An Overview on the World Shrimp Market

by

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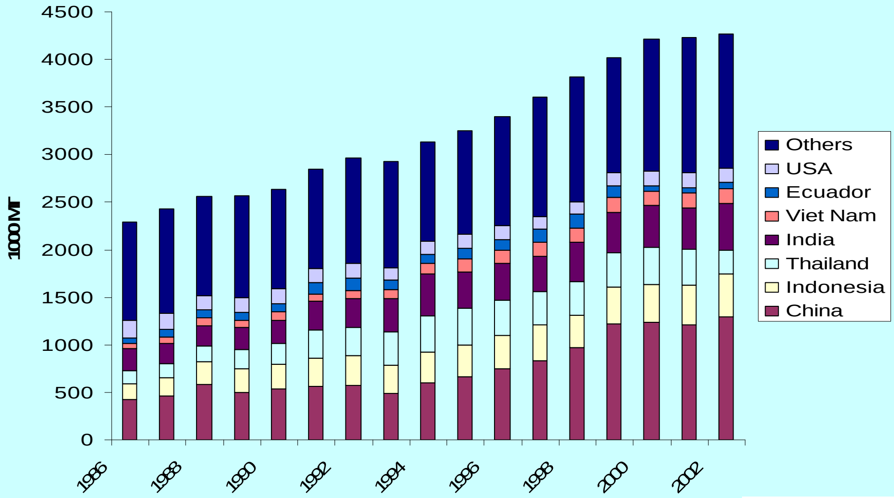
Outline of presentation

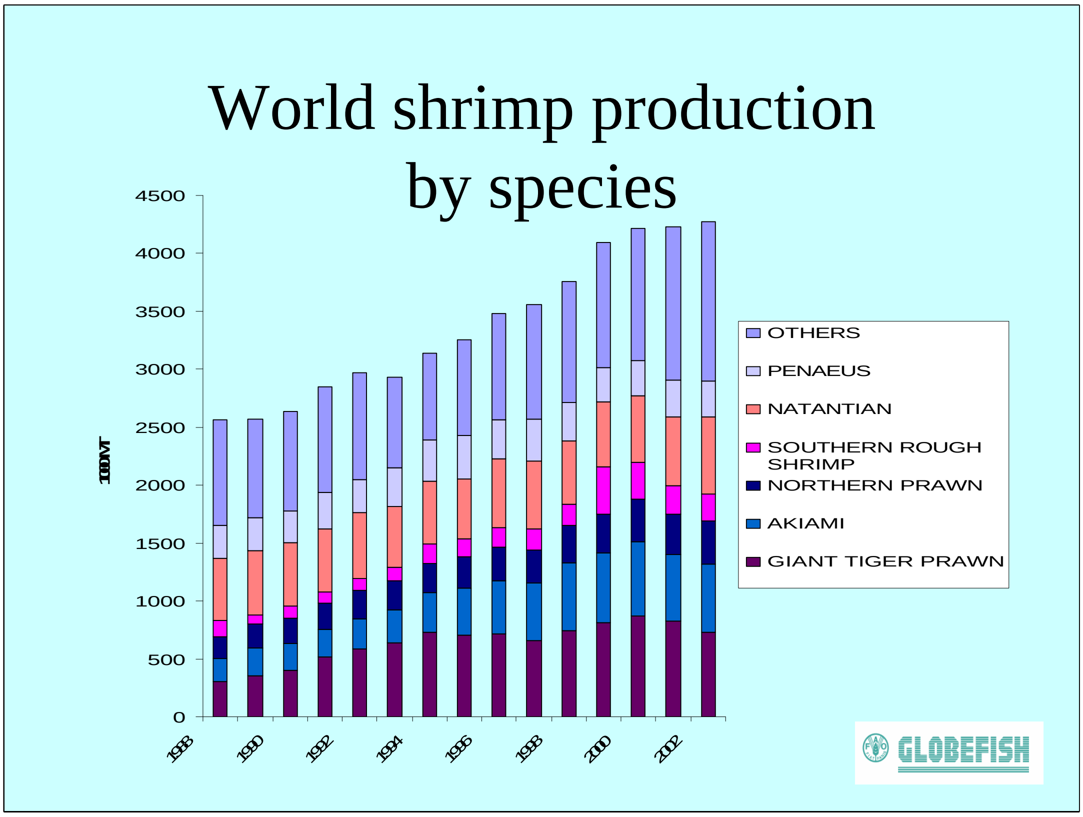
- Shrimp production – wild and aquaculture
- Shrimp trade – exports and imports
- Shrimp price developments
- Outlook

