



China-Britain
Business Council
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CBBC Research

CBBC Seafood Market Insight
CBBC Food and Drink Insight Series

THE CHINA OPPORTUNITY

China's population of nearly 1.4 billion has a huge appetite and a growing penchant for seafood. Since the 1990s the rise of the country's seafood consumption has outpaced the global rate¹, with China accounting for 36.9% of the world's seafood tonnage in 2016², and the country's consumption of seafood increasing 50% to 62 million tonnes over the past decade, contributing to 65% of global seafood consumption growth³.

With imports of seafood rising and unique consumer trends bubbling to the surface of China's consumer culture, it is clear that seafood in China presents a potentially highly-profitable catch for UK brands. Read on if you wish to learn more about China's seafood market and the opportunities that lie within for your brand.

¹ <http://www1.wfp.org/countries/china>

² <https://www.undercurrentnews.com/2018/01/12/rabobank-china-to-drive-more-than-half-of-global-seafood-consumption-growth-over-next-decade/>

³ <https://www.undercurrentnews.com/2018/01/12/rabobank-china-to-drive-more-than-half-of-global-seafood-consumption-growth-over-next-decade/>



SEAFOOD IN TRADITIONAL CHINESE CULTURE

In Chinese culture food plays an important role in daily life and relationships - with foods associated with different meanings and consumed in accordance to traditional customs and occasions. Many of the meanings associated with different foods are derived from language, with Mandarin Chinese - rich in homophones and word play - being a rich environment for this. Seafood and fish are no exceptions, and indeed confer, and are associated with, a number of symbolic meanings which are important to understand amongst those interested in China's seafood market.

The Chinese character for fish '鱼' (pronounced 'yú'), has a similar pronunciation to the character for the word for surplus '余' ('yú')⁴ which is often used within the phrase '年年有余' ('ni 有余 ni 有余 yǒu yú'); the meaning of which is to always have some extra spending money remaining in your wallet at the end of the year.⁵ Fish is therefore seen as symbolic of wealth, abundance, and increasingly prosperity. This symbolism makes it an auspicious traditional dish to consume during Chinese New Year, whereupon family and friends join together to feast. Another symbolic dish enjoyed in the New Year is lobster '龙虾' ('lóngxiā')

paired with chicken; in this unusual pairing lobster represents a dragon (as symbolised in the first character of its name) whilst chicken represents a phoenix; combined, the two represent a strong marriage and family.⁶

In continuance of ancient traditions, modern Chinese consumers continue to eat seafood with its auspicious meanings in mind; however their tastes in seafood, concerns and preferences in its consumption, and the means by which they purchase and enjoy seafood products are ever evolving.

⁴ https://britishmuseum.org/pdf/Chinese_symbols_1109.pdf

⁵ http://www.chinadaily.com.cn/food/2011-01/21/content_11894789.htm

⁶ <https://www.walterpurkisandsons.com/fish-for-chinese-new-year/>

REGIONAL VARIATIONS IN THE CONSUMPTION OF SEAFOOD

China's vast geography displays variations in regional patterns of the consumption of seafood. Historically, the biggest consumers of seafood could be found in coastal regions, where seafood has acted as a traditional source of protein. As China's coastal cities have undergone rapid economic development, consumers in these areas

