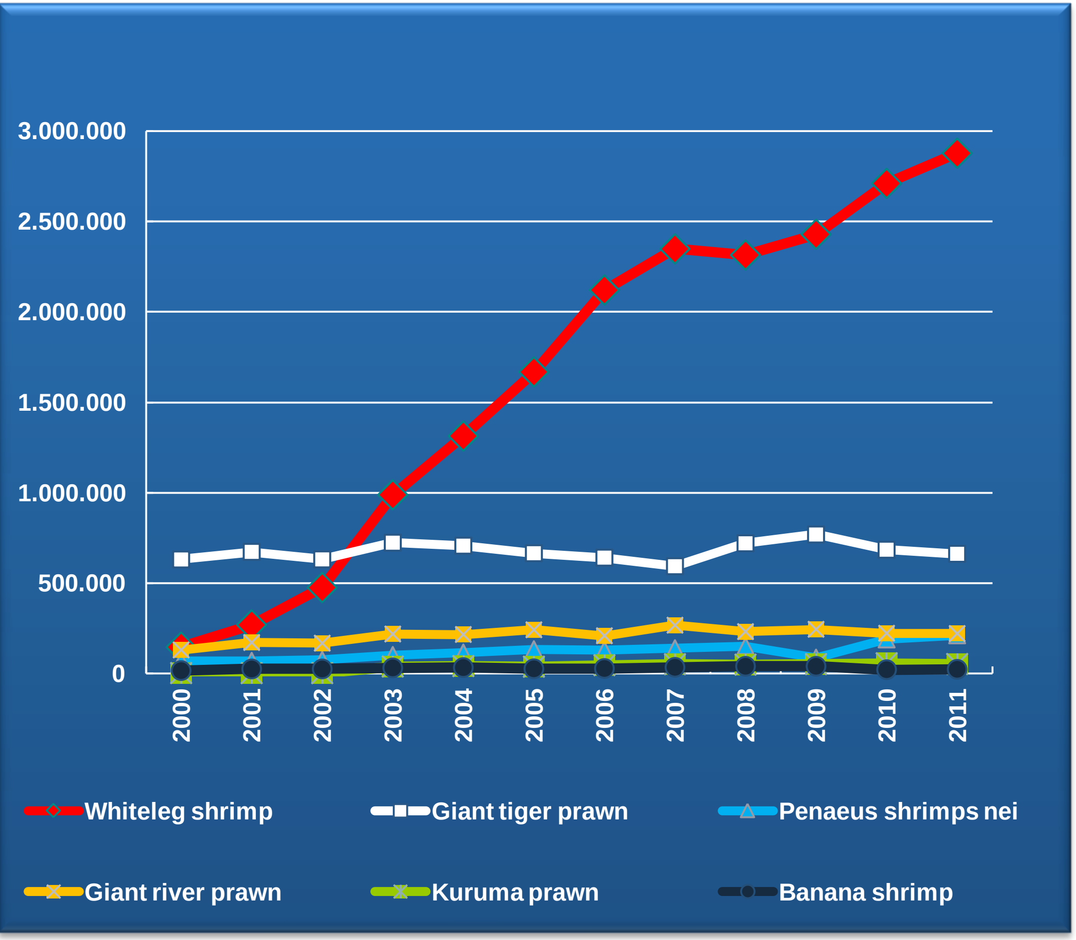
Ex-farm prices are rising through Asia, pushing export price up, although the real demand boost in the major markets is still absent.

World Production of Farmed Shrimp



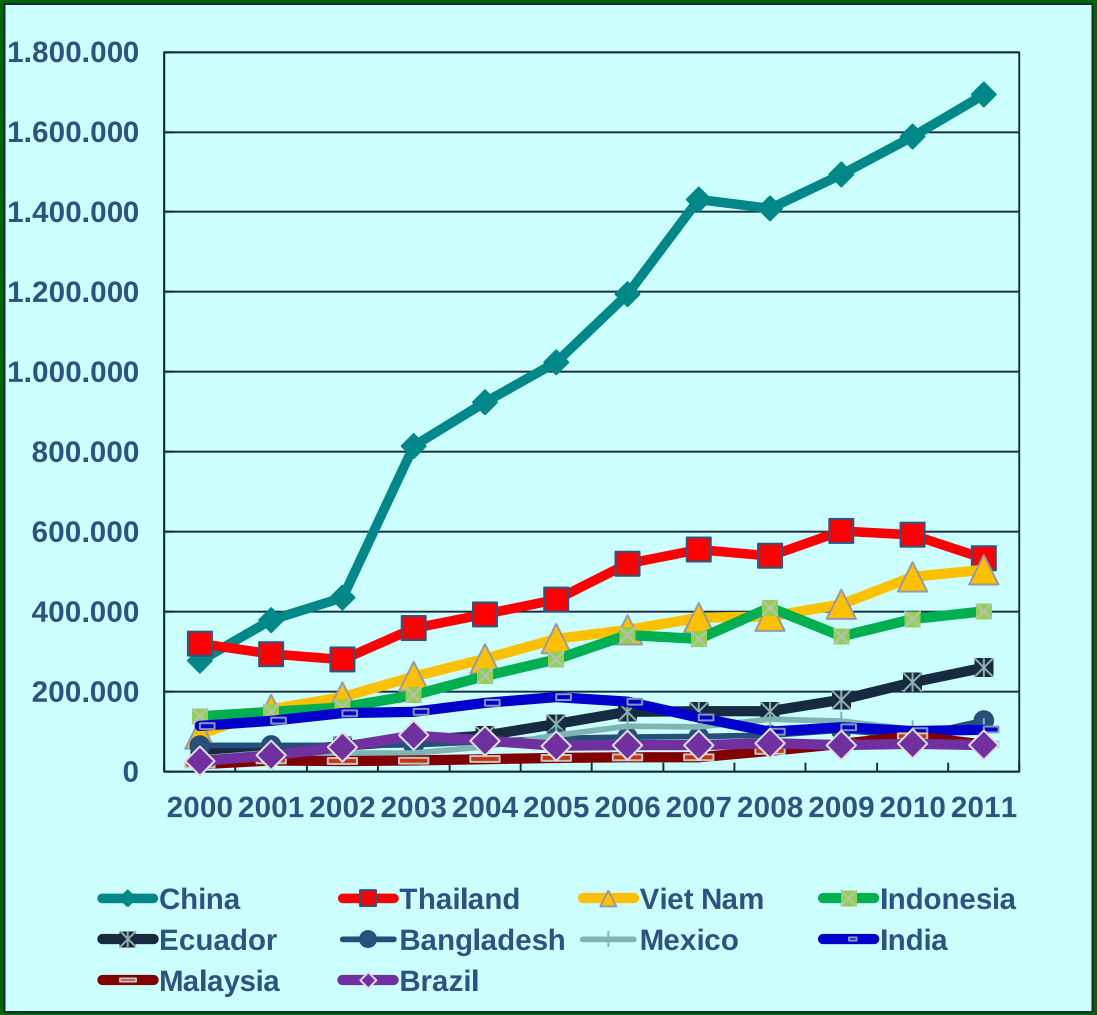
- Global shrimp production has increased significantly over the past decade reaching close to 7.5 million tons in 2011.
- Nearly 55% of this supply came from the aquaculture sector dominated largely by the white-leg or Pacific white shrimp *(P. vannamei*) that represented nearly 70% of global farmed shrimp production.