Shrimp production
– wild and aquaculture

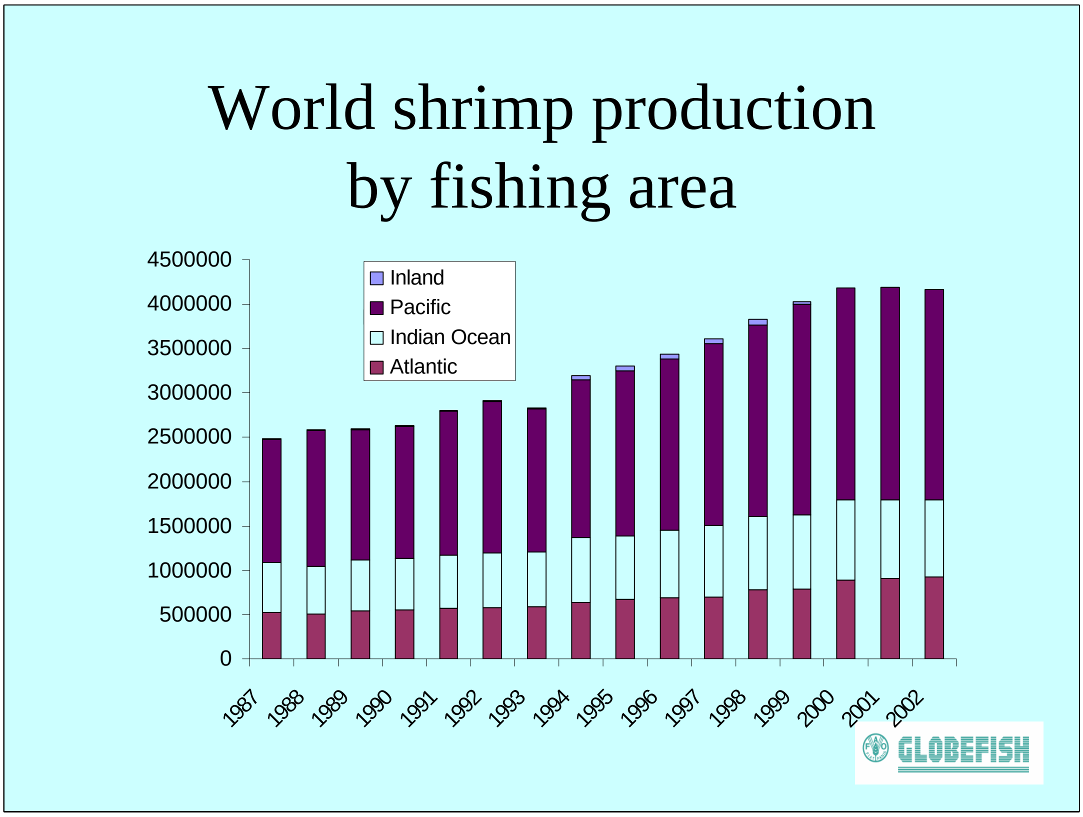
World shrimp production



Shrimp production - that is capture and aquaculture - has expanded over the past decade from 2.4 million MT in 1987 to 4.2 million MT in 2000. At this level, shrimp production has stabilized since. The world main shrimp producing country is China with 1.3 million MT. This country is the main responsible for the strong increase. The other three major shrimp producing countries - Indonesia, India and Thailand - have experienced many up-and-downs during the period with production oscillating between 300 000 and 400 000 MT each.

