



**MARKET ACCESS SECRETARIAT
Global Analysis Report**

Sector Trends Analysis

Fish Trends

In China

October 2017



Executive summary

China is Canada’s second largest agrifood and seafood trading partner in the world. In 2016, Canada exported almost C\$7 billion worth of agrifood and seafood to China, of which fish and seafood represented C\$765 million, placing China as the second-largest export market for Canada’s seafood products after the United States.

The effect of the rising middle class and disposable incomes is allowing consumers to trade up for higher quality food products. Consequently, premium fish is becoming increasingly popular among these new Chinese consumers. Fish products with labels that claim the products are organic, caught in the wild, or imported gained popularity in recent years albeit with higher unit prices, mainly because consumers believe that they are healthier and more nutritious.

Canadian fish and seafood e-commerce retailers are expected to reach over 450 million Chinese consumers through the e-commerce pavilion established between Chinese online retailing giant Alibaba and Canada in 2016.

In addition, Alibaba has partnered with the Canadian Trade Commissioner Service in China (TCS) to better facilitate goods and services between the two countries. The company and TCS agreed to help connect Canadian businesses, especially small and medium-sized enterprises (SMEs), with the Chinese e-commerce market.

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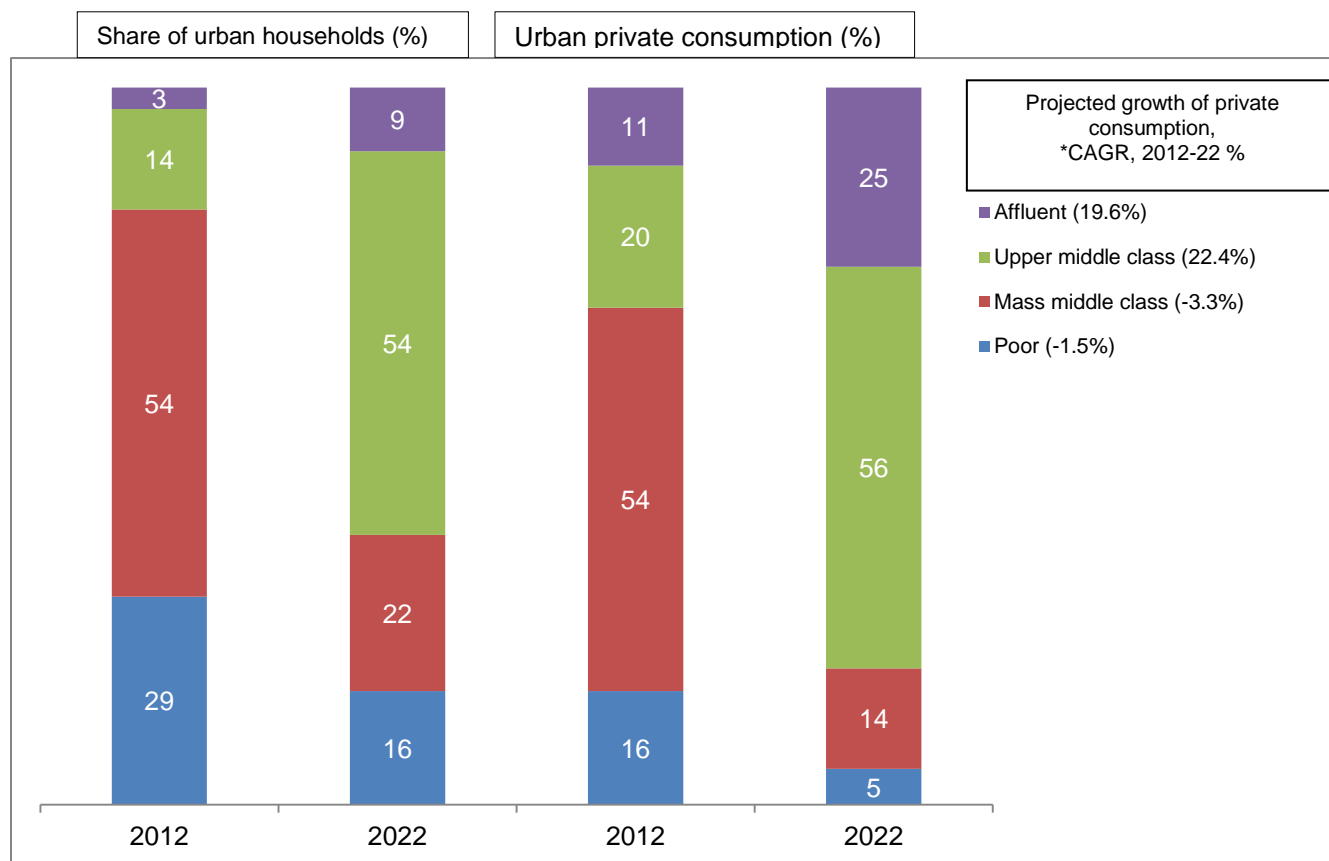
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China a growing market

