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Fishery Products

Approved By:

Scott Sindelar

Prepared By:

M. Melinda Meador, WU Xinping and Angie Han

Report Highlights:

China's aquatic production in 2012 is forecast at 55.3 million metric ton (MMT), up more than one percent over from 2011. The aquaculture sector is expected to continue growing, albeit somewhat slower, in response to growing domestic consumption, a robust processing industry and strong export market.

Total aquatic trade value is also expected to increase rapidly to an estimated \$21.7 billion. US aquatic exports to China increased 58 percent to \$930 million in the first ten months of 2011 but still face an aquatic trade deficit exceeding \$1.1 billion. Prospects remain strong for frozen fish, including salmon and plaice. Reduced import duties for several fish products in 2012 may increase opportunities for US exports.

Executive Summary:

Production: China's aquatic production in 2012 is forecast at 55.3 MMT, up more than one percent from 2011. The aquaculture sector is expected to continue growing, albeit at a somewhat slower pace. Wild caught production, including overseas sourced, is not expected to rise in the future due to resource restrictions.

Demand:

-Domestic - Rising affluence is driving domestic dietary habits toward alternative protein sources, including aquatic products, and increasing domestic consumption.

-International - Sales to major export markets are rising as world economies rebound.

Total aquatic trade:

-The value is expected to increase rapidly to an estimated \$21.7 billion in 2011 from \$17.2 billion last year and produce a \$10.2 billion surplus.

-China's exports to the United States climbed to \$2.1 billion in the first ten months of 2011.

-Aquatic imports from the United States increased to \$930 million in the first ten months of 2011, up 58 percent over the same period in the previous year.

Challenges:

-Investment in new aquaculture facilities slowing, environmental concerns and coastal development will limit resources available for seawater aquaculture expansion.

-Limited resources restrain growth for wild catch increases.

-Robust processing industry faces rising production costs and labor shortages.

-Increase in international regulations.

Export Opportunities:

-Prospects remain strong for US salmon, frozen fish.

-Reduction in import duties on several fish products in 2012 could boost imports for domestic consumption.

General Information:

Definition of terms in China: China's definition of aquatic products includes both cultured (farm-raised) and wild caught products; aquatic products include fish, shrimp/prawn/crab, shellfish, algae, and other; aquatic catch production is total volume of both fresh and sea water caught wild aquatic products; Aquatic culture production is the total volume of both fresh and seawater cultured (farmed) aquatic products. This report will use Chinese terminology to maintain consistency between Chinese statistics and product categories. Total aquatic trade statistics in this report do not include fishmeal.

Production

China expected to remain top aquatic producer

China remains the world's largest aquatic product producer. China's fishery sector is primarily aquaculture, both fresh and seawater cultures, and accounted for approximately 72 percent of total aquatic production in 2011. The wild-catch component is significantly smaller and declining wild fishery resources, both domestic and overseas, will contain future potential growth.

Aquaculture is expected to continue growing, albeit at a somewhat slower pace than previous years. In 2011, new aquaculture area increased five percent over the previous year, a significant drop from a 14 percent increase in 2009, indicating investment in new facilities may have peaked.

Table 1 China's Aquaculture Area Resources (Unit: Hectares)

Year	Total	Seawater	Freshwater	Freshwater-Pond	Freshwater-Reservoir	Freshwater-lake	Freshwater-Other
2010	7,645,223	2,080,880	5,564,343	2,377,001	1,795,579	1,007,103	1,692,773
2009	7,283,138	1,859,313	5,423,825	2,331,900	1,726,407	998,232	1,707,000
2008	6,549,932	1,578,909	4,971,023	2,144,715	1,549,612	961,335	1,792,862
10/09 Change	5%	12%	3%				
09/08 Change	14%	18%	13%				

Source: 2008, 2009 and 2010 China Agriculture Statistics Report

2010 total aquaculture area

Total aquaculture water area reached 7.65 million hectares (MHa) in 2010 from 7.28 MHa in the previous year, with the majority (220,000 HA) of expansion in seawater facilities.

In further developing its coastal water resources, Liaoning Province in northeast China remains the top producer with a 2010 net increase of 128,000 hectare (HA) (compared to a net increase of 266,000 HA in 2009), followed by Shandong and Yunnan with net increases in aquaculture area of 71,000 HA and 32,000 HA in 2010, respectively. MOA officials relate that further expansion of water resources, especially seawater for aquaculture, will face serious challenges from environmental concerns and the rapid industrialization/urbanization of China's coastal region. Future production gains may have to incorporate technology and innovation to maintain additional growth.

For 2010, Shandong, Guangdong, and Fujian provinces, due to favorable coastal locations and abundant freshwater resources/facilities, are expected to remain the largest aquatic producers. Hubei, Guangdong, and Jiangsu provinces are the largest in terms of freshwater cultured production.

Aquatic Production expected to increase in 2012

Aquatic production for the first half of 2011 reached 22.8 MMT with a cultured production of 17 MMT, up 2.8 percent over the same period in 2010, and accounting for 75 percent of total production, based on China's Ministry of Agriculture (MOA). 2012 total aquatic production is forecast at 55.3 MMT, compared to an estimated 54.6 MMT in 2011 and 53.7 MMT in 2010. Total wild catch production in 2011 is expected to maintain last year's level.