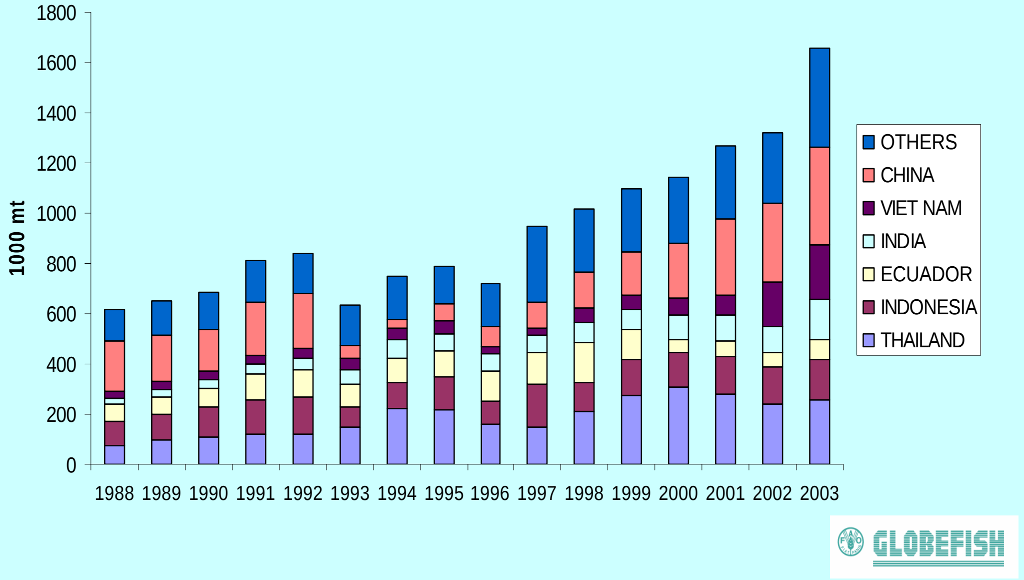


The main shrimp species produced is the giant tiger prawn - *Penaeus monodon.* This species grew very strongly in the late 1980s, boomed by the growing culture industry. Production of tiger prawn peaked at 726 000 MT in 1994. In recent years, disease problems in the main producing countries led to a decline in output. Unspecified shrimp also makes up for an important part of shrimp production. Akiami paste shrimp and southern rough shrimp production grew in recent years. These two shrimp species are mainly produced in China, and do not play a real role on the world market.