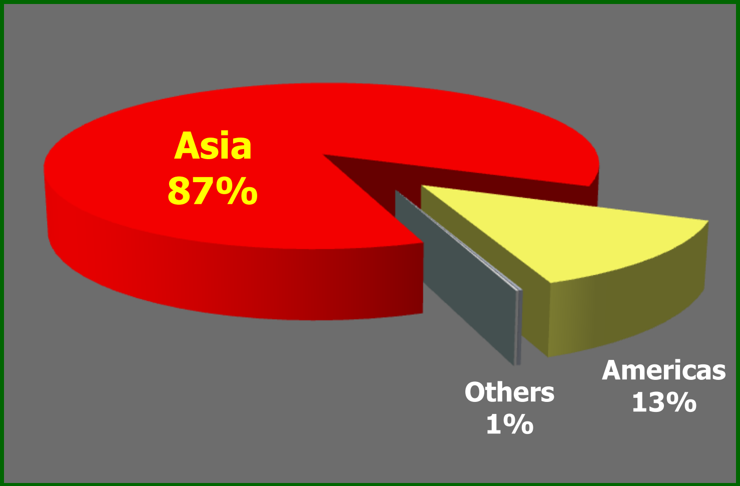
Vannamei leads the way



- **Shrimp farming pattern has changed over years**
- **Non-native *vannamei* shrimp has taken over the place of native black tiger, white *Orientalis*, and *Indicus* in many producing countries**
- **World production of farmed shrimp crossed 1 million MT in 1999; black tiger shrimp was the predominant species with a 46% share.**
- **However, with a major shifting in farming from *P. orientalis* to *P. vannamei* in China and from black tiger shrimp to *vannamei* in Thailand, production of this species increased 1.03 million MT against 730 000 MT of farmed black tiger in 2003.**
- **Since then supplies of farmed *vannamei* shrimp increased significantly to 2.87 million MT in 2011 which was 70% of the global farmed shrimp harvest in that year.**
- **China and Thailand are the world main producers of farmed shrimp and farmed *vannamei* as well.**
- **Indonesia and Vietnam introduced *vannamei* shrimp in their aquaculture sector during early 2000.**
- **India has also introduced vannamei farming since 2011**

Top 10 Shrimp Producers (tons)





TRENDS IN SHRIMP TRADE: 2012

- **Last year, shrimp imports were lower in the traditional markets**

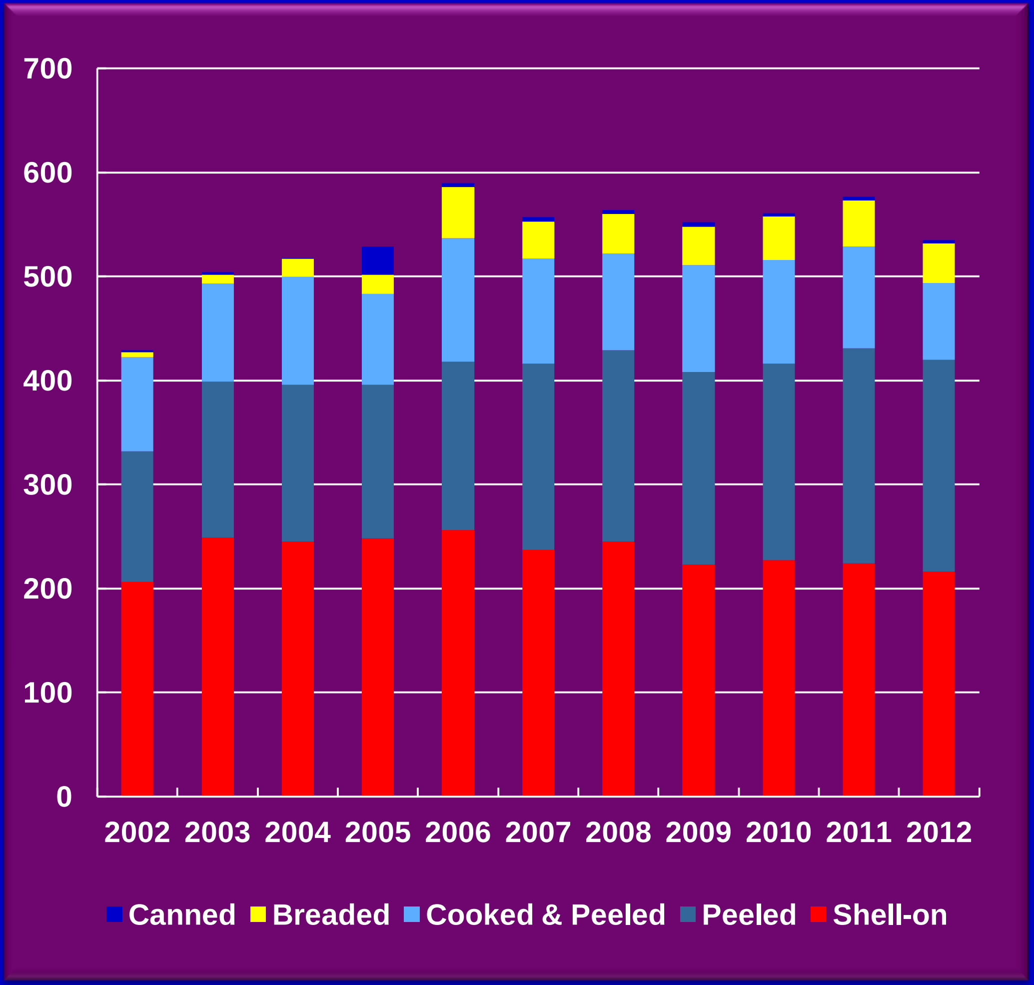
- **<u>JAPAN</u>: Overall shrimp imports was 1.8% lower due to falling demand for raw frozen shrimp; imports of processed shrimp increased, which had more than 26% share in total shrimp imports.**