The growth of China's emerging middle class has brought sweeping economic change and social transformation. The evolution of the Chinese middle class over the last two decades means an emergence of sophisticated and seasoned consumers, who are able and willing to pay a premium for quality food products.

China's middle-class growth 2012-2022



Source: Euromonitor 2017, * CAGR= Compound Annual Growth Rate. Please note Defined by annual disposable incomes per urban household in 2012 real terms: affluent equivalent to >US\$34,000 upper middle-class, US\$16,000 to US\$34,000, mass-middle class, US\$9,000 to US\$16,000 and poor <US\$9,000.

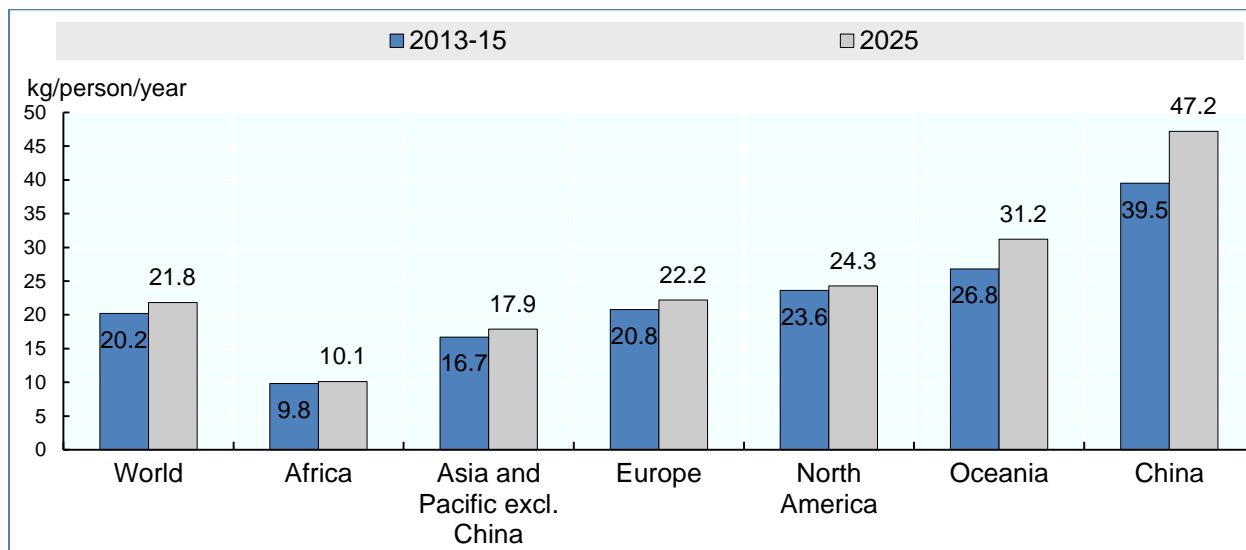
In China, the health benefit of fish products consumption is based on dietary traditions and availability. The per capita consumption of fish and seafood products in China is amongst the highest in the world. The Organisation for Economic Co-operation and Development (OECD) forecast that the Chinese consumption will reach all time high in 2022 with 47.2kg per capita.