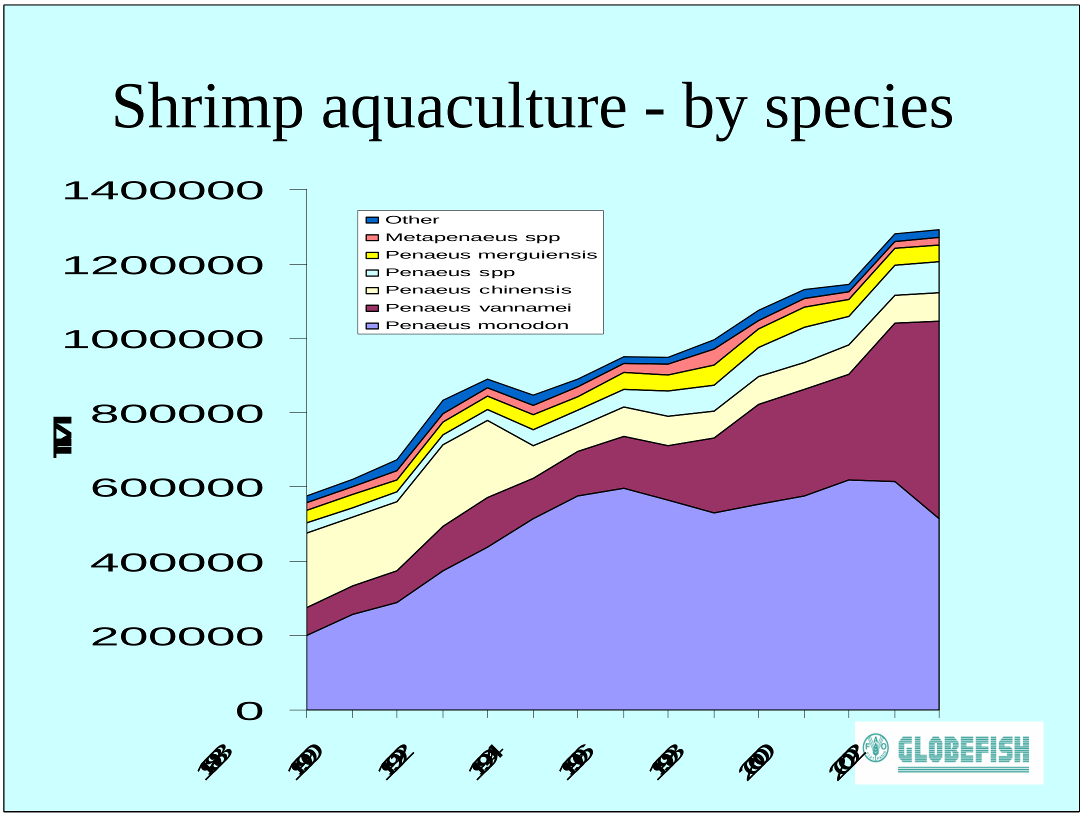


Most of shrimp production takes place in the Pacific, and most of the growth in production is coming from this area. The shrimp production from this ocean went up from 1.3 million MT in 1987 to 2.4 million MT in 1999, to stabilize at this level. Even though not very visible in this graph, the shrimp production in the Indian Ocean grew from 470 000 MT to 920 000 MT during the period under review.

Shrimp aquaculture production



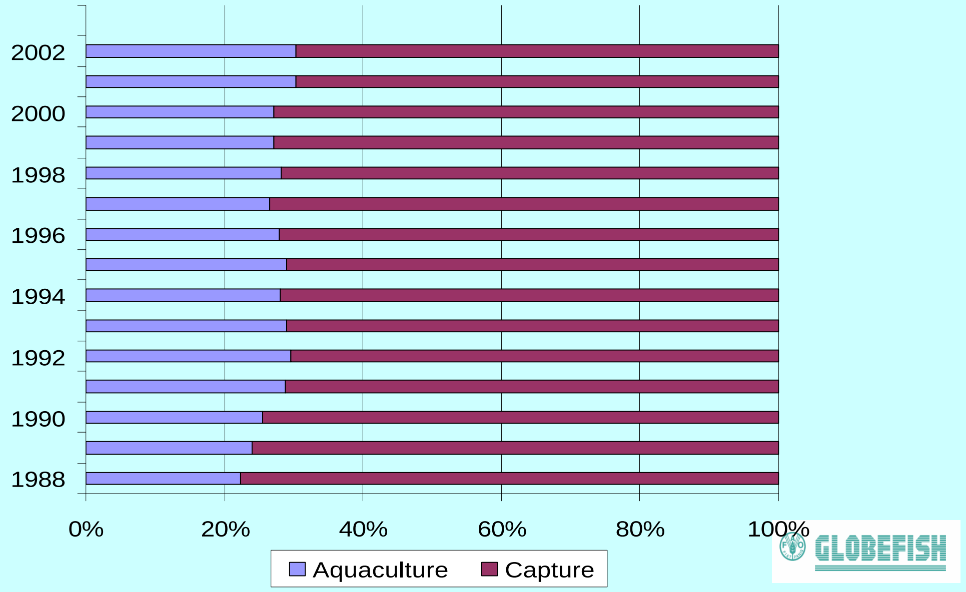
The world shrimp aquaculture production, which had stabilised in the 1990s, has shown strong increases in recent years. In 2003, shrimp aquaculture exceeded 1.6 million mt. Disease problems overshadowed the production in the There was a disease which whipped out Chinese production (in 1993), created a lot of problems to the Thai production (in 1996 and 1997) and Ecuadorian production (1999). However, in recent years, most of the disease problems have been overcome. In addition, the export of Penaues vannamei to Asia, has created a boom production, especially in China. The graph shows that in addition to the six major producers, newcomers have entered the field. Brazil is one of the most prominent players nowadays, with 90 000 mt produced in 2003.



