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China Seafood Sector Brief (1996)

This brief will look at the potential for Canadian seafood exports into China by giving an introduction to the characteristics of the China market, the activities of Canada's main competitors, and address some of the critical concerns surrounding seafood marketing and importation.

Market Characteristics

With the exception of coastal markets, seafood is considered a high end product that does not figure prominently in the Chinese diet compared with other meats. Pork and chicken products are the dominant sources of protein for China's population. Although there is a relative reliance on other meat sources, China is still one of the largest consumers of seafood products due to its large population. In 1995 China imported approximately 1.34 million tons of aquatic products worth 960 US\$ million, a 12% increase over the previous year. However, this figure may be misleading in terms of consumption, as a sizeable portion of product is imported for processing and then re-exported to other nations. There is no dominant supplier of aquatic products as different varieties come from different supplying nations from around the world including the United States, Russia, Iceland, Ecuador, Thailand, Indonesia, Australia and Norway.

The market for Canadian fish and seafood products is in the larger affluent cities such as Beijing, Shanghai, and Guangzhou. Presently Canadian companies are exporting products to China such as crab, shrimp, herring, salmon, and geoduck. Primarily the end users of Canadian product have been and will be in the high-end hotels and Chinese seafood restaurants throughout the above mentioned cities. High end products, such as geoduck and salmon have limited demand as both are relatively new to the market and high-end in terms of price. This however can have a positive effect due to perceived quality and premier pricing. Familiar products, such as coldwater shrimp are in tremendous demand as China's natural stocks were almost wiped out in the early 1990s from disease. As a result, overall worldwide shrimp imports since 1993 have increased 5 fold.

There will not be a great need for consumer education in terms of shellfish, but more exotic products, such as salmon, will have to be aimed at a niche market and aggressively sold. The most important aspect of the China market is to realize that in most cases the purchasing decision is highly dependent on price as most products are bought as a protein commodity.

Competitors

Canada's foreign competition in the seafood sector is not restricted to one or two specific nations as competition in the seafood sector can be categorized mostly according to product. For example, Norway has been most successful out of most foreign nations in exporting its farmed salmon products to China. This has been achieved by targeting four and five star hotels that cater to an affluent and foreign clientele as well as supermarkets and speciality shops in cities such as Beijing and Shanghai. Other nations which deliver similar products as Canada, and therefore can be seen as direct competitors, are The United States, Iceland, Chile and Denmark. Tropical nations, such as Thailand, India, and Malaysia are also competitors, as they compete for a share of overall imports and low price protein meat substitutes

Regulations

The importation of fish and shellfish may be subject to different restrictions and inspections depending on the product and the degree of processing. For example, live products may be subject to scrutiny by the *China Animal and Plant Quarantine Bureau*, while canned product will not have to go through this particular channel.

Prior to Chinese Customs Clearance one or all of the following bureaus may have to inspect product at port of entry:

1. *China Commodity Inspection Bureau* checks products for quality, weight, and quantity .
2. *China Animal and Plant Quarantine* inspection is concerned with health and sanitation of the imported product.
3. *Health Inspection Bureau* will test for visible and non-visible problems as well as labelling issues for imported processed products.

Once all inspections have been cleared, seafood products will pass through China Customs where the CIF (Cost+Insurance+Freight) is subject to a tariff.

Product Import Duty Rate

shrimp 45%
oyster 45%
prawns 45%
crab 45%
surimi 45%
sea cucumber 55%
abalone 55%
Freshwater and marine fish (excluding fish fillets) 25-30%
Freshwater and marine fish - fillets 45%
Processed fish (dried, salted, and smoked) 55%

In addition to the customs import tariff there is a Value Added Tax (VAT) on the total of CIF and the China Import duty of 13% for fresh products and 17% for non-fresh products

Following Customs clearance, seafood products are free to be marketed and distributed.

Critical Concerns Particular to Product

Specific concerns to the marketing of Canadian seafood products in China include:

- prohibitive customs duty on the majority of products and the additional VAT.
- reliable and adequate distribution in both infrastructure and capable domestic companies. China lacks a national refrigerated distribution network outside of the large cities and ports which may create difficulties in transporting frozen and chilled product, not to mention live products.
- consumer education: considerable time and marketing efforts may be needed to "educate" local Chinese consumers on the quality of Canadian exotic seafood products. eg. geoduck and salmon

Contacts

The following Chinese brokers and Canadian organizations may be of assistance to exporters interested in the China seafood market.

China National Fisheries Import and Export Corporation

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China Processed Food Import and Export Company subsidiary of China National Cereals, Oils, and Foodstuffs Import and Export Corp. (COFCO)

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Shanghai Fisheries General Corp.

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Shandong Group Corporation of Fisheries Enterprise - Import and Export Company

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