The majority of Chinese consumers remain price-sensitive for everyday food items including fish and fish products. Freshwater aquaculture products raised in China and local seafood are consumed at home and restaurants due to their affordable price and freshness. Fish products, especially live or fresh products, are perceived as having health benefits sought after such as richer unsaturated fatty acid content.

More expensive imported fish and seafood tend to be more widely consumed at high-end hotels and restaurants. With increasing discretionary spending and the quest for better quality food products, the growing middle-class consumer in China is able and willing to pay more for premium quality products. Canada's clean natural environment, its rich variety of seafood species and its strict food inspection regulations are good selling points in promoting Canadian fish and seafood to Chinese consumers.



China's historic and forecast fish consumption per capita 2013 to 2025



Source: OECD, 2017

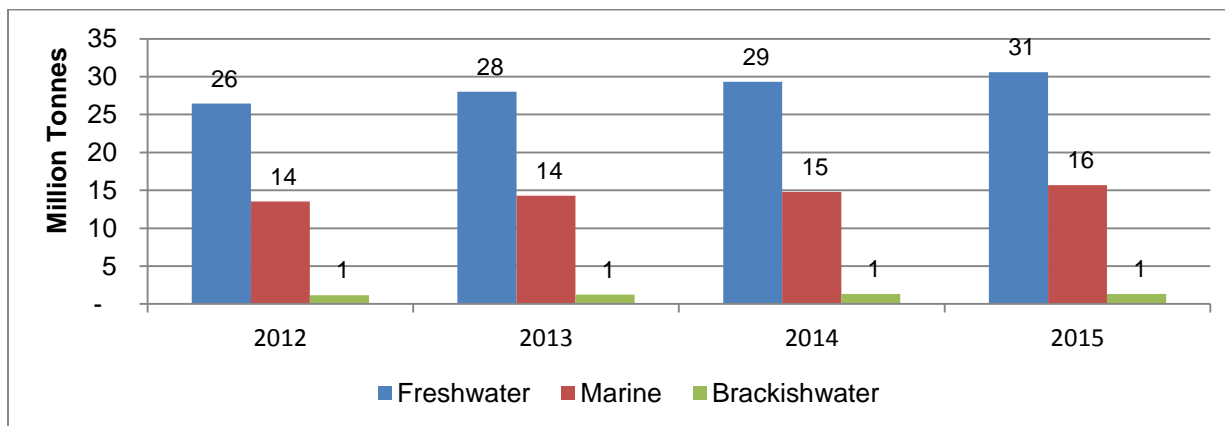
While overall demand for fish and seafood products keeps rising in China, the demand for safe, high quality products is even stronger. Food safety in China is a growing concern. Canada's food safety, including its clean environment and stringent inspection regulations gives it competitive advantages in this ever-growing market.

Chinese supply

China is the main fish producer and largest exporter of fish and fishery products. It is also a major importer due to outsourcing of processing from other countries as well as growing domestic consumption of species not produced locally.

There are numerous markets around China where stalls are rented by fish brokers who trade both as wholesalers and retailers. Supermarkets are becoming important outlets for retailing fish products both live and processed. For example, Carrefour from France has established 5 outlets in Beijing.

China's domestic fish production in 2015 in million tonnes



Source: FAO Fishsats, 2017



Furthermore; most aquaculture products are marketed in live form in China in order to meet consumer preference for live fish and fishery products. For example, gutted Chinese bream and tilapia can be found in supermarkets in big cities in China. High value species such as tuna, swordfish or salmon, are in most cases consumed at restaurants.