- **<u>USA</u>: Supplies of imported shrimp fell by 7.31 % compared with 2011. Supplies increased from India by 36% (to 65500 tons) and from Indonesi (to 74 000 tons)**

- **<u>EU</u> imports of frozen shrimp were 8% lower**
- In comparison, imports into the emerging markets in East Asia were stable.
- During the Chinese New Year festival in February-March, demand for live and fresh shrimp in East Asian markets was strong at good prices, compared to that of frozen shrimp destined for the traditional markets.
- **This diverted much of supplies away from the traditional markets to cater to this demand in East Asia during that time**

US Demand Stable

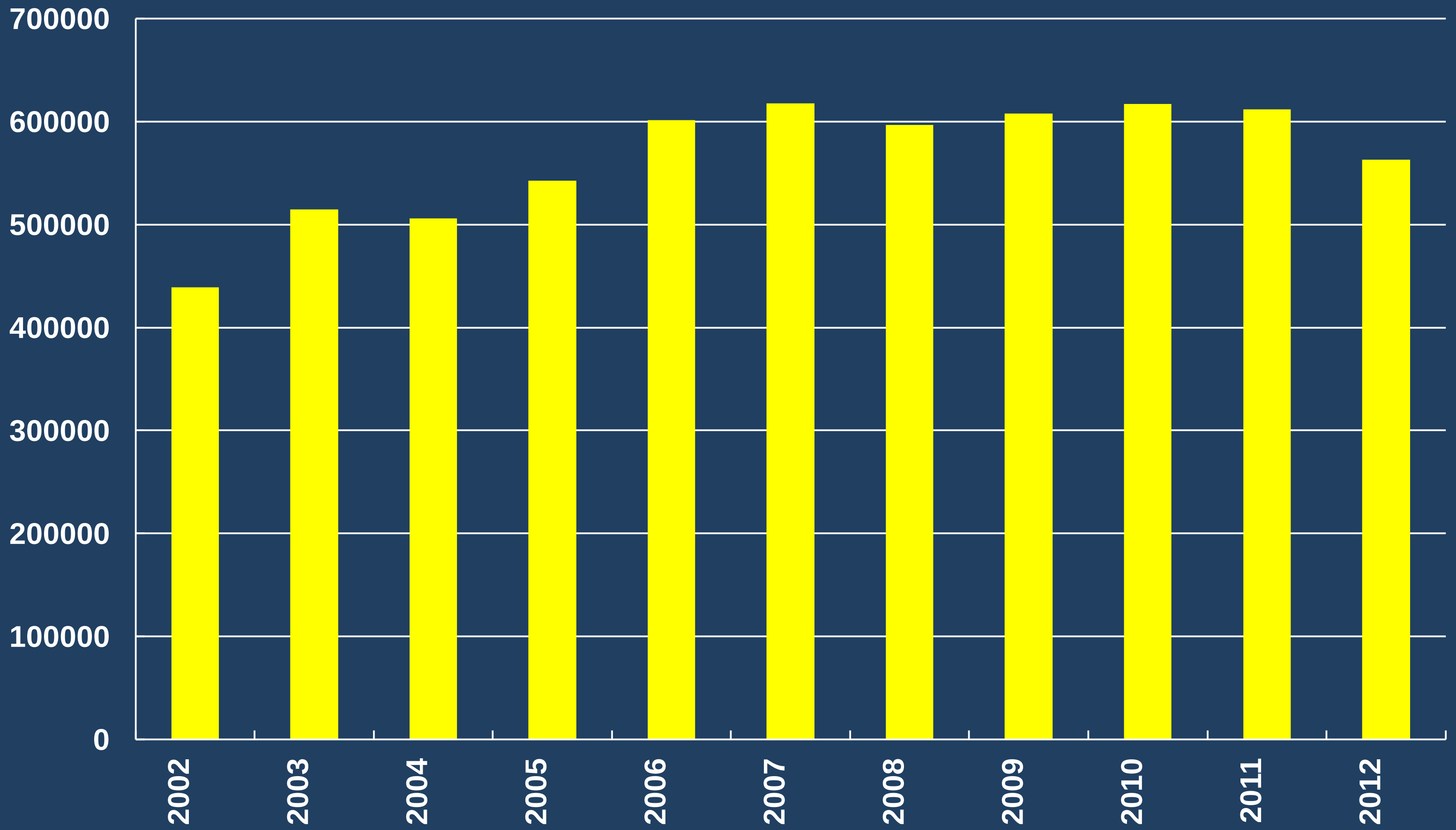
- Throughout 2012, the market imported 534,686 tons of shrimp, valued at US$4.5 billion which was lower by 7.3% in volume and 13.5% in value.
- Some countries increased their shipments (India, Ecuador and Indonesia) this was not enough to compensate the sharp drop of Thai exports.
- First quarter of 2013 – Better supplies from India - resulted nearly 70% increase in imports but declined by 23% from Thailand.



USA

- EMS disease for farmed shrimp in Thailand, Vietnam and China is a matter of concern as those three countries account for about 40% of traditional supply to the US market.
- The issue of imported shrimp and its possible effects on US domestic shrimpers, has been dominant during the first months of this year.
- The US Department of Commerce (DOC) announced its preliminary affirmative countervailing duty (CVD) from China, India, Malaysia, Thailand, and Vietnam. Ecuador and Indonesia are excluded from the preliminary affirmative list.
- The preliminary cash deposit rates determined for these countries (as a whole) are: 5.76% for China; 5.91% for India; 62.74% for Malaysia; 2.09% for Thailand; 6.07% for Vietnam. However, different rates will apply to specific exporters in India, Malaysia, Vietnam
- CVD will lead to higher import prices and lower the possibility of getting supplies in the coming months.
- Some anticipate that the extra costs associated with the CVD will be absorbed by foreign suppliers (both producers and processors) because US importers may find substitutes.
- However, supply gaps could likely be met by the others not affected by this ruling.