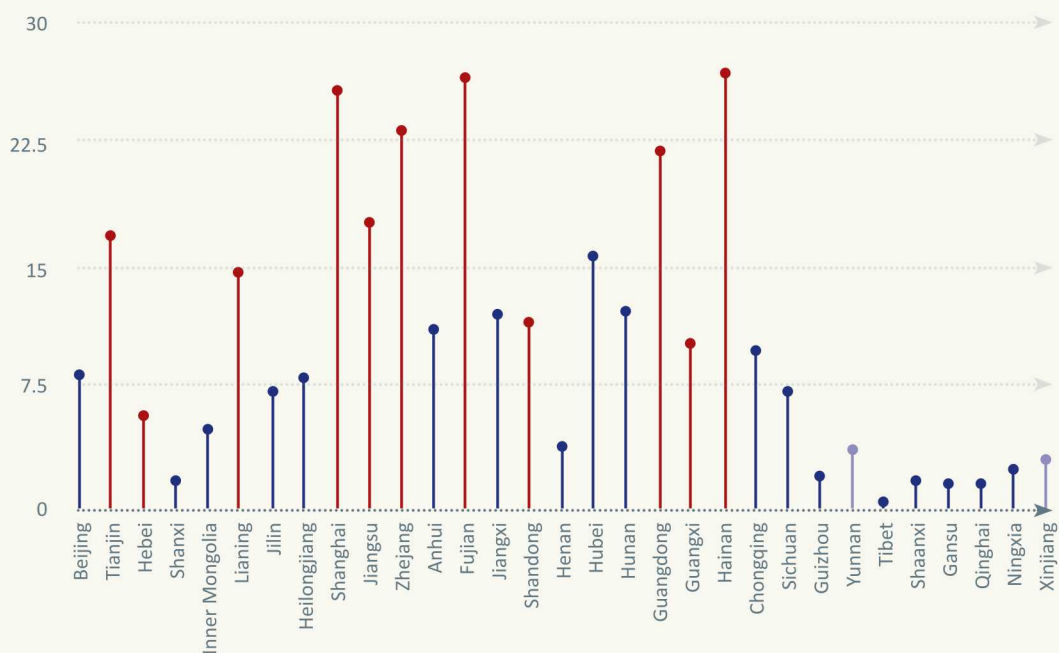
have enjoyed a relatively high disposable income and therefore the means to splash out on more expensive seafood dishes and products, such as imported seafood.

Urban citizens consume a larger amount of seafood than their rural counterparts. According to China's National Statistics

Bureau, 2016 per capita consumption of seafood products stood at 14.8 kg and 7.5 kg in urban and rural areas, respectively.⁷ Researchers forecast that by 2020, the annual amount of seafood consumed per capita across China will reach 35.9kg, with urban Chinese predicted to consume over 40kg in 2020.⁸



Per Capita Consumption of Seafood, 2016 (kg)⁹
(Coastal provinces marked in red)



Source: National Bureau of Statistics of China

⁷ https://gain.fas.usda.gov/Recent%20GAIN%20Publications/2017%20China%27s%20Fishery%20Annual%20_Beijing_China%20-%20Peoples%20Republic%20of_2-17-2018.pdf

⁸ http://www.fao.org/docrep/i9166e/i9166e_Chapter8_Fish_seafood.pdf

⁹ www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm



Evolving Retail Channels

Whilst previously the majority of fish consumed outside China's large coastal cities were freshwater species, rising living standards as well as improved cold storage logistics have served to make seafood accessible to consumers across China.¹⁰ Alongside these advances in technology, China's retail channels for the purchase of seafood have diversified and become increasingly sophisticated.

Whilst shoppers traditionally purchased fish from wet markets, an increasing number of consumers are now purchasing fresh and frozen seafood from hypermarkets and supermarkets.

The use of apps to purchase seafood is also increasingly prevalent amongst urban consumers who wish to opt for the convenience of same or next-day delivery. This is reflected in the rise of internet retail volume sales. Furthermore, large retailers are able to realise greater operational efficiency through more effective supply chains and wider distribution channels.

An exciting development can be found in Hema Xian Sheng (Hema Fresh) (盒马鲜生), Alibaba Group's online-to-offline food chain and its adoption of a strategy of "New Retail (新零售)", which uses technology and data to merge online and offline shopping. This offers consumers a more efficient and

flexible experience when shopping. This innovative dual retail strategy is particularly relevant in relation to seafood, as some Chinese consumers may have concerns about freshness, quality, and safety when buying live seafood online. These concerns can be addressed by the provision of offline stores.

An example of this dual model can be found in the exclusive July 2018 partnership between Thai Union and Hema Fresh in Shanghai.¹¹ Under this partnership, shoppers were able to see and sample Thai Union's lobsters within a physical store and then use Hema's app to buy online and have the lobsters delivered to their homes.

Consumption Trends

As a product of changing lifestyles, evolving technology, and retail channels, Chinese consumers are also not only becoming more accustomed to purchasing frozen whole seafood but are also purchasing greater quantities of portioned, headed, and gutted seafood in individual packaging.