Market sizes

According to Euromonitor, China's fish expenditure per capita was US\$37.4 in 2016 and it is projected to reach US\$56.4 in 2021 for an estimated market value of US\$80.0 billion. Sharing a similar food culture with Japan and South Korea. Chinese people consume fish steamed, fried, boiled, blanched and even raw. Because of these eating habits, the taste and the food safety play an important role in the wholesomeness of fish. Chinese consumers prefer fresh or chilled fish to frozen fish, as they think fresh fish tastes better than frozen fish after being cooked. For this reason, fresh or chilled fish is usually priced higher than frozen fish in China

Historic market size and consumer expenditure on fresh, frozen and processed fish in China, from 2012 to 2016

	2012	2013	2014	2015	2016	% CAGR 2012-16
Value (US\$ billion)	38.8	42.7	46.6	49.8	51.4	8.4
Spending per capita (US\$)	28.8	31.5	34.3	36.4	37.4	7.9

Source: Euromonitor 2017 CAGR= Compound Annual Growth Rate

Organic fish and seafood is increasing in popularity among Chinese consumers. Most Chinese consumers prefer natural and imported products because of their enhanced quality.

According to our trade commissioners in China, Canadian fish and seafood e-commerce retailers are expected to reach over 400 million Chinese consumers through the e-commerce pavilion established between Chinese online retailing giant Alibaba and Canada in 2016.

In addition, Alibaba has partnered with the Canadian Trade Commissioner Service (TCS) in China to better facilitate goods and services between the two countries. The company and TCS agreed to help connect Canadian businesses, especially small and medium-sized enterprises (SMEs), with the Chinese e-commerce market.

Forecast market size and consumer expenditure on fresh, frozen and processed fish in China, from 2017 to 2021

	2017	2018	2019	2020	2021	% CAGR 2017-21
Value (US\$ billion)	56.1	61.7	67.3	73.7	80.0	9.3
Spending per capita (US\$)	40.6	44.3	48.1	52.2	56.4	8.6

Source: Euromonitor 2017

According to Euromonitor International, the volume of fresh, frozen and processed fish retail sales in China grew by 4.2% in 2016, reaching 25.2 million tonnes. The key drivers of this growth could be consumers' increasing awareness of the benefits of fish and fish products, and powerful sales in inland lower-tier cities. Another possible reason might be Chinese economy's optimisation and diverse food selections, which have encouraged Chinese consumers to change their diets from meat oriented to fish and seafood.



International competition

There is an intense competition in the Chinese market, with Russia being its largest supplier followed by USA, Norway, Chile and Canada. Canada surpassed New Zealand, Taiwan and Indonesia in 2016 to become the fifth largest fish exporters to China.

Top ten fresh, frozen and processed fish exporting countries to China in 2016 in C\$

Rank	Country	Value	% Share
1	Russia	1,673,153,431	32.1
2	United States	890,616,355	17.1
3	Norway	471,284,893	9.1
4	Chile	291,034,719	5.6
5	Canada	172,900,968	3.3
6	New Zealand	167,450,367	3.2
7	Taiwan	152,674,170	2.9
8	Indonesia	142,705,398	2.7
9	Faroe Islands	133,726,269	2.6
10	Viet-Nam	124,252,747	2.4

Source: Global Trade Tracker, 2017

China's import value of fish has grown at a brisk pace since 2012. In 2016, the total value of China's fish import reached C\$5.2 billion, which represents a 10% growth compared to 2015. Imported fish in 2016 largely consist of frozen Alaska pollack, frozen cod, fresh and frozen salmon and frozen fish.

