

China's government debates aquaculture policy shift as investments pour into premium operations

Aquaculture production increased by a single percentage point in China in 2019, a striking number compared to growth levels it posted in previous years, and clear evidence of the impact of the government's efforts to shift the nation's efforts to higher-quality, lower-polluting operations.

In recent years, China's federal government [has instituted a crackdown](#) on polluting aquaculture facilities as it has sought to establish a unified national management plan for mudflats in order to protect nature reserves and drinking water supplies. Its accomplished this with teams of investigators, who [have been sent out around China](#) to thwart protectionist local officials who often don't implement national policy if it hurts local GDP growth.

Now, those efforts are being aided by deep-pocketed corporations looking to professionalize the sector. A brace of recent investments in China's aquaculture and feed sectors appear to suggest an acceleration in the move towards more premium species, as well as greater emphasis on value-added production in mass-volume freshwater aquaculture.

Guangdong Qiang Jing Group recently announced a new CNY 250 million (USD 37.5 million, EUR 32.6 million) tranche into a bass-farming and -processing project in Zhuhai, bordering Macau, which is China's most prosperous in gross domestic product per capita and income terms. The company had previously invested in a first round of funding in the project, alongside the Guangdong Yue Nong Investment Fund Management Co.

The joint venture is organized under the banner of the Guangdong Ao Nong Qiang Jing Equity Investment Fund. It is currently building a 2,000-metric-ton capacity seafood processing and 100,000-metric-ton capacity warehousing hub in the Qiang Jing Ecological Agriculture Park, where it will farm the Bai Jiao brand of "ecological" bass. To support the project, Guangdong Qian Jing claims it has already spent CNY 800 million (USD 120



million, EUR 104.3 million) on an order of Thermo King freezers and packing gear from Sweden.

Firms like Guangdong Qiang Jing are positioning themselves to capitalize on [a nationwide shift to producing and consuming premium species of seafood](#). In many cases, feed companies like Qiang Jing are introducing new seedlings and know-how to farmers, who in turn trade up to higher-value feed products. In its public statements, the company said it envisions this virtuous cycle will help it escape a death spiral of frantic competition based on price at the lower ends of the market. The company's motto, which translates to "We want to guide more peasants to be wealthy," is central to its mission of building a nationwide distribution network for high-value foods, according to its website.

In a separate project, Aohua will "transform and upgrade" the aquaculture sector in central China, according to the company's general manager, Yang Mengbo. There has been a move away from grass carp and toward catfish, and the company responded by growing more bass in Hubei in 2019, he said.

"We see more specialized breeding," Mengbo said. "We want to introduce yellow croaker into central China. New consumers want fish with less bones and [that's] easier to process."

Agricultural conglomerate New Hope Liuhe – one of China's biggest agricultural conglomerates – is also making the shift as it opens what it claims is Guangdong's biggest and most modern "biotech fish feed factory," which will supply high-grade feed and vitamins to the domestic crustacean sector.

And in another project along a similar vein, the Hunan Kun Yuan Group recently celebrated the groundbreaking ceremony for a joint venture with Guolian Tianke Biotechnology to begin producing veterinary products for the aquaculture sector. The production facility, located near Changsha, will produce antibiotics as well as nutrition products. Guolian Tianke was set up in 2016 by scientist and entrepreneur Ma Xiao.

Aquaculture operations growing premium species – and companies that service them – look set to draw significant private investment in coming years in China. Tilapia producers, in contrast, are taking a beating with prices at a three-year low.

The average price paid by processing factories in March was CNY 3.70 (USD 0.55, EUR 0.48) per 500 grams, which is down from CNY 4.00 (USD 0.60, EUR 0.52) per 500 grams at the same time last year, and a CNY 4.30 (USD 0.65, EUR 0.56) per 500 grams average over the same month in 2020.

It's not a pretty picture for producers of carp, either, with prices at levels last seen in 2012. A survey of wholesale market prices in central and northern China in mid-January suggests grass carp are selling at an average CNY 4.10 (USD 0.61, EUR 0.53) per 500 grams for 1.5-kilogram fish, and as low as CNY 3.80 (USD 0.57, EUR) for smaller, 500-gram fish. The break-even price is seen as CNY 4.00 (USD 0.60, EUR 0.52) per 500 grams. Larger fish are fetching CNY 5.00 (USD 0.75, 0.64) per 500 grams. All prices are flat compared to the same period last year. In contrast, silver pomfret sells at CNY 13.10 (USD 1.96, EUR 1.71) per 500 grams, up CNY 0.60 (USD 0.09, EUR 0.07) year-on-year.

Yet there also appears to be opportunities for firms adding value to more common species in China. Executives from the Tongwei Group recently went to the Great Hall of the People to pick up a national scientific award for the company's work on improving organ health and meat quality in carp. Through its research, Tongwei claims it achieved savings of 84 percent in mortality, while reducing both disease and drug costs by 73 percent. The firm, which worked with Sichuan Agriculture University and two private biotech companies as well as a range of provincial offices (like the Sichuan Provincial Veterinary Research Centre) now sells its products through 45 subsidiaries in 16 Chinese provinces.

An effort to improve small-scale aquaculture operations focusing on value species could gain steam after a degree of dissent appeared between national and regional officials on the scale and speed of the [national government's shutdown movement](#). A new emphasis on localized solutions may slow the elimination of aquaculture facilities by the national inspection teams, according to documents from a discussion at a National People's Congress standing committee meeting. The meeting minutes show an official from Chongqing seeking to stop a practice of "one-size fits all" closures, and a request for more emphasis on aquaculture being used as a tool for improved sustainability.

Chinese Minister for Ecology and Environment Li Ganjie promised the standing

committee he will put an end to arbitrary closures of aquaculture facilities and move toward giving local authorities decision-making power as to whether to close or remediate aquaculture operations tied to pollution and environmental degradation.

NPC Deputy Head Cao Jian Ming told the standing committee high-density aquaculture facilities are major sources of pollution and urged a science-based approach toward reducing the harm aquaculture is doing to China's environment.

Such an approach may include using aquaculture as a tool in rehabilitating polluted waters. Cao pointed to the experience of using catfish to "purify" waters in both Poyang and Taihu lakes, key freshwater bodies in China.

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