However, most Chinese consumers prefer live or fresh seafood over processed products. Thus, consumption of processed seafood products within China remains low when compared to overall consumption of seafood.¹² According to a 2017 report by Research and Markets, an increasing number of Chinese consumers are choosing

to substitute canned tuna with fresh and frozen fish, as a result of greater awareness of the health benefits of fresh products.¹³

Nevertheless, China's largest shrimp company, Zhanjiang Guolian Aquatic Products, has seen success with its growing range of packaged and often pre-prepared shrimp and other seafood products. Some of the firm's best-selling products are microwaveable, including crayfish and shrimp, and their appeal lies in their convenience and ease of use in cooking. China's love of hot pot also spurs sales of frozen seafood, especially fish and shrimp balls.

Perhaps the biggest success story in China's seafood market as of late can be found in crayfish. In 2017, crayfish was the most popular dish in China, based on a list of the top 10 most-ordered dishes on Chinese consumer app Meituan-Dianping.¹⁴ In recent years, crayfish has seen its popularity skyrocket - especially amongst those aged 20-39 - with the development of new recipes in different regions such as Jiangsu, Nanjing, and Hunan. The bite-size shelled creatures are perfectly suited to China's culture of late-night snacking¹⁵ and have become something of an 'internet celebrity' ('网红' 'wǎnghóng') as well as a proud symbol of contemporary Chinese foodie culture.

¹⁰ <https://finance.yahoo.com/news/china-cold-chain-logistics-market-144500287.html>

¹¹ <https://www.esmmagazine.com/thai-union-posts-1-9-year-year-decline-q3-sales/67263>

¹² https://gain.fas.usda.gov/Recent%20GAIN%20Publications/2017%20China%27s%20Fishery%20Annual%20_Beijing_China%20-%20Peoples%20Republic%20of_2-17-2018.pdf

¹³ <http://www.businesswire.com/news/home/20170630005287/en/Global-Canned-Tuna-Market-2017-2021---Research>

¹⁴ <https://gbtimes.com/crayfish-was-chinas-most-popular-dish-in-2017>

¹⁵ <https://scholarblogs.emory.edu/noodles/2018/06/29/the-role-of-crayfish-in-the-economic-and-social-spheres-of-chinese-food-industry/>

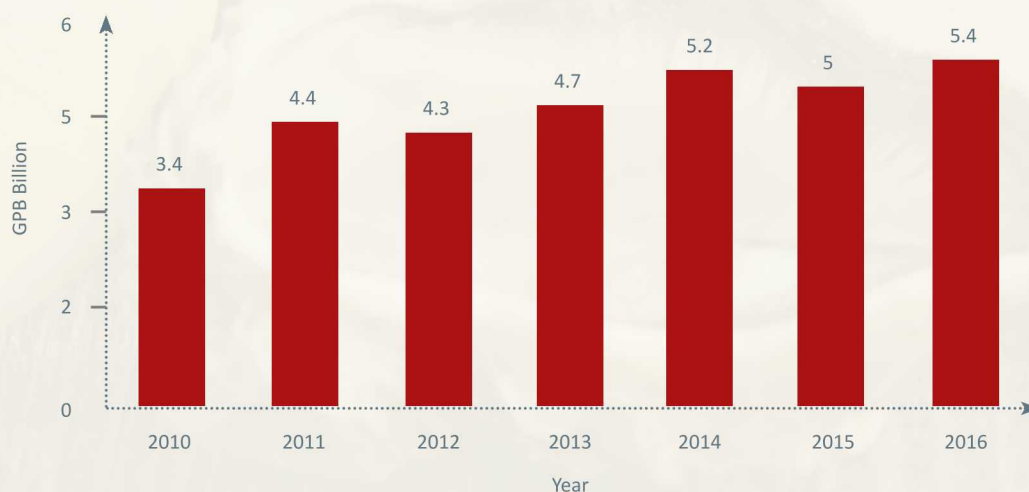
A GROWING APPETITE FOR IMPORTED PRODUCTS

In a country no stranger to food safety scandals, China is home to the world's largest market for imported food and drink, and consumption of imported seafood has seen continued growth amongst Chinese consumers.