Top fresh, frozen and processed fish imports from the World, C\$ million

HS Code	Description	2014	2015	2016
	Total fish: live, fresh, frozen, processed	4,609.8	4,733.0	5,206.6
030367	Frozen Alaska pollack	929.0	935.2	865.7
030363	Frozen cod	556.4	626.8	749.7
030389	Frozen fish, *N.E.S.	568.3	576.7	638.8
030312	Frozen Pacific salmon (Excluding. Sockeye salmon)	443.8	430.3	529.0
030214	Fresh or chilled Atlantic salmon	287.9	393.6	434.4
030339	Frozen flat fish (Excluding. halibut, plaice, sole and turbot)	259.0	226.4	270.5
030354	Frozen mackerel	225.6	193.7	183.8
030331	Frozen halibut	101.0	151.6	147.3
030364	Frozen haddock	167.5	115.9	132.4
030343	Frozen skipjack	103.5	96.3	118.2

Source: Global Trade Tracker, 2017 . *N.E.S.: No Elsewhere Specified.

Frozen fish registered the fastest retail volume growth in the past five years according to Euromonitor, benefiting from its rich product portfolio and affordable prices. In addition to the wide variety of fresh and live fish, more chilled or frozen fish products are available with the constant development of internet retailing and cold chain networks expansion.



Import tariff reduction

Since joining the WTO in 2001 China has made considerable progress in reducing tariffs on fish and fish products. In terms of average import tariff for aquatic products, China has decreased the rate as low as 5% on certain products. (<http://tariffdata.wto.org/ReportersAndProducts.aspx>).

The Shanghai Free Trade Zone (SFTZ), the first Directly Imported Goods Market (DIG Market) was opened in 2013. It has attracted enormous interest from Chinese consumers keen to buy imported merchandises. Frozen, chilled and processed products especially are becoming popular because of their relatively low prices for a high end quality-imported product made possible by cutting out distributors between overseas suppliers and customers.

Our trade commissioners in china reports that as of March 2015, there were already 13 DIG stores opened in Shanghai (in SFTZ and outside) and another 3 stores opened in the provinces of Zhejiang and Jiangsu, and the city of Chongqing. Canadian fish & seafood suppliers are encouraged to pay attention to this new sales channel.

E-commerce: Emerging opportunities

Supermarkets and hypermarkets are the main distribution channels for frozen/chilled and processed fish and fish products and are out-performing small independent grocers except for live/fresh fish where the wet markets still lead. However, these channels have lost market share in packaged food sales in recent years due to rising competition from e-commerce sites, which are experiencing growth thanks to the increasing number of smartphone and Internet users.

According to Euromonitor, e-commerce is booming in China. In 2016, China food and drink internet retailing in China reached US\$24.9 billion and is expected to reach US\$52.8 billion in 2021. E-commerce has greatly modified Chinese consumers' purchasing habits, creating opportunities for the Canadian fish and seafood industry.

Conclusion

China's ever growing middle class consumers is demonstrating growing interest in the benefit of consuming fish and seafood products, as well as a keen awareness of quality for value. Demand for quality safe fish product and expanded services is surging, particularly home delivery, and these are becoming commonplace methods by which companies add value to their brands and expand their customer base. The fish sector in China is expected to continue posting growth over the forecast period of 2017 to 2021. Opportunities for Canadian exporters may be found in supplying high-quality ingredients and trusted fish products that suit the diversifying and discerning palate of Chinese foodservice patrons and home cooks alike.



For more information

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

[Overview of Trade Commissioner Services in China www.tradecommissioner.gc.ca/cn](http://www.tradecommissioner.gc.ca/cn)

[Find a Trade Commissioner](#)

www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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<http://www.agr.gc.ca/eng/industry-markets-and-trade/foreign-market-information-by-region/?id=1410083148447>

For additional information on China Fisheries and Seafood Expo (CFSE) 2017, please contact:

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Law and regulations:

[Certification regulation for Canadian exporters in China](#)

[Exchange controls in China](#)

[Doing Business in China - The Dangers of Engaging in Corrupt Practices](#)

Resources

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Sector Trend Analysis: Fish trends in China

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