Table 2 China's aquatic production (Unit: 1000 Metric Ton)

Category/Year	2006	2007	2008	2009	2010	2011*
Total Aquatic Production	45,836	47,475	48,956	51,164	53,729	54,570
-Seawater Aquatic Production	25,096	25,509	25,983	26,816	27,975	28,320
---Seawater Catch	12,455	12,435	12,580	12,763	13,152	13,200
---Seawater Culture	12,642	13,073	13,403	14,052	14,823	15,120
-Freshwater Aquatic Production	20,740	21,966	22,973	24,348	25,754	26,250
---Freshwater Catch	2,204	2,256	2,248	2,184	2,289	2,250
---Freshwater Culture	18,536	19,710	20,725	22,165	23,465	24,000

Source: 2011 China Statistics Yearbook/Table 13-20;* Estimated by FAS/Beijing

Table 3 China's seawater and freshwater aquatic production by category (Unit: 1,000 Metric Ton)

Category/Year	2009	2010	2011*
Cultured products	36,216	38,248	39,120
Fish Production	20,340	21,450	
Shrimp, Prawn, and Crab	2,977	3,199	
Shellfish	10,766	11,333	
Algae	1,464	1,511	
Other	669	755	
Catch products	13,971	14,328	15,450
Fish	9,567	9,870	
Shrimp, Prawn, and Crab	2,347	2,389	
Shellfish	954	909	
Mollusks	643	658	
Algae	28	25	
Other	432	477	
Catch production from other seas	977	1,116	1,050

Source: 2010 China Agriculture Statistics Report/Page - 86;* Estimated by FAS/Beijing

Total fish production stood at 31.3 MMT in 2010 (up 1.4 MMT from the previous year), accounting for 58 percent of the total aquatic production, followed by shellfish and crustaceans at 23 and 10 percent, respectively. Cultured fish continues to dominate with total production of 21.4 MMT, accounting for 68 percent of total fish production in 2010. Carp remains the most popular cultured freshwater fish with total production of 15.1 MMT in 2010 (from 14.5 MMT in 2008), accounting for 73 percent of total freshwater cultured fish production.

Tilapia, another popular cultured product, saw 2010 production of 1,332,000 MT, up six percent from 2009, but a drop from the previous ten year average of 11 percent. Lower prices in 2009 and abnormal weather conditions in 2010 had driven down production. The 2011 tilapia production is expected to resume strong growth in response

to foreign market demand and increasing domestic consumption, but the overall rebound will be impacted by increasingly serious disease outbreaks (streptococciosis) and other factors (see following paragraph – Challenges). Guangdong, Guangxi, Fujian and Hainan continue to be the top four tilapia producers. Yunan province has been developing water resources for tilapia farming with total production approaching 60,000 MT in 2010.

Total catfish production was 591,000 MT in 2010, up from the 558,000 MT in 2009 and is expected to rise in 2011 in response to dynamic domestic consumption. Catfish production for export remains soft in response to uncertainty regarding pending U.S. import policies.

Shellfish, primarily cultured in seawater, continued to show moderate growth with 2010 production of 11.3 MMT (See tables 2 and 3), and accounted for 76 percent of total sea water cultured production.

Cultured crustacean production reached 3.2 MMT in 2010, up 7.5 percent over the previous year and is expected to remain strong in 2011 in response to domestic demand; catch production remains almost unchanged in 2010. Cultured penaeus vannamei (also known as white shrimp) production exceeded 1.2 MMT (up from the 1.1 MT in 2009), accounting for 38 percent of total cultured crustacean production.

Table 4 China's top-8 aquatic producing provinces in 2010 (Unit: 1,000 Metric Ton)

Province	Total production	Sea production	Freshwater production
Total	53,730	27,975	25,755
Shandong	7,838	6,464	1,374
Guangdong	7,290	4,016	3,274
Fujian	5,870	5,127	742
Jiangsu	4,604	1,364	3,240
Zhejiang	4,779	3,813	966
Liaoning	4,304	3,497	807
Hubei	3,351	0	3,351
Guangxi	2,755	1,544	1,211
Other	12,939	2,150	10,790

Source: 2011 China Statistics Yearbook Table13-20

Although there are freshwater aquaculture facilities nationwide, particularly for carp, some species' production is limited to certain regions due to available resources and climatic conditions. For example, 90 percent of tilapia production occurs in four provinces, Guangdong, Guangxi, Hainan, and Fujian in 2010. 57 percent of catfish production is located in Sichuan, Jiangxi, Hubei, Guangdong and Hunan provinces.

The largest producers for both cultured freshwater and seawater shrimp and prawn are Guangdong, Jiangsu, Hubei, Guangxi, Zhejiang and Guangxi provinces. In 2010, Guangdong was the largest shrimp producer with total cultured production of 554,000 MT (compared to the 537,000 MT in 2009), of which Penaeus vannamei production reached 449,900 MT in 2010. Eel production is concentrated in Fujian, Guangdong, and Jiangxi provinces with much of the production destined for the Japanese market. Shandong, Fujian, Guangdong, and Liaoning provinces dominate the cultured shellfish production accounting for 80 percent of the 2010 total.

Production Challenges

--Tilapia faces disease, competition

According to industry sources, streptococcus disease continued to adversely impact tilapia production in 2011. Experts believe deteriorating water environments and high-density farming has led to high bacteria counts. Low quality inputs, including feed and fingerling stock, and overuse of antibiotics are also contributing to disease

conditions. These problems will impact tilapia production and quality in the near future.

Another challenge for the tilapia industry is the increased production and exports of Basa fish by Vietnam. Industry experts state that Vietnam's Basa 40 percent meat rate (compared to 33 percent for tilapia) and lower price took significant market share from China's tilapia sales in the United States in 2011. Industry leaders are studying ways to raise China's tilapia competitiveness in the international market. A new international aquaculture certification system initiated by the World Wildlife Fund (WWF) is also likely to impact China's tilapia production and exports.

--Aquatic catch production is shrinking

Total 2011 catch production of 15.5 MMT is almost unchanged from 2010 and catch production is unlikely to increase in the foreseeable future due to limited availability of resources. Seawater catch production from other territorial seas was 1,116,000 MT in 2010, up from 977,000 MT last year. Industry insiders believe it will be difficult to increase production significantly from other territorial seas.