Penaeus monodon - black tiger shrimp is by far the main species cultured. However, recent disease problems have reduced the output. Black tiger production peaked at almost 600 000 MT in 1995, to decline to 500 000 MT recently. On the hand, white shrimp from Ecuador expanded until recently, when the disease wiped out the Latin American production. China managed to import brood stock just before the disease started, and is now producing expanding quantities of Penaeus vannamei. The Penaeus chinensis, which used to be the main farmed shrimp in the mid-1980s lost its position in the early 1990s, again due to disease problems, which almost destroyed the Chinese production.

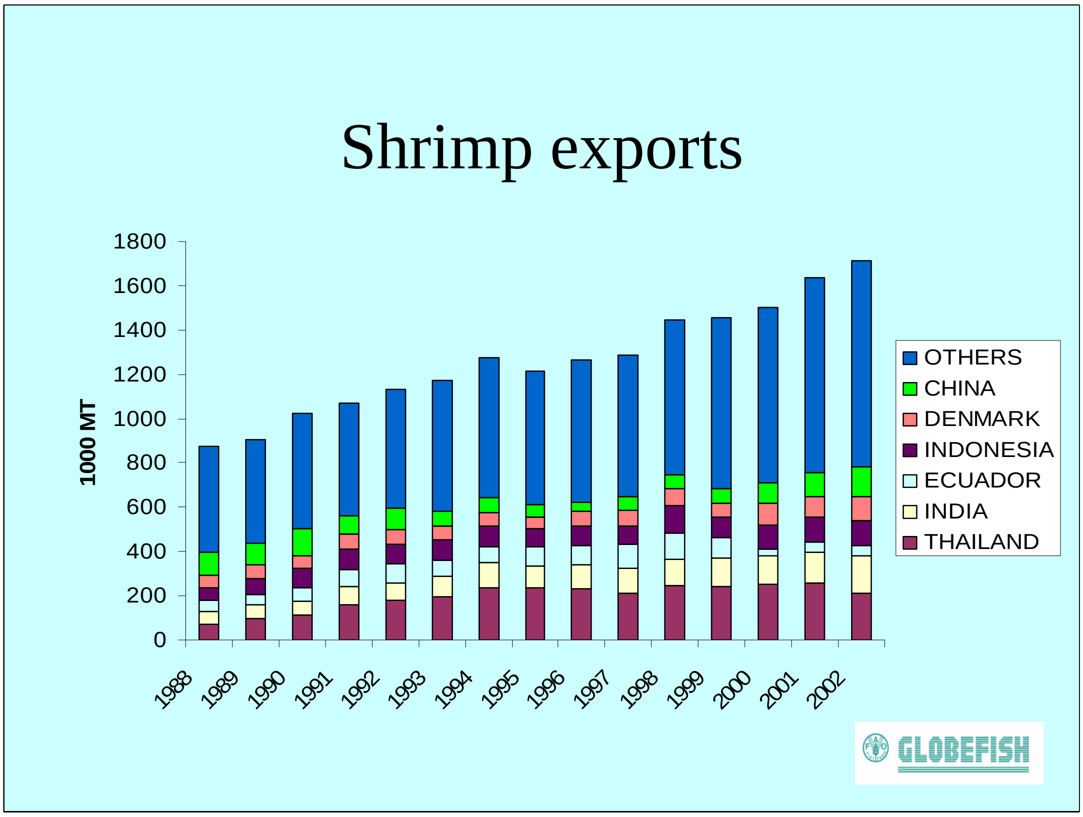
It should be noted, that the above graph comes from FISHSTAT, while the previous chart is based on figures estimated by GLOBEFISH, which explains some difference in the total.

Shrimp aquaculture versus catch



The share of aquaculture production in total shrimp production grew during the 1980s. In 1988 this share already exceeded 20%, and the positive trend continued until 1992, when farmed shrimp accounted for almost 30% of total shrimp output. Since then, disease problems and the positive trend of shrimp capture fisheries led to a decline in the role the aquaculture plays. At present, only 25% of total shrimp production comes from aquaculture, and this share has been stable over the past years.