EU-27: Eurozone crisis pulls down shrimp imports



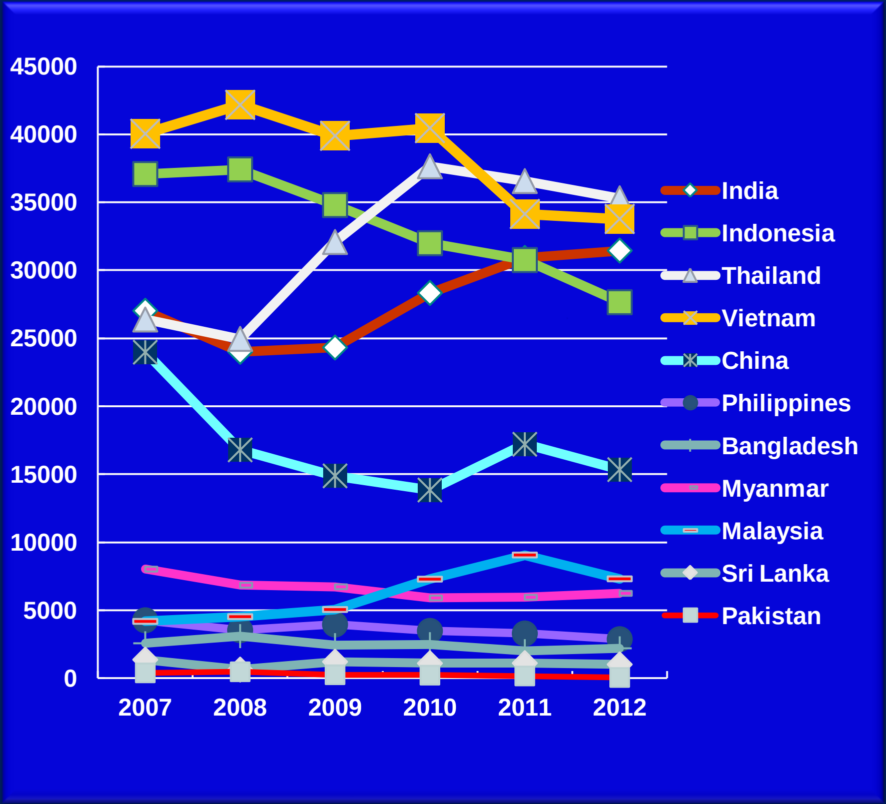
EU

- Eurozone crisis taken a toll on the EU shrimp market
- Shrimp imports down by 9% in volume to around 772,648 MT.
- Imports from third countries also declined by 8.7% with less shipments recorded from major suppliers like Ecuador (-5.3%), Greenland (-10.4%), Argentina (-11.6%) and Thailand (-15.4%).
- Among the top ten suppliers to the EU only India and Canada increased their supplies by 2.2% and 7.9% respectively last year.
- In the 2013, some signs of improvement lately.
- Mainly driven by importers' need to re-fill their diminishing stocks instead of recovering consumer demand.
- Thus, product movement is relatively still slow during the first quarter of this year.
- Meanwhile, after missing for many years, shrimp products from Pakistan will hit the EU markets this year.
- The EU has decided to allow two companies from Pakistan to export their shrimps to the EU from March 12 after the ban imposed 6 years ago was lifted.

JAPAN: Raw Frozen Shrimp Import Trends

Shrimp was the single largest product group in fishery imports with a 17% market share valued at <u>US$ 2.972 bill.</u>

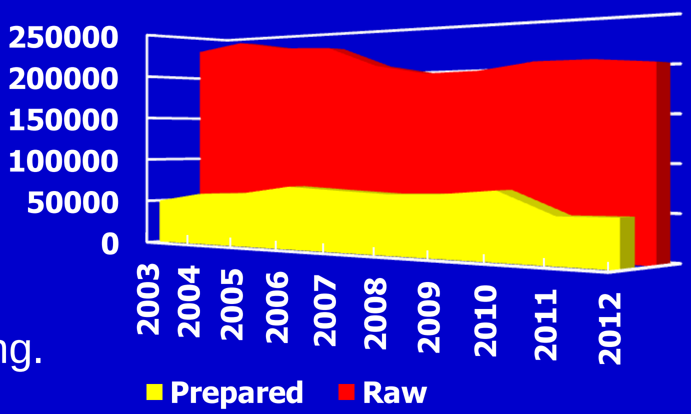
<u>There was a 2.29% decline in volume of raw frozen shrimp in 2012 from 2011</u>



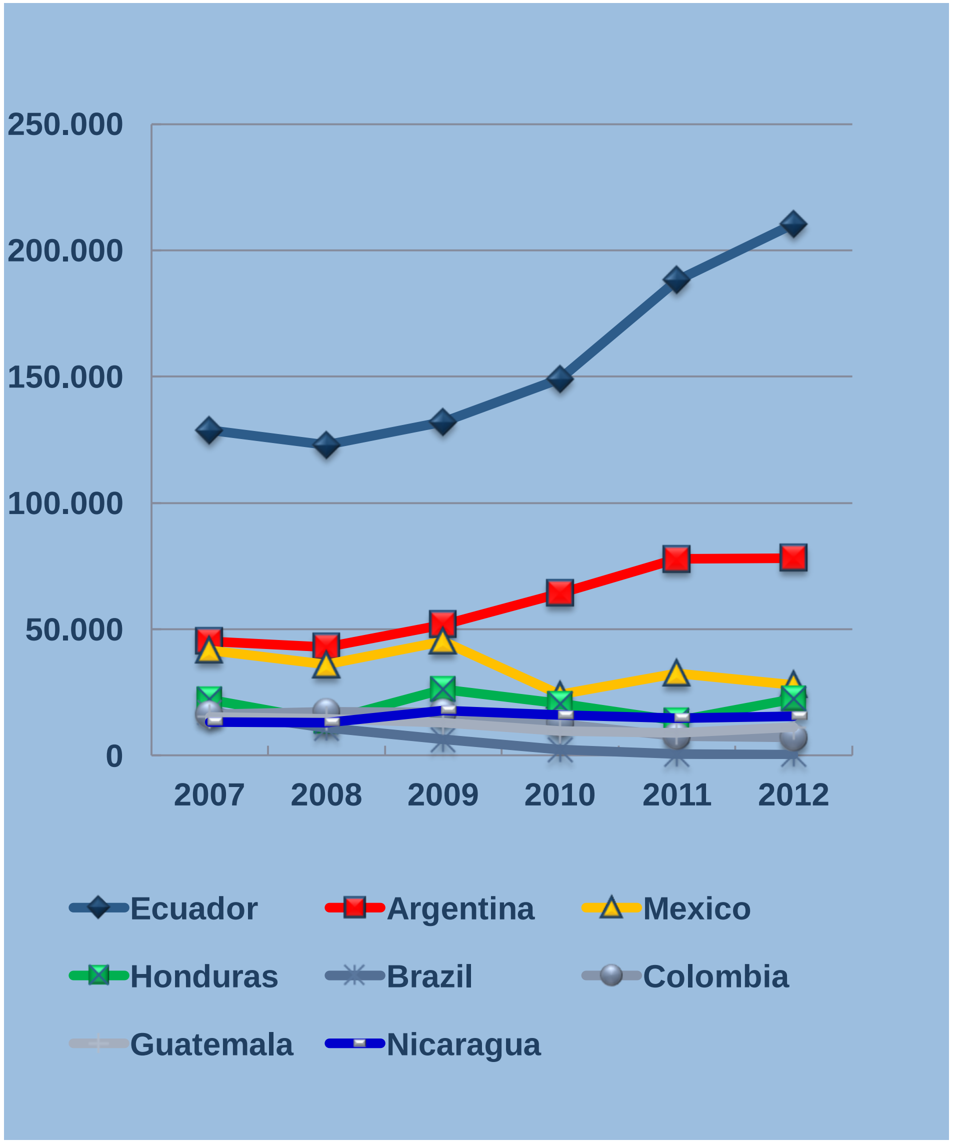
- The prolonged economic recession in Japan has taken toll on the overall imports as well as consumption of fishery products including shrimp.
- Per capita consumption of shrimp dropped below 3 kg in recent years.
- High consumption of shrimp is only related to festival and holiday seasons. Even then, price remains a determinant
- Yen devaluation caused 15-20% rise in import prices of frozen raw shrimp.; the highest rise was for vannamei from Thailand, where supply forecast remains low for half of the year.
- Imports of raw shrimp were lower during the first quarter of the year; the trend is unlikely to change for the rest of the year.
- The 53% rise in imports from Argentina largely compensated the supply shortage of shell-on products from Thailand, Vietnam, India, China and elsewhere.