Future fishery development plans

In October 2011, the MOA published its 12th Five Year (2011-2015) Development Plan for Fishery. Significant targets under the plan include:

- -meeting the rapid growing demand for quality aquatic products by domestic consumers ;
- - emphasizing the balance between aquaculture development and ecological protection;
- - re-constructing and standardizing 1,333,000 Ha of aquaculture ponds to raise productivity;
- - meeting the safety/quality targets for 98 percent of aquatic products;
- - maintaining stable to growing marine fishery output in other territorial seas with target production of 1.3 MMT per year, up from 2010 output of 1.1 MMT;
- - licensing of 100 percent of aquaculture production facilities by 2015.
- - reaching production of 60 MMT by 2015, with 75 percent from aquaculture (as compared to estimated 72 percent in 2011).

MOA has established agricultural product quality test stations in 1,200 counties (out of the total more than 2,400 counties) nationwide to supervise quality. To ensure the quality of aquatic products for export, MOA and the Administration for Quality Supervision, Inspection and Quarantine of China (AQSIQ) adopted a strict licensing regime for all export-oriented farms and processing establishments. MOA and AQSIQ conduct frequent field audits of export-oriented aquaculture farms. Aquatic products for export are subject to mandatory inspection and must be accompanied by AQSIQ inspection certificates.

Aquatic Processing Production

--Stable growth in 2011 of aquatic processing for re-export

The aquatic processing for re-export sector maintained stable growth in 2011. According to MOA, in the first three quarters of 2011, aquatics processed (with imported material) for export reached 900,000 MT in volume and \$3.85 billion in value, up 13 and 22 percent, respectively. This export value accounts for 31 percent (down two percent over the previous year) of the total aquatic exports.

Increased exports for processing reflects a steady rebound in demand for aquatic products by major importing countries and an increase in prices for raw and processed aquatic products in the world market.

The share of export value under the processing trade accounted for 31 percent of all aquatic product export value, two percent lower than same period of 2010, in part showing an increased export of cultured aquatic products in 2011. Based on the Global Trade Atlas (GTA), China's imports of frozen fish in the first ten months of 2011 approached 1.76 MMT, up 13 percent over the same period in 2010. The imports of mollusks also exceeded

260,000 MT, up 15 percent over the previous year. Most of these imports have historically been destined for the processing trade.

The aquatic processing trade sector is increasingly challenged by rising production costs and a shortage of labor, and the situation is expected to become more serious in the future.

--Stable growth in 2011 of aquatic processing for domestic consumption

Most Chinese consumers' still prefer live or fresh aquatic goods instead of processed products. Therefore, domestic consumption of processed aquatic products remains relatively small compared to overall domestic aquatic product consumption. Processed aquatic products using domestic raw material (mostly cultured products) is highly export focused.

According to MOA, the total number of aquatic processing facilities reached 9,762, up from 9,635 in 2009. Total processing capacity also increased to 23.9 MMT from 22.1 MMT in 2009. In 2010, 17.8 MMT of aquatic products were processed, slightly down from the 18.2 MMT in 2009. Total processed aquatic product volume stood at 16.3 MMT, of which 10 MMT was frozen and frozen processed goods. This trend is expected to continue in 2011 as more frozen and frozen processed goods are shipped to heartland provinces.

Aquatic processing bases are located in or near major aquatic production regions. Of the total 9,635 processing facilities, 6,470, or 67 percent are concentrated in Zhejiang, Shandong, Fujian, and Guangdong provinces. Shandong ranks number one for processing capacity at 7.1 MMT per year followed by Guangdong at 4.2 MMT. These provinces are also major aquaculture producers and are equipped with port and cold storage facilities. Many foreign enterprises have also entered the processing trade in these provinces.

Consumption

Due to China's natural resources in freshwater lakes and rivers, Chinese consumers have historically consumed a large proportion of freshwater aquatic products. As China's distribution systems become more developed and consumers rising affluence increases their interest in a more diversified and nutritious diet, seafood consumption is on the increase.

Post estimates per capita consumption for urban dwellers in 2010 was 14.85 Kg, up from the estimated 14.7 Kg in 2009, while NSB reported that rural residents consumed 5.15 Kg, down slightly from 5.27 Kg in the previous year. (NSB did not provide consumption of aquatic products for urban dwellers in 2008 and 2010). Per capita consumption is expected to increase steadily, with strong growth potential in the rural sector where affluence and access to new products are beginning to make inroads in dietary habits.

Table 5 Per capita consumption trends of aquatic and animal products (Kg)

Per Capita Consumption Trends for Aquatic Products						
	2005	2006	2007	2008	2009	2010
Urban	12.55	12.95	14.2	14.3*	14.7*	14.85*
Rural	4.94	5.01	5.36	5.25	5.27	5.15
Per Capita Consumption Trends for Pork, Beef, Poultry and Mutton						
Urban	32.83	32.12	31.8	30.7	34.67	34.72
Rural	20.76	20.54	18.74	18.3	19.58	20.0
Note: Urban Population of 669.78 million (49.95%). Rural Population of 671.13 million (50.05%).						
*estimated by Post (data not available from NSB); Data before 2007 are based on NSB unadjusted version						
Source: 2011 China Statistical Yearbook Table 10-9 and 10-29						

Based on MOA survey results (among 80 major aquatic product wholesale markets), the average wholesale price for aquatic products increased by five percent in the first three quarters of 2011 over the previous year. The price increased by 5.4 percent for sea water products, and 4.8 percent for fresh water products. Prices for aquatic products are expected to grow in 2012 reflecting increases in the price of feed and other inputs.

Table 6 lists the ten provinces and municipalities with highest expenditures on aquatic products in 2010. The per capita consumption of aquatic products is highest in coastal regions (where aquatic products have been a traditional source of protein) and locations with relatively high disposable income. The rankings are almost unchanged from 2009.