In 2016, imports of seafood into China reached 2.4 million tonnes, and were valued at GBP 5.4 billion (RMB 46 million), a year-on-year increase of 8% from 2015. By 2017, an estimated 7.6 million tonnes of seafood was imported, and it is predicted that over 10 million tonnes will be imported by 2020.¹⁶



Value of Imports of Seafood by HS* Division, 2010-2016 (GBP billion)¹⁷



Source: National Bureau of Statistics of China

The growth in popularity of foreign restaurants in China has also resulted in increased consumption of seafood dishes which are not traditional to China, such as seafood platters and sushi, as well as fish not typically eaten in China, such as salmon. 80% of all salmon eaten in China is consumed at hotels,¹⁸ restaurants, and other commercial dining establishments. Salmon is still seen as a premium product in China, meaning hotel chains and foodservice companies are

the big buyers of this fish. On the other end of the spectrum, Alaskan salmon exporters recognise the significant opportunities for fish parts that are generally discarded by western consumers such as fish heads, tails and bones, which can be used for various soups and stews in China.

Other imported seafood products which are seeing increased demand amongst Chinese consumers include lobster, oysters, cod, halibut, shrimp, as well as many live species,

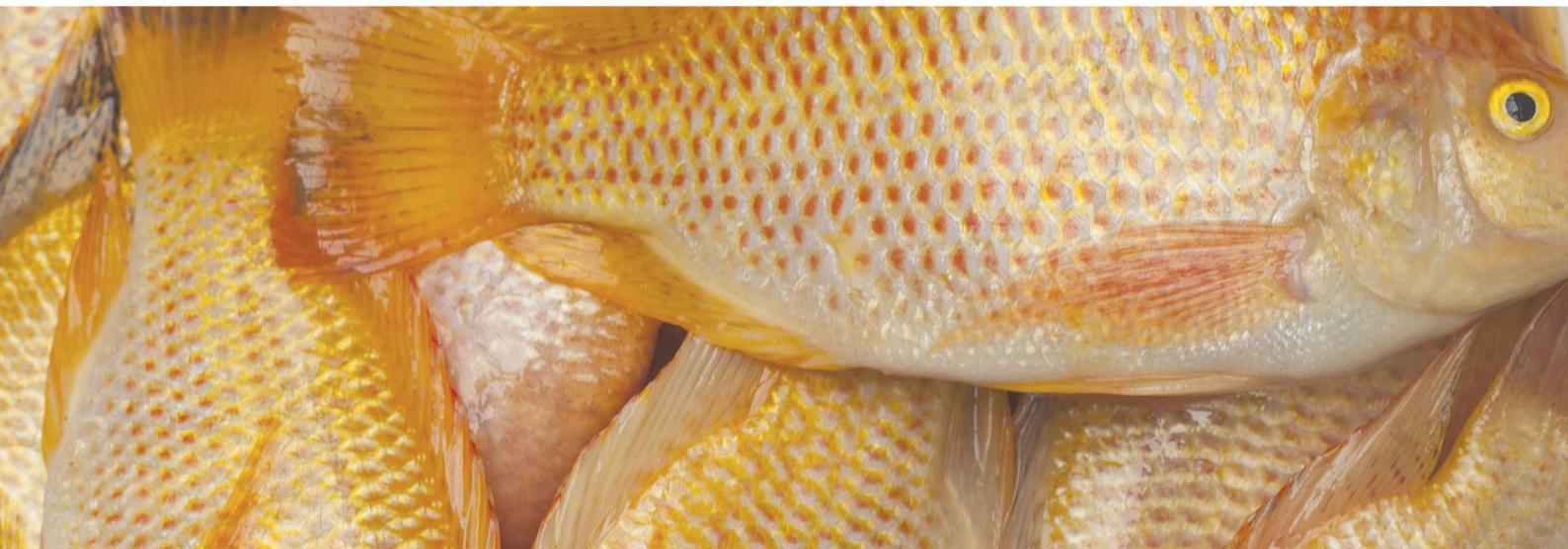
including geoduck and crab.