Japan: Major industry leaders reviews strategies

- On a positive note, there were higher imports of prepared/processed shrimp which had a 27% share in total shrimp imports. This trend falls in line with the Japanese government's policy to promote "Fast Fish".
- Yen devaluation, rising gasoline price and reprocessing cost in Japan --- will be shifts to import more processed products and less raw material in the coming months.
- Thus more shrimp in Thailand will be channeled to process value added shrimp for Japan and other markets.
- Leading Japanese conglomerates, for example, *Marubeni* has already announced such policy for 2013; the company imported 23,000 MT of shrimp and shrimp products last year. Much of these products will come from Thailand, Vietnam and China.
- *Maruha-Nichiro*, one of the largest seafood trading house in Japan announced that this year, they are going to focus on promotion of on-board frozen wild-caught, head-on and headless sea tiger, white and brown shrimp, which will be imported from Bangladesh and Indonesia.
- There is a good demand for Indian *vannamei* shrimp from China, Vietnam and Thailand who are buying raw materials to up their supply shortage. With the exception of China, these imports will be use to process value added products.
- Meanwhile, CVD imposed by the US market concerning the countervailing duties will possibly make more supplies available for the Japanese market, at least for the time being.

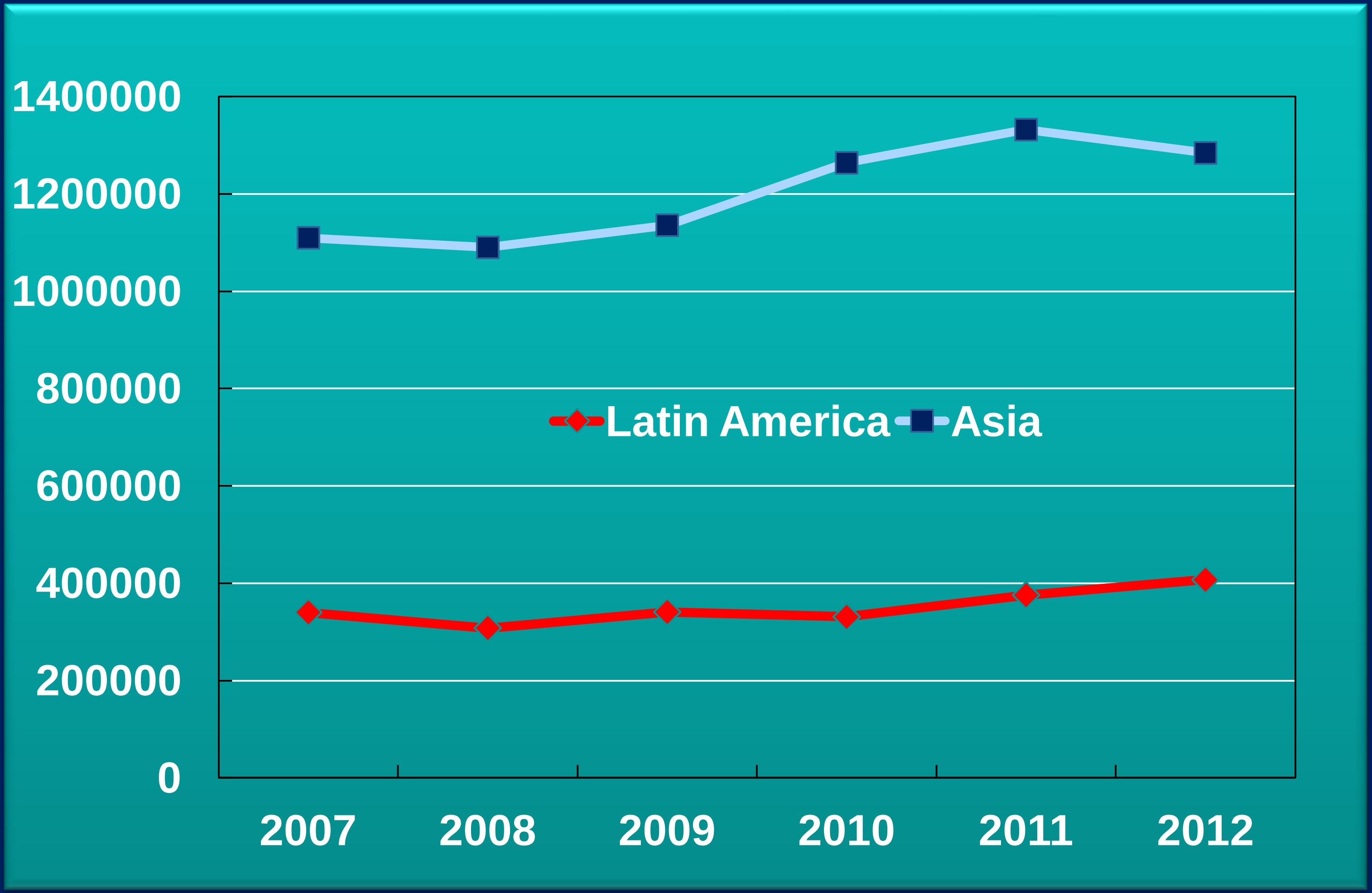


Latin America



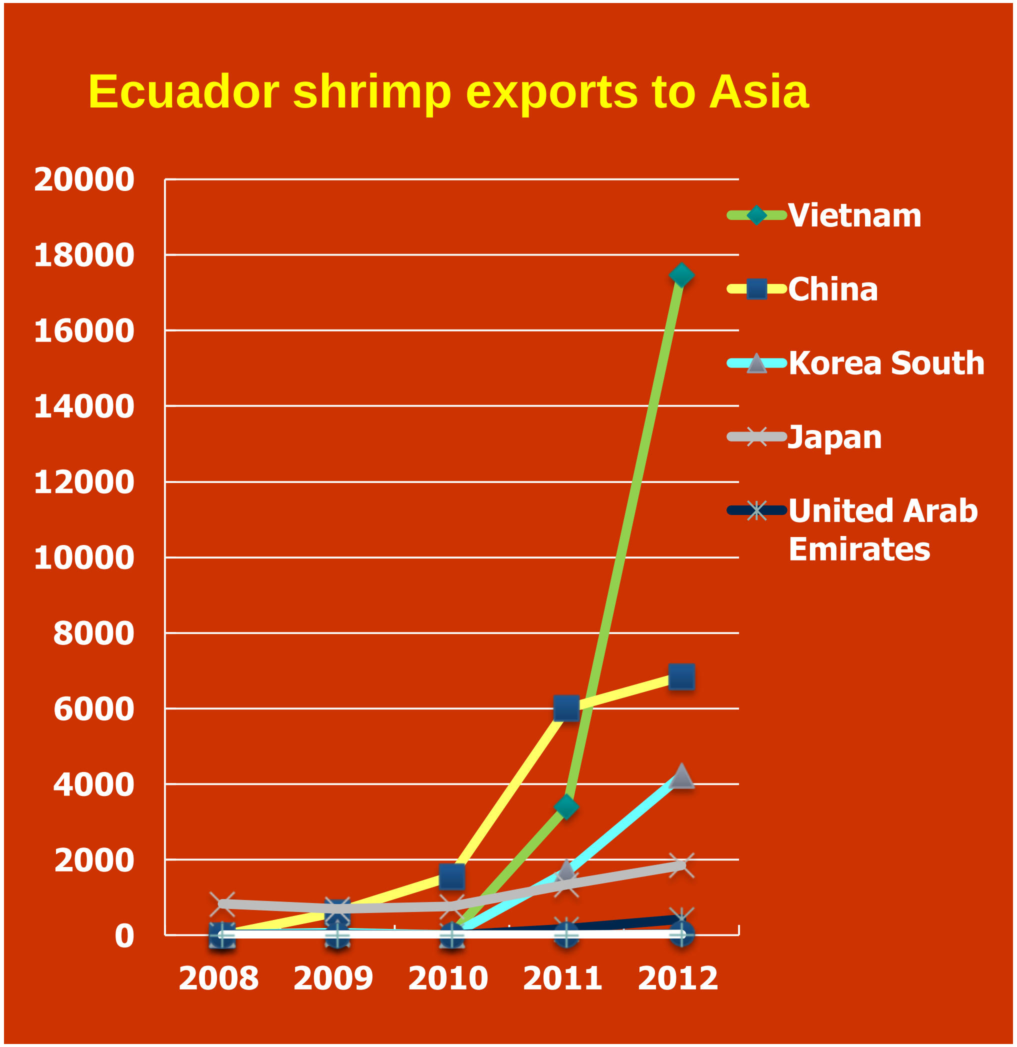
- LA shrimp exports have been increasing largely dominated by Ecuador and Argentina
- Exports to the EU has been on the decline
- New markets are sought
- Guatemala also moving from Europe to Asia eg Taiwan since prices offered are better

Shrimp Exports: Latin America vs Asia



- The largest exporter in Latin America, Ecuador recorded nearly 10% higher shrimp export value and 12% more in quantity from 2011.

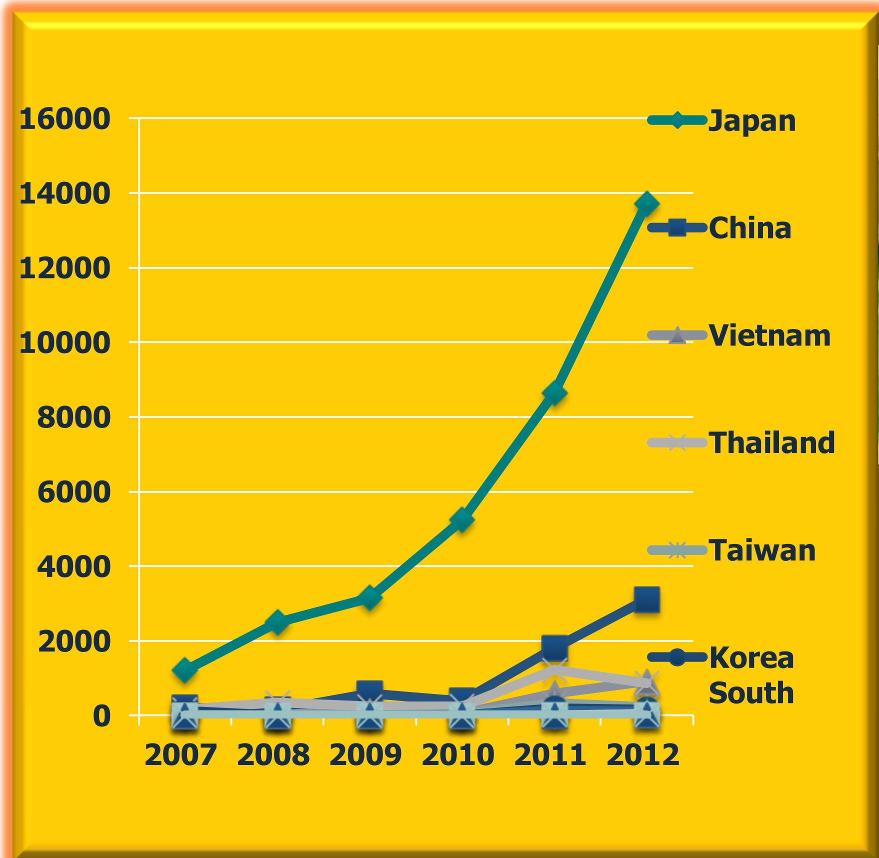
Latin America benefits from the Asian dilemma…..



- Exports increasing to Vietnam, China as raw material for re-processing
- Exports increase to Japan, South Korea since due to shortage from Asian producers

Latin America benefits from the Asian dilemma…..