Most Chinese consumers are price sensitive when purchasing aquatic products. Freshwater cultured products such as carp and shrimp or prawns are popular for home consumption and in restaurants due to their affordability. Seawater aquatic products, including yellow croaker, ribbonfish and squid continue to be favorites in Northern China. Imported seawater products popular domestically include cod, squid, plaice, and mackerel. Processed shellfish/shrimp/prawns and tilapia fillets are increasingly popular among city consumers with busy lifestyles. High-value imported seafood such as lobster, geoducks, salmon, and crab are widely used by hotels and restaurants for high-end consumers. Based on the GTA, China's total imports of salmon reached 191,000 MT in the first ten months of 2011, up 43 percent over the previous year. Imports from the United States and Russia reached 83,000 MT and 78,000 MT, respectively.

Table 6 Per Capita Annual Living Expenditure on Aquatic Product of Urban Residents by Region in 2010

Region	Aquatic Product Expenditure RMB Value	Disposable Income Rank	Disposable Income Value (RMB)
Fujian	1,000	7	21,781
Shanghai	818	1	31,838
Zhejiang	714	3	27,359
Guangdong	658	5	23,898
Hainan	670	21	15,581
Tianjin	444	4	24,292
Jiangsu	422	6	22,944
Liaoning	364	9	17,713
Shandong	322	8	19,946
Guangxi	293	12	17,064
Hubei	267	18	16,566
Nationwide Average	327	NA	19,109

Source: 2011 China Statistics Yearbook/Table 10-15

Trade

Overall Aquatic trade value likely hit record \$21.7 billion in 2011

Total aquatic trade value in 2011 is estimated at \$21.7 billion, up 26 percent over the \$17.2 billion in 2010. The aquatic trade surplus is expected to hit \$10 billion in 2011, up from \$8.3 billion from last year. China's aquatic export trade destinations with export values over \$100 million rose from 17 countries/regions in 2009 to 23 in 2011. Japan continues to be the largest export destination, followed by the United States and South Korea. According to GTA, in the first ten months of 2011, import volume stood at 2.2 MMT, up 12 percent, respectively, over the same period in previous year while total export volume exceeded 2.9 MMT, up 23 percent.

Exports

Export value is estimated to surge to \$15.9 billion, up 25 percent over the previous year. This significant growth is a combination of increased export volume and increased unit price. Most Chinese industry insiders believe that a stable recovery of world economies, and the competitiveness of the Chinese industry, will result in higher aquatic exports in 2012.

--Fish fillet tops total aquatic exports

Fish fillet (HS Code 0304) continues to be the largest export category with export value at \$ 3.5 billion, accounting for 28 percent of total aquatic exports in the first ten months of 2011. Based on GTA, in the first ten months of 2011, China's aquatic exports increased in both volume (up 23 percent) and value (up by 27 percent) over the previous year. All major export categories, fish fillet (HS Code 0304), the prepared crustaceans and mollusks (HS Code 1605), and the mollusk and other (0307) have seen rapid growth in value and volume. Fish fillet (HS Code 0304) exports increased by 10 percent in export volume, and 22 percent in value, compared to the previous year. Export of prepared or packaged fish and caviar (HS Code 1604) increased by 15 percent in volume and 28 percent by value over the previous year. Strong exports of aquatic products reflect the steady recovery of demand by customers in major import markets.

--Tilapia exports continued growing

Based on GTA, in the first ten months of 2011, total tilapia exports reached \$845 million, up 16 percent from the \$731 million in the previous year, although the export volume increased by only four percent. Processed tilapia products (fillet, dried/salted, prepared/preserved) continue to dominate, accounting for 66 percent in volume and 80 percent by value of all tilapia exports. The export price for processed tilapia products averaged \$3,974/MT, compared to \$3,591/MT in the previous year, also much higher than the averaged \$1,873/MT for exports of fresh/chilled/frozen tilapia (exports of this category increased 51 percent in volume mainly to the U.S. and Africa). Exports of processed tilapia products are expected to continue growing in 2012 mainly due to its price competitiveness. In the first ten months of 2011, the United States remained the largest destination for China's tilapia products, accounting for 43 percent of volume, however, the net export volume declined to 110,000 MMT from the 124,000 MT in the previous year in part due to more competitive Basa products from Vietnam.

Imports

Import value is estimated at \$5.8 billion in 2011, up 31 percent from the \$4.4 billion in the previous year, mainly due to recovering demands for aquatic products both globally and domestically. Russia is expected to remain China's largest supplier of aquatic products in 2011, followed distantly by the United States and Japan. Total imports from Russia are estimated to exceed \$1.5 billion in 2011, up almost 20 percent from the previous year, accounting for 26 percent of China's total 2011 aquatic imports.

Based on GTA, salmon imports increased sharply to 192,000 MT in the first ten months of 2011, up 43 percent compared to the previous year. The United States and Russia are the largest suppliers of salmon to China. Imports from the United States in 2011 grew to 83,000 MT, up 40 percent over the previous year, while imports from Russia skyrocketed to 77,600 MT from the 23,600 MT in 2010. Russia's surge is mainly due to internal policy changes which facilitated production and exports. Import prices for salmon in the first ten months of 2011 averaged \$ 3,272/MT, similar to the \$3,213/MT in the previous year.

Qingdao and Dalian continue to be the two largest arrival ports for aquatic products, accounting for 79 percent of the total import volume in first ten months of 2011. Well-established facilities, including processing factories in Qingdao and Dalian, solidify the two cities' status as the largest seafood import hubs in China.

Fishmeal imports are forecast at 1.2 MMT in 2012

Fishmeal is a highly regarded animal protein source used in animal and aquaculture feed. China's domestic fishmeal production continues to be low and is expected to be less than 250,000 MT in 2011. The growing demand from the feed industry leaves an ever widening supply gap which must be filled by imports. Peru remains

the largest fishmeal supplier at 677,000 MT, accounting for 64 percent of China's total imports in the first ten months of 2011. While in the same period, imports from the United States hit a record 121,000 MT from the 51,000 MT in the previous year, most likely due to more diversified products at relatively lower price.