At Intercontinental Shanghai Hongqiao NECC, seafood is sourced from all over the world, including Irish live oysters, Icelandic cod and Canadian lobsters. In an interview with CBBC, Executive Chef, Rick Bartram describes how poaching seafood in olive oil has become a trend as well as cooking fish 'sous-vide', which allows the chef to control the evenness of cooking, before finally searing the fish in a pan.

¹⁶ <http://home.saic.gov.cn/english/aboutus/Mission/>

¹⁷ www.stats.gov.cn/tjsj/ndsj/2017/indexeh.htm

¹⁸ <http://food-exhibitions.com/Market-Insights/China/China-growing-appetite-for-salmon>



International Players in China's Seafood Market and Emerging Opportunities

In 2017, the United States was the second-largest exporter of seafood to China, with imports valued at GBP 843 million (RMB 7.4 billion).¹⁹ On 24th September 2018, President Trump's latest 10% tariffs on GBP 156 billion (RMB 1.3 trillion) worth of imports from China came into effect and seafood featured on the wide-ranging list released. For example, at present the levy on American lobsters is starkly higher at 32% compared to the same type of lobster from Canada, which is subject to only a 7% levy.²⁰ Furthermore, China also sources lobsters from Australia, New Zealand, Japan, Mozambique, Mexico and Jamaica. Thus, the escalating US-China trade war provides opportunities for other countries to fill the gap left by the United States and to meet Chinese consumers' demand for lobster.

This opportunity has been seized by countries such as Thailand, with the Thai Ministry of Commerce reporting that the country's seafood exporters, especially those dealing in fresh and frozen shrimp and crab, have benefited from the shift in the Chinese market demand from the United States. Leading seafood brand, Thai Union, for example has sized up opportunities for export in China, with the promotion of its brand, King Oscar, in the Chinese market.²¹

"King Oscar is a quality, safe brand" remarked Mr Faisal Sheikh, Thai Union's Managing Director of Emerging Markets, in a recent interview concerning the brand's strategy in China. He added that the brand should appeal to customers wary of food safety scandals involving Chinese suppliers.²²

Chinese consumers' perceptions of the country of origin of imported seafood products are also interesting to note. According to a 2018 study, 14% of Chinese consumers perceive the European Union to hold the highest global market share in seafood, with 58% believing that seafood from the EU is of the best quality worldwide.²³ Labelling and import documents revealing high hygiene standards and the country of origin on seafood products are seen amongst consumers as marks of quality. For example, most salmon supplied to China is sourced from countries with strong labelling and food safety standards. Furthermore, "Imported seafood is preferred by brand-loyal Chinese consumers" said a senior official at Sea Fare Group, a United States-based consultancy that advises seafood businesses.

TO SUM UP

China's seafood market, like the country itself, has undergone rapid evolution in recent years, and this dynamism does not look set to stop anytime soon. Unique and constantly changing consumer habits and trends offer international players opportunities for diversification and localisation of their products, and safety and health-conscious Chinese consumers' appetites for imported seafood continue to

grow. Increasingly sophisticated technology and specially tailored retail channels are key to international brands' success in the Chinese market and their ability to connect with, and build loyalty amongst, Chinese consumers. In sum, it is clear that seafood in China holds an abundance of potential.

¹⁹ https://gain.fas.usda.gov/Recent%20GAIN%20Publications/2017%20China%27s%20Fishery%20Annual%20_Beijing_China%20-%20Peoples%20Republic%20of_2-17-2018.pdf

²⁰ <http://www.sunjournal.com/dealers-say-china-inflating-lobster-prices/m>

²¹ <https://asia.nikkei.com/Business/Company-in-focus/Seafood-king-Thai-Union-wants-to-reign-on-Chinas-shores>

²² <https://www.reuters.com/article/thaiunion-strategy-idUSL3N1NY29R>

²³ https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Consumer%20Study%20on%20China's%20Imported%20Food%20Products_Shanghai%20ATO_China%20-%20Peoples%20Republic%20of_3-1-2018.pdf