

China's domestic salmon sector facing pressure from bad economy, Norwegian imports

China's economy is weakening, and that could spell the end of the country's fledgling marine salmon sector.

In April, the CKGSB Business Conditions Index (BCI) registered a score of 42.2, up less than one percentage point from March (41.3), but well below the 50-point mark, which suggests a positive reading. The latest monthly reading of the index, compiled by the respected Beijing business school of the same name, comes with a warning for the future.

"From this, we can tell that the economy is still extremely weak," the BCI report said. "Without strong government policy intervention, economic growth is unlikely to be very positive going forward. Indeed, if by the end of the year, GDP growth is above zero, this will be considered a decent result."

China's ability to stimulate its economy in the way it did during the global financial crisis is limited by the [debt load at both the corporate and government levels](#), restricting the government's use of the state-owned banking sector to funnel cash to corporations and real estate developers. Corporate debt stands at 122.9 percent of GDP.

The weak underlying economy in China, combined with a collapse in salmon consumption and prices [triggered by the coronavirus outbreak lockdowns](#), has spelt real trouble for domestic salmon farming, according to Fan Xubing, who runs Beijing-based seafood marketing agency Seabridge.

"The advantages of domestic salmon farming are mainly the short distance to market and lower transportation cost and also [exemption from any] import duty. But domestic salmon farming cost is higher than Norway and Chile [and] many technical problems about marine farming of Atlantic salmon in China have not been solved and I don't know if they [can] overcome these difficulties in near future or not," Fan told SeafoodSource.



In recent years, there have been numerous [high-profile launches](#) of local salmon-farming start-ups. But thus far, China's marine-water Atlantic salmon farming projects have struggled, according to Fan, pointing to Rizhao Wanzefeng, Tianjin Neptune Star (Weihai Blue Sea), and Dongying Agri-Marine.

"None of them has been successful so far," he said.

One of the oldest and biggest players in the sector, Shandong, China-based Oriental Ocean, spent a decade building out its land-based salmon-farming operations, betting on the attraction of fresh salmon to Chinese consumers. But in February, the company made the decision to [sell its land-based Atlantic salmon RAS farming business](#) to Qingdao Guoxin Development (Group) Co., which burst onto the aquaculture scene last year when it contracted [to build a 100,000-ton aquaculture platform](#) to be docked in the Yellow Sea.

The sale represents a failure for the industry, according to Fan. He said if Oriental Ocean couldn't get the business to work, it's unlikely that Guoxin will, given its lack of experience in the global salmon market.

"I personally think this acquiring is not a good business for Guoxin," he said.

A new start-up, Neptune Ranch is developing salmon production in the Yellow Sea. It completed a pilot cage operation last summer and moving to a commercial cage later this year with smolts supplied by Oriental Ocean. According to a veteran Western salmon expert who's advised several Chinese firms, the success Weihai Blue Sea – and those of its peer in the sector – is dependent on leaning heavily on technology and processes that have been proven successful in more established salmon-farming countries.

"From my experience, Chinese do not fully embrace advice from the established salmon aquaculture, and do not follow rigorous biosecurity," the advisor said. "Also, in spite of top-notch technical advice and facility design, I often hear, 'This is not the Chinese way,'" he explained to SeafoodSource. "Inevitably, Chinese companies will select the cheapest equipment that often fails from lower standards of construction."

By contrast, "the industry in the West have invested large amounts of capital in R&D to make the industry successful," the expert said. "There isn't the same level

of expertise in China due to low-wage policies and outdated management practices.”

Even China’s faux-salmon – cold-water trout grown in China’s inland provinces and [controversially marketed as “salmon”](#) – has gone tough times recently, though it is [touted as a bright spot in the domestic aquaculture scene](#).

“China’s large scale rainbow trout farming in Qinghai, Gansu, and Xinjiang has been shrinking since 2018 because of bad sales,” Fan said. “They have to reduce the price and sell trout with the ‘salmon’ name. But consumers don’t accept these trout as salmon.”

In the same way that oil-producing countries have looked to coronavirus-related price drops [as a way to push upstart horizontal fracturing firms out of business](#), the recent drop in salmon prices could prove fatal for China’s salmon producers, which have long struggled with profitability.

Seen as the standard-bearer for successful salmon farming, Norway has significantly expanded its market presence in China since the world’s most-populous country [ended its ban on Norwegian seafood imports](#) in 2018. Norwegian exporters have begun delivering on Chinese consumers’ preference for fattier, large-size fish and are taking over market share from domestic firms, according to data from the Norwegian Seafood Council. Import figures for the first three months of the year show that Norway has a 36 percent market share of the Chinese fresh salmon market, while Chile holds 39 percent. Last year saw 168,500 tons of Norwegian seafood products imported to China, a 13 percent increase year-on-year, according to NSC statistics.

Norwegian salmon sales have boomed via astute marketing through China’s online sales channels. As an example, earlier this month, JD Fresh, JD.com’s fresh food unit, partnered with The NSC to launch an online seafood shopping festival involving names like Norway Seafoods. China’s leading microblog platform Weibo, meanwhile, has been jammed with paid video bloggers presenting videos on cooking and eating Norwegian salmon. The influencers are paid by salmon importers and distributors. Not surprisingly, sales of Norwegian seafood products via both online and offline channels of JD.com [have increased more than 200 percent](#) this year.

“Recent weeks, Norwegian salmon exports to China have seen a continued strong development,” Victoria Braathen, China director at the Norway Seafood Council, told SeafoodSource.

It helps that prices for imported salmon have been low due to drooping international demand for fresh Norwegian salmon as a result of the coronavirus crisis.

“Prices have fallen [but] are moving somewhat upward. Still, the current market is quite different from beginning of the year,” Braathen said. “The global situation is contributing to increasing availability of salmon that qualifies for and is meeting the China market preference.”

The easy availability of cheap Norwegian imports is bad – possibly even fatal – news for the domestic Chinese firms, Fan said.

“They still had some room to survive when global salmon price is high,” he said. “[But] when Norwegian fresh salmon price dropped 30 percent in the first quarter of 2020, [now] who will buy domestic salmon and trout?”

Braathen has suggested the NSC will be marketing Norwegian salmon more energetically than ever this year, implying Norwegian exporters feel confident they can continue to expand no matter what the Chinese economy does over the next year and beyond.

“We are very pleased to see that Norwegian salmon is increasing its presence in the China market as daily life and businesses are recovering [from the coronavirus crisis] ... In the time to come, we look forward to further develop the market for Norwegian salmon,” she said. “We remain very confident about the market outlook and potential. We have seen over the course of this spring that a range of seafood products have got a momentum, and as the market is recovering, this represents new opportunities for both imported seafood such as Norwegian salmon [and] locally produced seafood.”

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