Fishmeal imports in 2012 are forecast at 1.2 MMT, up from the estimated 1.15 MMT imports in 2011. Fishmeal imports fell to slightly more than one MMT in 2010 from the 1.3 MMT in 2010, mainly due to high fishmeal prices exceeding \$1,600/MT. Imports in the first ten months of 2011 exceeded one MMT in response to a declining price which averaged \$1,474/MT.

US aquatic trade imbalance with China

Although the United States remains the second largest importer and exporter of aquatic products to China, there is still a large trade deficit. In the first ten months of 2011, China's aquatic imports from the United States increased to \$930 million, up 58 percent over the previous year, while China's exports to the United States climbed to \$2.1 billion, resulting in a aquatic trade deficit exceeding \$1.1 billion.

During this period, frozen fish remained the largest category (valued at \$752 million), accounting for 81 percent of the total imports from the United States. More specifically, salmon ranked first, valued at \$261 million, followed by plaice at \$186 million (out of the total \$192 million for all flatfish). Salmon is increasingly popular among middle class consumers for home consumption and at restaurants or high-end hotels in large cities. Industry insiders believe China will grow to one of the world's largest salmon markets in the near future.

Total aquatic exports to the United States in the first ten months of 2011 rebounded to \$2.1 billion, up 14 percent over the previous year. Major product category includes fish fillet (\$962 million, up 10 percent over the previous year), followed by prepared/preserved crustacean/mollusks (\$477 million), and prepared/package fish and caviar (\$304 million).

Policy

China's policy favors smooth growth for aquatic production and exports

China's fishery production policy remains generally unchanged. In the 12th Five Year Fishery Development Plan, the MOA plans to continue to promote a more sustainable development model with rational resource utilization, environmental protection, production of safe products, and increases to farmer income. Other measures included technology extension and greater supervision of drug use. As further expansion of water area is limited in some regions, the pond water depth for aquaculture has been raised to 2.5 meters in an effort to boost production.

Domestic aquatic catch will continue to be restricted by the "Zero Growth" policy for domestic wild aquatic catch although the government is targeting increases in overseas catch. The two to three month summer fishing moratorium in China's seawater continued in 2011, and the three-month spring fishing ban in the Yangtze River entered its eighth year. Additionally, MOA enforced a two-month fishing ban in the Pearl River region in 2011. In an effort to protect and restore ecological balance, the state and provincial fishery departments conduct frequent releases of aquatic fingerlings in national waters.

Implementation of aquaculture licensing system delayed

Per MOA, implementation of a nationwide aquaculture licensing system, targeted at better regulation of the industry and enforcement of policies, will continue to be enforced during the 12th Five Year Fishery Development Plan period. Licensing thousands of small-scale aquaculture facilities, however, has proven to be a challenge for the government.

The policy on aquatic processing trade remains unchanged

China's government views the processing trade as an advantageous industry due to its role in generating new employment and producing rendered product that can be used as a feed ingredient for the feed

industry. Basically, imports under “Processing Trade” will still be free of tariff and value added tax (VAT) so long as they are subsequently exported as processed products. Imports destined for China’s domestic consumption are subject to tariff and VAT (CH5089). Based on MOA, the share of the processing trade declined slightly, accounting for about 31 percent of aquatic export value in 2011 (compared to the 33 percent in 2010). However, China’s industry and official sources both claim that China is actively becoming the world’s processing center for mackerel, salmon, cod, and herring. Industry sources note that the number of enterprises involved in “Processing Trade” is on the rise, especially in Shandong and Liaoning.

The import duty for several fish products reduced in 2012

China maintains relatively high import duties on seafood imported for domestic consumption and further subjects them to a 13 percent value added tax. Effective January 1 2012, however, the import duty on four categories of seafood, Frozen Greenland halibut, plaice, herrings and cod, will be reduced (see table) which should facilitate their import and sale in the domestic market. In the first eleven months of 2011, China’s total imports of frozen and chilled flatfish from the United States reached 123,000 MT (mainly frozen plaice with volume at 119,900 MT) valued at \$210 million, while imports of frozen cod exceeded 40,000 MT valued at \$117 million, and frozen herrings stood at 11,800 MT valued at \$7.6 million. While current imports of these fish might be destined for re-export, the domestic consumption of these fish is also likely to increase. U.S. traders should consult with Chinese importers for implementation details regarding these import duties.

Table 7 Import Duty for Four Seafood Reduced on January 1, 2012

	H.S.Code	Name	MFN Duty (%)	Tentative Reduced Duty for 2012(%)
1	03033110	Frozen Greenland Halibut	10	5
2	03033200	Frozen Plaice	12	2
3	03035100	Frozen Herrings	10	2
4	03036300*	Frozen Cod	10	2

- Note: This Code is not listed in the “2011-Import and Export tariff of China”, need to be clarified with the “2012-Import and Export tariff of China” available in later January.

Import certificate for live edible aquatic products amended

On December 11, 2008, AQSIQ published on its website the “Explanations on Amendments to Rules of Inspection and Quarantine on Entering Edible Aquatic Species.” (http://dzwjyjgs.aqsiq.gov.cn/zxjyjjyq/200812/t20081211_100208.html). The amendments require the exporting country to add detailed inspection and quarantine information to the export health certificate (See GAIN CH9050). FAS/Beijing, in collaboration with the National Ocean and Atmosphere Administration (NOAA) Seafood Inspection Program, APHIS/Beijing, and Foreign Commercial Service/Beijing held several consultations with AQSIQ on a new certificate. A NOAA amended version of Health Certificate for live edible aquatic products was approved by AQSIQ and transition to the new certificate in 2011 has been smooth.