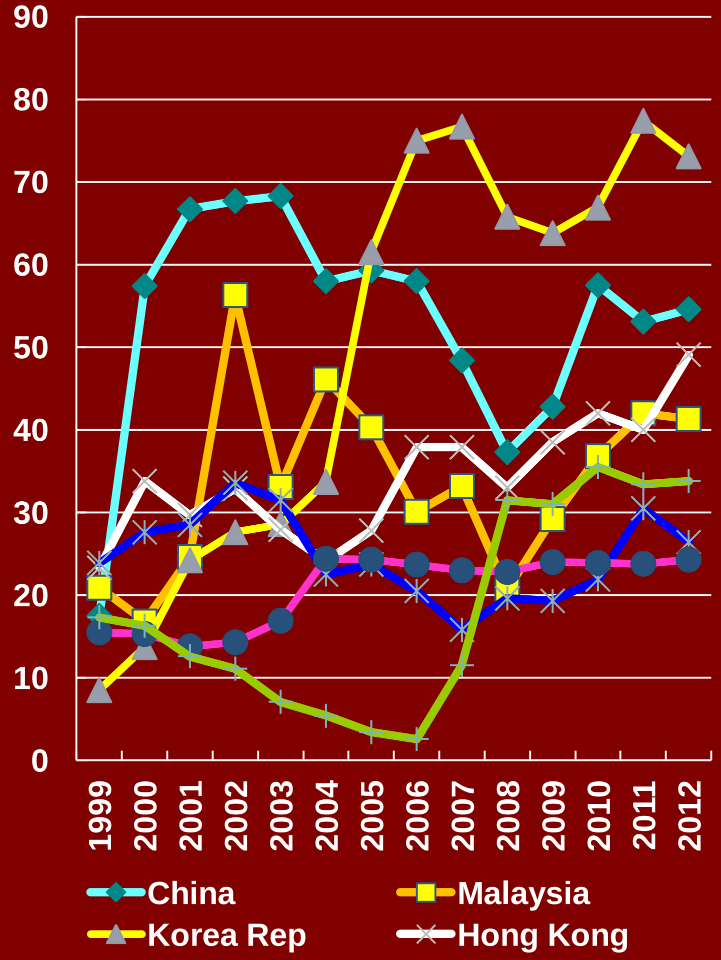
Argentinean Exports to Asia



Argentinean seabob shrimp (Xiphopenaeus kroyeri)

- **Also known as sea-bob popular in Japan.**
- **Imports in to Japan has increased significantly**
- **Although it is early to see this year's trend, demand for shell-on *vannamei* and black tiger shrimp might be affected by the cheaper 'seabob' from Argentina, if the present supply trend continues**

Asia: Shrimp Imports (1000 tons)



- Aside from being the largest producing region, **Asian shrimp consumption is also high and rising through domestic and regional supplies of farmed shrimp**
- **Cold water shrimp is increasingly imported from Canada and Russia and Northern Europe**
- Significant shares of *vannamei* production are sold locally in China, Malaysia, Vietnam, Thailand, Indonesia.
- Live and fresh/chilled shrimp are also exported to the non- producing traditional markets such as Hong Kong, Singapore, South Korea.
- To supplement the rising domestic demand, imports are also taking place into China, Malaysia, Taiwan.

Domestic Shrimp Markets in Asia

- **China : <> 2 million MT**
- **Malaysia: <> 100 000 MT**
- **Thailand : About 50 000 MT**
- **Vietnam : (20- 25 000 MT)**
- **Indonesia: --- ALL TYPES**
- **India: --- Freshwater and wild shrimp**
- **Bangladesh:--- Freshwater shrimp**
- **Myanmar:---- Freshwater and *vannamei***

- *Macrobrachium* is very popular in South Asia (India, Bangladesh)

- It sells well in the high-end catering and the retail markets

- Domestic prices of jumbo and large sizes in India and Bangladesh are often higher than the western export markets

Asia

- Demand in continues to grow both for domestic consumption and also for re-processing industry.
- Vietnam imports of raw material have been on the rise- doubled from Thailand to around 10,500 MT last year from 5,200 MT recorded in 2011 and increased by 13.2% from India to 14,357 MT. Also increased significantly from Latin America.
- Imports into Hong Kong, Singapore, Taiwan and China in 2012 grew by 22.8%, 2.1%, 1.1% and 3.0% respectively in volume over the previous year.
- Canada remained the largest supplier to China followed by Thailand, Ecuador, Greenland and India. In an attempt to boost export, the Canadian government is providing C$ 165,000 (US$ 162,016) to the Canadian Association of Prawn Producers (CAPP) to promote its shrimp in China and Russia.
- Malaysia imported around 41,300 MT in 2012

Fish and shrimp sold through wholesale markets, supermarkets, wet markets, night markets


食法
油浸
清蒸
豉汁蒸
¥:168


2010 3 1


2010 3 1

Live fish display – Hong Kong and China

Usages of shrimp in the catering trade is high and increasing in Southeast Asia

take-away food


SERBUK PATI
BELACAN
Belacan Stock Granules
MADE FROM REAL BELACAN
120g
13 11 2002 A
GUNA SBL
10 05 2002 A
28 10 2002 A
Maggi

Vannamei prices in Asia

- **Thailand :**

  Fresh shrimp prices US$4.1 to current US$ 8.1/kg

- **Malaysia:**

  US$ 8 to current US$ 9.60 (within 6 months)

Market Expansion/Diversification

Bangladesh

- Declining demand from its traditional markets esp. the EU
- Shrimp exporters targeting South African market which is still untapped.
- Export of seafood products to that country has already started and there is potential to increase further.
- Shrimp export to South Africa was only 57 MT while frozen fish was 424 MT during the last fiscal year.

Myanmar

- Myanmar Fisheries Federation (MAF) is planning to develop the country’s shrimp industry in a big way.
- Over 5400 acres of land have been allocated for opening a new shrimp farming zone in Yangon region and they are looking for local and foreign investors.
- Seafood export from Myanmar reached US$ 532.4 million up to January 2013 for the fiscal year 2012/2013 with shrimp being the main product. Seafood exporters are now targeting Europe and US markets.