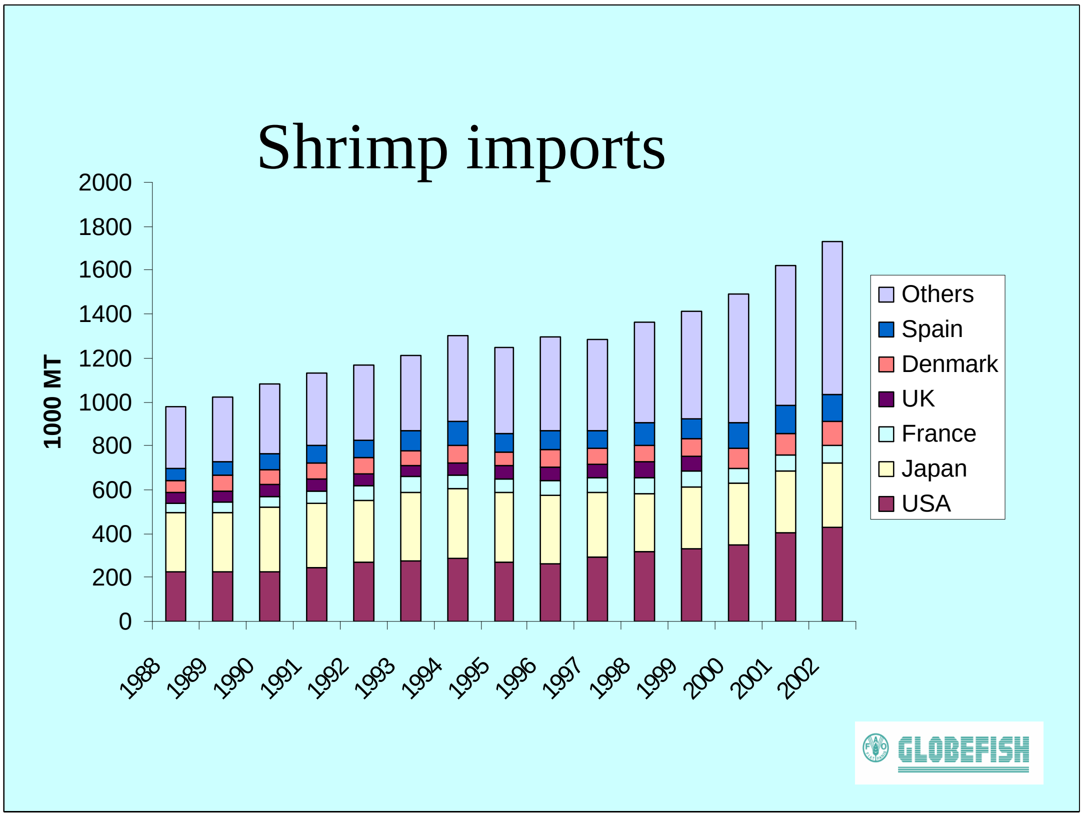
Shrimp trade – exports and imports



Total shrimp exports have increased almost steadily in the last 15 years disease problems experienced in Central and South America.

Thailand is the world's major shrimp exporter, however in 1997, Thai shipments declined as a result of disease problems. In 1998, the disease problem came under control, and Thai exports were back to normal which is 240 000 MT. In recent years, Thai exports have been negatively influenced by EU bans on antibiotics found in shrimp. Indian shrimp exports are about stable at 100 000 MT. In 1998, this figure declined as a result of the EU ban, however in 1999, shrimp trade is about back to normal. Ecuador expanded its exports of shrimp in the years under review, especially 1998 was a very positive year for Ecuadorian shrimp trade. The graph also shows the come back of the Chinese exports of shrimp, an issue which will continue in the years ahead.