Implementation of new hygiene certificate for US imported fishmeal -pending

On August 23, 2010 China’s AQSIQ informed the U.S. Embassy Beijing that its Decree 118, which was notified to the WTO as G/SPS/N/CHN/109 on May 15, 2008 and its Regulating Inspection and Quarantine of Import and Export Feed and Feed Additives of July 20, 2009 would both be going into effect at the beginning of 2011. This latter measure was not notified to the WTO. With these measures, U.S. exports of aquatic origin protein would face import requirements that included facility registration and new hygiene and quarantine requirements. China’s new requirements for fishmeal and other aquatic-origin protein and fish oil could have a significant negative impact on U.S. exports of fishmeal and fish oil from the United States.

U.S.-origin fishmeal and fish oil commodities are currently being exported to China in accordance with the U.S.-China Protocol on the Veterinary Health Requirements for Non-Ruminant Derived Animal Feed and Tallow to be Imported from the United States to the People’s Republic of China, signed on November 18, 2004, the provisions

of which require facility inspections by the U.S. Government; assignment of approval numbers by AQSIQ; product registration through China's Ministry of Agriculture (MOA); and export certification by the USDA Animal and Plant Health Inspection Service (APHIS) Veterinary Services.

In late July 2011, a NOAA delegation, in collaboration with FAS/Beijing reached agreement with AQSIQ to extend the importation of U.S.-origin fishmeal and fish oil under existing protocols and requirements until the end of June 2012. Meanwhile, AQSIQ will visit U.S. fishmeal processing facilities in late spring 2012 to study the fishmeal and oil regulatory and quality control system. Both sides are expected to reach a consensus on this issue before the end of June 2012. Traders should consult with importing partners for specific requirements for exporting fishmeal and fish oil to China pending final resolution of this issue.

Marketing (ATO/Beijing)

Demand for imported seafood and aquatic products is expected to continue its growth because of consumer affluence and increasing preference for high-quality and healthy foods.

Much of the U.S. seafood and aquatic products exported to China are further processed for re-export purpose. Non-processed products are mostly high-value products which are introduced mainly through HRI foodservice sector in upscale hotels and restaurants.

In general, Chinese consumers prefer to purchase live and fresh aquatic products, including fish, crabs, clams and others. This is particularly true for consumers in coastal provinces in East and South China, whether they purchase aquatic products in retail, wet market or in restaurants.

With years of market development, more and more imported frozen aquatic products are appearing on Chinese consumers tables. Salmon, snow crab legs and cod are all products commonly available in supermarkets. Product identification, such as brand names, logo and country of origin are important tools to attract consumer interest among competing products in supermarkets. Thus, continued education of retailers and distributors is important to help consumers establish brand recognition and brand loyalty.

Scallops, salmon, Alaskan snow crab legs, king crabs, black cod, and oysters are also popular items in many upscale hotels. Buffet style restaurants are common in these hotels and it is a good way to promote high-end seafood products to customers. With the proper display, customers are attracted to these high-value imported items. Chef demonstrations or themed promotions during major Chinese holidays such as Spring Festival and Mid-Autumn Festival are effective in the HRI food service sector for sales promotions. Fish roe is another popular product, with Japanese style restaurants the most common channel for this type of product.

Importers claim high value U.S. seafood products are easy to sell in both first and second tier cities, even in coastal cities such as Qingdao. Products such as king crab kegs, scallops and oysters enjoy crisp sales. Major obstacles are inconsistent availability for fish and crab products due to insufficient supply from the U.S. There are also counterfeit products for snow crab legs, as claimed by restaurant operators in Zhengzhou, Henan province.

Trade shows in China are a good venue for new products entry. At the recent China Fisheries & Seafood Expo in Dalian, live seafood, such as geoduck, was reintroduced by multiple US exporters. Importers are keen for this product as it is a popular item in Chinese cuisine, particularly Cantonese style. In previous shows, Canada has dominated this niche market. Trade shows are also a great way to obtain face-to-face meetings with new and existing buyers.

Trade Tables

Trade of Certain Aquatic Products (Volume: MT; Value: \$ Million)

Imports by Category

HS Code		Jan-Dec 2008		Jan-Dec 2009		Jan -Dec 2010		Jan-Oct 2011	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
	Total	2,353,986	3,713	2,223,844	3,638	2,496,614	4,438	2,202,924	4,628
0302	Fish, Fresh	7,057	44	9,789	61	15,722	106	9,997	82
0303	Fish, Frozen	1,805,044	2,736	1,782,948	2,711	2,005,745	3,139	1,758,572	3,079
0304	Fish, Fillet	16,987	48	30,374	66	24,808	59	18,077	49
0305	Fish, Dried, Salted, Brined	27,036	49	7,810	19	5,251	15	2,740	12
0306	Crustaceans	81,721	308	88,428	337	115,066	513	97,148	662
0307	Mollusks & Other	398,003	471	274,980	394	283,525	512	260,752	589
1604	Prepared and Packaged Fish and Caviar	6,038	24	3,226	16	4,037	19	4,552	19
1605	Prepared and Packaged Crustaceans and Mollusks	27,036	29	26,291	36	42,460	75	51,086	136

Exports by Category

HS Code		Jan-Dec/2008		Jan-Dec 2009		Jan - Dec 2010		Jan-Oct 2011	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
	Total	2,730,030	9,619	2,735,668	9,849	3,134,162	12,764	2,969,750	12,392
0302	Fish, Fresh	39,680	118	38,043	142	39,691	179	28,377	121
0303	Fish, Frozen	415,078	674	507,836	849	632,981	1,422	784,056	1,695
0304	Fish, Fillet	797,703	2,602	908,085	3,108	1,007,057	3,692	883,838	3,513
0305	Fish, Dried, Salted, Brined	58,897	280	56,239	285	67,692	352	60,246	316