- Indonesia aims to increased domestic shrimp production by 30% in 2013 to 594 880 MT
- They have an advantage now that they have been excluded from countervailing duties (CVD) for shrimp exports to the USA

Japanese government is promoting domestic consumption and exports

Domestic consumption

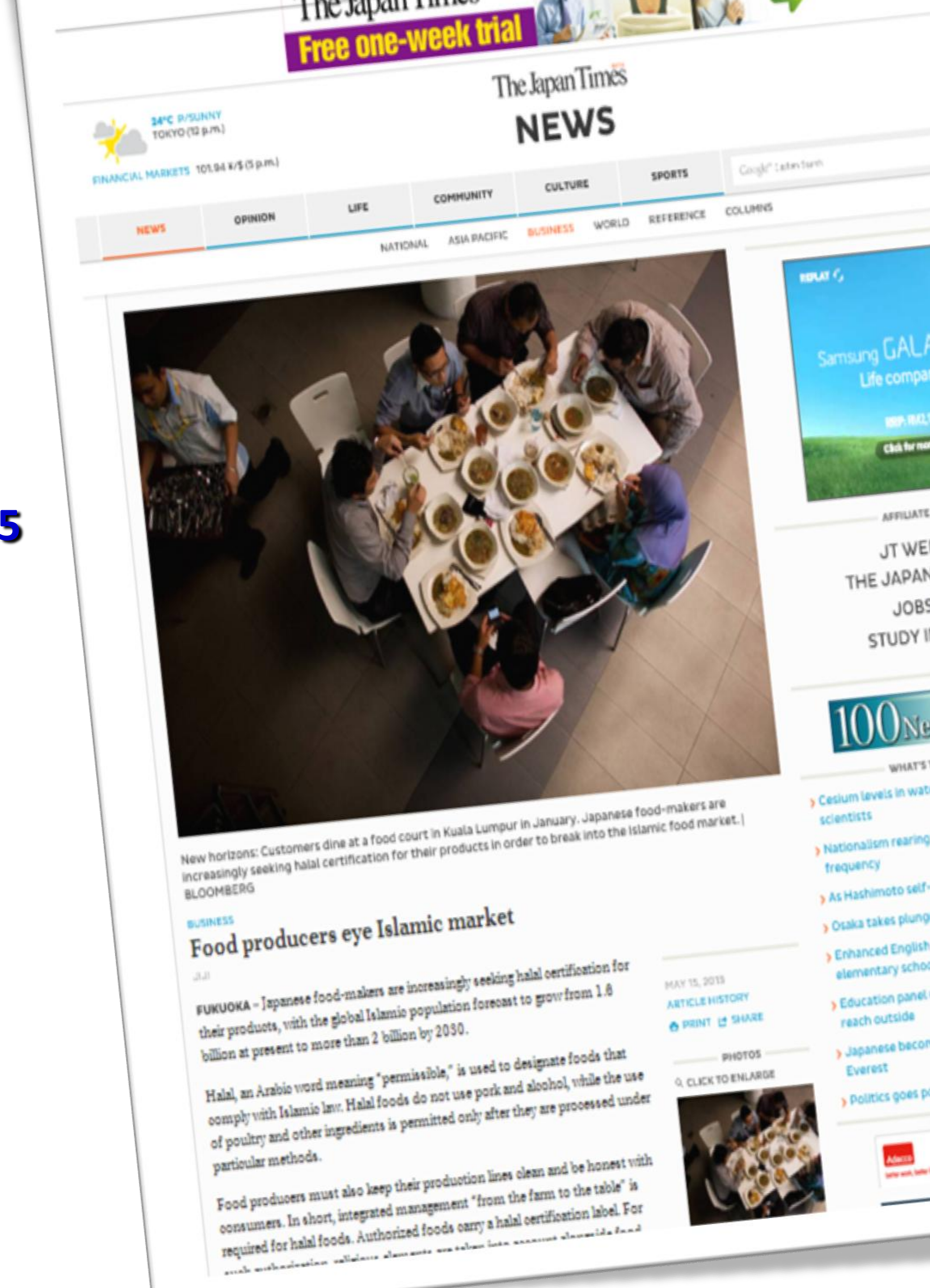
- “Fast fish Campaign” – by making fishery products more convenient, less cooking
- Targeting young housewives
- Encouraging sustainable fishery ➡ eco-labelled products
- Prepared shrimp imports will increase
- High shrimp prices – increasing popularity of shrimp flavoured kamaboko -

Exports

- Fishery exports during first four months of 2013 increased by 35% in volume
- MAFF has released a draft paln to double fishery exports

Opportunities for Middle East

- Fishery imports in the Middle East markets have crossed US$ 1 billion and it is increasing every year.
- Egypt fishery import in 2012 – US$ 740 million…shrimp imports US$ 115 million.
- Israel – US$ 376 million
- Jordan US$114
- The collective food bill for the GCC region is set to hit close to US$ 2 billion by 2014
- ….supported by the regional population of 40 million



Key drivers to transformation in Asia

- Robust economic growth, rising disposable income, changing consumers lifestyle along with the strong preference for seafood
- World's fastest growing economies are located – China, India, South Korea-- which are increasingly becoming the drive to the global economy
- Business opportunities are seen in the immediate neighbours in Asia – not just in traditional seafood markets far away.
- Clearly FTAs have and will continue to facilitate Asian market growth faster than the global average.
- Along with fast urbanization and growing restaurant trade, the market absorbs more high value seafood compared to anywhere else in the world.
- Improved cold chain, distribution and marketing systems + the supermarket culture, have supported higher fish consumption in many domestic markets, including India.

Global Retail Food Market

- The Asia Pacific and Central Asia regions will grow to take a 41% share of the global retail food market in 2020, compared with 33% in 2003.

- China will become the world's second-largest food retail market by 2020 behind the US.

- The top-five food retail markets in 2020 are predicted to be the United States, China, Japan, India and Russia.

OUTLOOK

- Supply be a major constraint in 2013. Production looks gloomy in Asia - EMS and ethoxyquin issue
- Thailand, the lead producer has already predicted a 30% reduction in harvests compared with 2012
- LA also struggling with disease problems
- Technical barriers in the form of import ban – Philippines (ban on live crustaceans), Mexico ban on shrimp imports from Asia

- Shortage of raw material – created a shift in sourcing patterns
- Vietnam imports increasing significantly from India/Latin America
- Domestic markets in producing countries – will compete products meant for exports
- More fresh product in producing countries
- Producing countries – Thailand, Indonesia, Vietnam, China, Latin America will be focusing more on value addition
- India and Myanmar – more raw material

- **USA – still a focus for major suppliers. Volume will more or less be same, but sources will change.**
- **Japan will be buying more value added products to battle Yen devaluation**
- **The CVD ruling in the USA will possibly allow more raw shrimp from Malaysia for the Japanese market. The same also goes to India and Vietnam, although products from these sources are still subject to stringent quality checking. The market is also going more for wild caught shrimp, tropical and cold water.**
- **Strong advocacy to reduce over stocking – in a move to prevent disease problems - Thailand is already doing it**
- **At least until prices recover**


THANK YOU