0306	Crustaceans	86,979	380	189,468	1,042	199,740	1,157	168,400	1,012
0307	Mollusks and Other	249,134	648	303,555	1,000	389,829	1,555	332,995	1,065
1604	Prepared or Packaged Fish and Caviar	629,709	2,320	440,852	1,643	458,300	2,045	407,217	2,036
1605	Prepared or Packaged Crustaceans and Molluscs	452,849	2,598	291,589	1,781	338,872	2,362	304,621	2,634

Source: Global Trade Atlas

Aquatic Products Trade by Country of Origin (Value: \$ million)

Imports by Country of Origin

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Russia	1,223	1,186	1,262	1,348
United States	533	549	726	930
Norway	183	274	401	276
Japan	181	203	303	107
Canada	184	162	217	262
India	94	124	156	103
Korea South	159	117	153	175
Thailand	115	99	136	115
Netherlands	175	92	117	51
New Zealand	73	75	97	138
Peru	100	65	77	144
Other	693	692	795	981
World	3,713	3,638	4,438	4,629

Exports by Country of Destination

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Japan	2,500	2,470	2,979	2,897
United States	1,996	2,004	2,525	2,159
Korea South	917	869	1,174	1,127
Taiwan	173	346	590	589
Hong Kong	326	404	586	840
Germany	497	490	508	459
Russia	362	283	375	405
Spain	230	259	364	332
Malaysia	298	253	354	394

Canada	239	273	338	281
United Kingdom	257	230	266	258
Mexico	180	168	255	223
Indonesia	31	87	186	256
Australia	103	114	166	175
France	118	124	144	171
Philippines	55	150	137	136
Brazil	28	26	136	186
Netherlands	152	140	133	150
Thailand	118	93	129	218
Belgium	123	98	124	107
Italy	76	76	117	109
Portugal	55	76	107	88
Poland	64	76	103	112
Other	722	739	969	1,261
Total	9,619	9,849	12,764	12,932

Source: Global Trade Atlas

Imports of Fish, Frozen by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Russia	716,816	702,909	850,452	827,560
United States	211,631	237,743	269,473	322,480
Norway	79,283	136,054	170,059	108,870
Japan	95,651	104,783	124,853	46,210
India	88,399	88,316	106,395	60,747
Netherlands	121,138	67,379	74,399	32,365
Korea South	49,489	37,326	54,704	33,999
New Zealand	49,087	54,015	52,473	40,767
Thailand	106,737	59,103	50,109	43,516
Canada	37,068	34,602	29,820	26,694
Indonesia	28,080	27,332	21,494	23,730
Other	221,665	233,386	201,514	191,634
World	1,805,044	1,782,948	2,005,745	1,758,572
Price \$/MT	1,516	1,520	1,565	1,751

Imports of Flatfish by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	104,640	92,447	108,860	112,303
Russia	20,641	14,505	18,535	13,439
Canada	8,428	8,697	8,486	5,546
Greenland	6,441	6,243	7,116	6,180
India	1,990	3,994	3,820	2,220
Spain	2,117	2,731	3,066	2,077

Korea South	2,537	1,572	2,928	906
Iceland	1,662	2,462	2,271	3,019
Germany	1,671	2,335	2,231	1,890
Norway	2,372	2,389	2,018	2,414
Pakistan	2,597	2,208	1,775	947
Other	11,653	6,411	7,211	7,317
World	166,749	145,994	168,317	158,258
Price \$/MT	1,488	1,488	1,613	1,988

Source: Global Trade Atlas

Imports of Plaice by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	103,536	90,695	107,846	109,714
Russia	16,498	9,862	13,469	8,839
Canada	2,915	2,881	4,503	2,157
Korea South	2,041	1,026	2,499	657
Spain	1,617	1,112	640	682
Portugal	537	266	459	366
Germany	168	534	458	552
Other	5,985	3,447	2,547	3,754
World	133,297	109,823	132,421	126,721
Price \$/MT	1,478	1,367		

Imports of Salmon by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	44,700	58,693	65,311	82,626
Japan	39,101	44,236	56,075	8,923
Russia	25,537	86,567	38,105	77,624
Norway	6,535	8,733	14,783	5,226
Chile	5,413	13,815	5,863	6,393
Other	3,364	5,135	4,629	11,008
World	124,650	217,179	184,766	191,800
Price \$/MT	2,395	2,345	3,301	3,272

Source: Global Trade Atlas

Imports of Herrings by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
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Russia	48,708	40,270	84,490	103,942
United States	4,757	5,699	8,221	11,800
Netherlands	4,239	7,841	5,503	4,803
Germany	1,752	1,603	2,024	997
Other	4,438	7,128	5,835	3,931
World	63,894	62,541	106,073	125,473
Price \$/MT	563	528	560	526

Imports of Crustaceans by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Canada	25,800	23,221	33,486	28,120
Thailand	4,029	5,894	14,366	6,908
Greenland	7,240	8,282	9,904	4,676
Myanmar	4,950	7,789	9,176	7,042
United States	5,913	5,043	5,446	6,677
Malaysia	2,280	2,212	4,259	2,528
Denmark	2,323	2,735	3,783	1,754
Bangladesh	1,405	1,954	3,656	4,488
Indonesia	2,751	2,266	3,586	4,072
Russia	7,976	6,460	3,564	2,799
Vietnam	1,258	1,697	3,404	2,464
India	1,639	2,316	2,871	2,884
United Kingdom	2,038	1,820	2,435	1,529
Other	12,120	16,739	15,130	21,207
World	81,722	88,428	115,066	97,148
Price \$/MT	3,770	3,813	4,460	6,819

Source: Global Trade Atlas

Imports of Mollusks and Other by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	30,393	42,231	77,702	53,881
Korea North	24,679	12,650	48,536	42,557
Peru	82,113	57,112	26,485	26,352
Korea South	81,124	37,187	25,189	31,660
Japan	12,255	9,171	20,014	13,542
Mexico	6,669	2,478	8,030	9,743
New Zealand	12,410	9,977	7,903	11,351
Other	148,360	104,174	69,666	71,666
World	398,003	274,980	283,525	260,752
Price \$/MT	1,183	1,434	1,807	2,260

Imports of Fishmeal by Country of Origin (Volume: MT)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Peru	876,338	730,369	611,776	677,118
Chile	239,351	339,922	130,709	104,993
United States	76,978	88,708	66,578	121,513
Thailand	5,865	6,710	49,408	14,558
Russia	49,138	40,168	46,373	32,031
South Africa	13,300	8,567	25,866	13,120
Pakistan	12,807	17,896	21,131	12,064
Vietnam	2,380	4,696	18,459	14,696
New Zealand	16,646	16,986	15,685	7,020
Argentina	21,979	18,770	13,907	17,491
Other	33,894	35,273	38,358	50,361
World	1,348,676	1,308,065	1,038,250	1,064,965
Price \$/MT	1,036	995	1,602	1,474

Source: Global Trade Atlas

Exports of Fish Fillet by Destination (Value: \$ million)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	636	945	1170	962
Japan	430	479	589	579
Germany	475	464	479	420
United Kingdom	196	175	178	175
Canada	105	117	131	118
France	95	105	116	142
Brazil	18	13	104	147
Poland	50	69	95	108
Netherlands	97	90	90	95
Mexico	4	53	88	73
Russia	56	93	85	87
Spain	77	68	84	96
Korea South	47	74	80	62
Belgium	55	53	64	58
Other	261	308	338	388
World	2,602	3,108	3,692	3,513
Price \$/MT				3,974

Exports of Prepared and Packaged Fish and Caviar by Country (Value: \$ million)

Source: Global Trade Atlas

Exports of Prepared and Preserved Crustacean and Mollusks by Destination (Value: \$ million)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
Japan	750	562	646	671
United States	579	455	540	477

Taiwan	71	58	167	178
Hong Kong	134	70	141	316
Korea South	172	99	134	149
Canada	92	76	110	81
Malaysia	217	47	100	119
Mexico	58	44	77	72
Russia	102	46	66	75
Australia	61	48	60	78
Singapore	17	44	40	29
Other	344	232	280	390
World	2,598	1,781	2,362	2,634

Exports of Shrimps and Prawns by Destination (Value: \$ Million; Volume: MT)

(Value: in \$ million)

Country/Year	Jan-Dec/08	Jan-Dec/09	Jan-Dec/10	Jan-Oct/11
United States	263	321	322	260
Japan	252	246	252	264
Malaysia	212	141	207	238
Hong Kong	77	92	131	110
Canada	75	89	122	77
Taiwan	28	76	119	112
Spain	103	90	98	76
Korea South	70	76	97	118
Mexico	52	56	89	74
Russia	29	45	73	59
Australia	50	55	71	76
Other	170	197	220	196
World	1,381	1,483	1,801	1,660

(Volume: MT)

Country	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2010	Jan-Oct 2011
United States	40,928	47,409	45,331	33,786
Japan	37,339	34,705	35,342	50,654
Malaysia	30,156	18,372	25,722	26,787
Korea South	26,240	27,040	25,278	27,770
Spain	25,448	23,619	23,179	15,256
Hong Kong	11,421	15,003	20,444	15,015
Russia	6,024	10,086	15,694	9,416
Canada	10,160	11,745	15,229	8,669
Mexico	9,865	8,139	12,273	8,590
Taiwan	5,380	8,729	11,851	10,198
Australia	7,863	7,918	8,993	7,862

Portugal	1,679	3,788	5,416	2,937
United Kingdom	2,642	2,542	4,017	3,489
Other	23,825	25,265	24,166	20,857
World	240,978	246,369	274,945	241,286
Price \$/MT	5,631	6,021	6,549	6,881

Source: Global Trade Atlas

Exports of Shrimps and Prawns by Category (Value: \$ Million; Volume: MT)

(Value: in \$ million)

Country	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2010	Jan-Oct 2011
Shrimps and Prawns	1,381	1,483	1,365	1,145
***Shrimps And Prawns, Prepared Or Preserved	1,133	639	487	636
***Shrimps And Prawns, Frozen	236	734	645	570
***Shrimps And Prawns, Not frozen	11	109	83	86

(Volume: MT)

Country	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2010	Jan-Oct 2011
Shrimps and Prawns	240,978	246,369	212,120	191,509
***Shrimps And Prawns, Prepared Or Preserved	182,854	93,421	83,024	71,990
***Shrimps And Prawns, Frozen	52,120	127,950	109,522	100,363
***Shrimps And Prawns, Not frozen	5,968	24,907	19,482	19,080
\$/MT-Shrimps and Prawns	5,731	6,021	6,436	5,977

Source: Global Trade Atlas

Exports of All Tilapia Products by Destination (Volume: MT)

Country	Jan-Dec 2008	Jan- Dec 2009	Jan-Dec 2010	Jan-Oct 2011
United States	118,538	137,372	168,818	110,458
Mexico	36,522	36,185	43,211	34,215
Russia	17,117	21,861	20,273	14,318
Poland	3,734	3,750	7,497	4,111
Israel	4,146	6,643	7,000	7,028
Cote d Ivoire	5,279	4,372	6,922	7,604
Cameroon	54	4,156	6,817	14,653
Angola	1,589	2,606	4,953	5,485
France	1,623	2,929	4,258	5,035
Spain	793	1,979	3,816	3,638
Netherlands	2,757	3,112	3,035	3,120
Other	32,207	33,983	46,234	46,598
World	224,359	258,948	322,834	256,263
Price \$/MT	3,269	2,743	3,116	3,298

Source: Global Trade Atlas