Country	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
THAILAND	72.3	98.4	114.8	157.7	180.1	192.9	239	235.2	229.4	211.3	247.2	239.5
INDIA	56	62	61.9	83.7	78.6	96.4	110.9	98.9	112.1	111.2	119.1	98
ECUADOR	49.7	46.9	58.1	79.8	84	71.2	72	86.6	86.5	109.5	115	94.6
INDONESIA	56.2	70.5	88.5	89.8	90	91	90	82.1	84.9	80.9	128	90.7
DENMARK	58.1	64	59.6	65	64.9	63.6	66.5	52.9	68.7	74.7	75.2	65.1
OTHERS	581.9	562.5	640.1	595.5	631.9	656.1	695.8	658.1	683.6	697.4	731.5	747.5
TOTAL	874.2	904.3	1023	1071.5	1129.5	1171.2	1274.2	1213.8	1265.2	1285	1416	1335.4



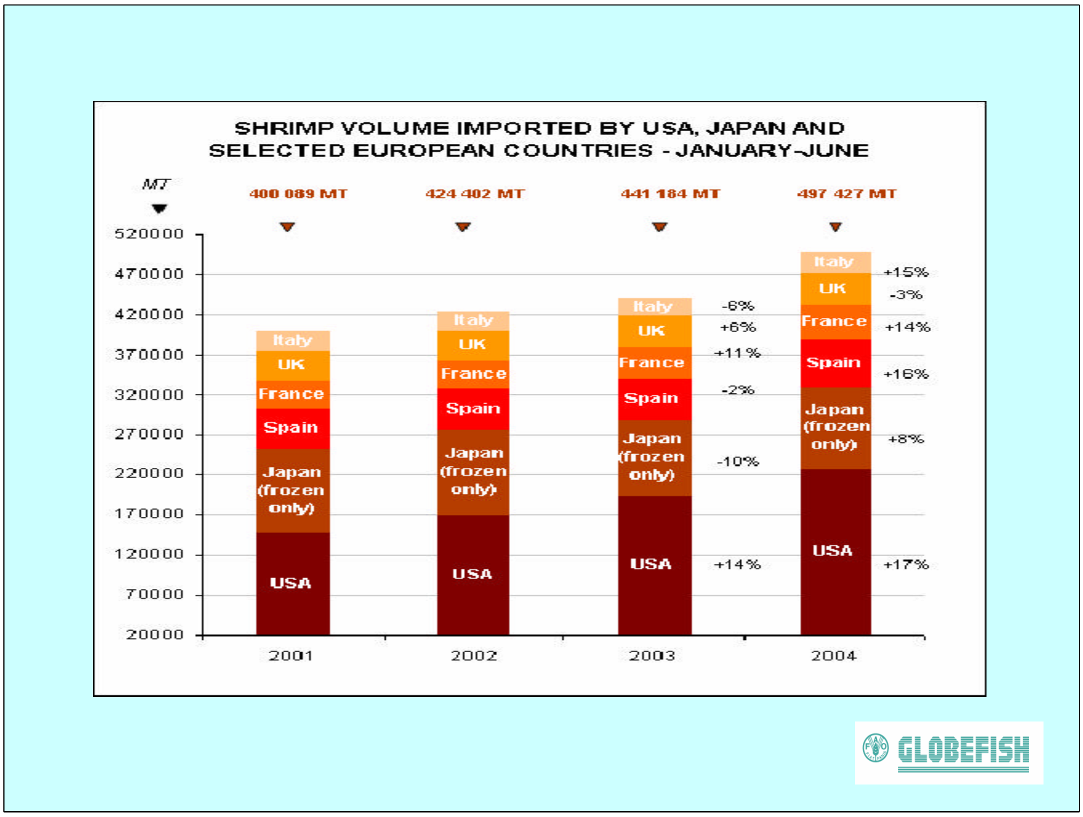
Shrimp imports have grown strongly in the last three years. Value of shrimp trade was quite stable at US$ 10 billion over the past 6 years, which indicates a steady decline in shrimp prices.

The main shrimp importing countries have always been Japan and the USA, with the USA taking over in recent years. In the last years, Japanese imports have declined, due to the low demand caused by economical un-certainty. The shift from Japan to the USA as main importer created substantial problems for the main traditional exporters to the Japanese market, mainly from Asia. Shrimp imports into Europe continues to grow, with Spain as the main market, followed by France and UK. The Danish shrimp imports are mainly re-exported. On the other hand, the change in the GSP for many shrimp exporting countries - Thailand, India, Indonesia and Viet Nam - made exports from these countries to the EU more difficult.

Shrimp Imports in Key Markets (MT), January-June 2001-2004

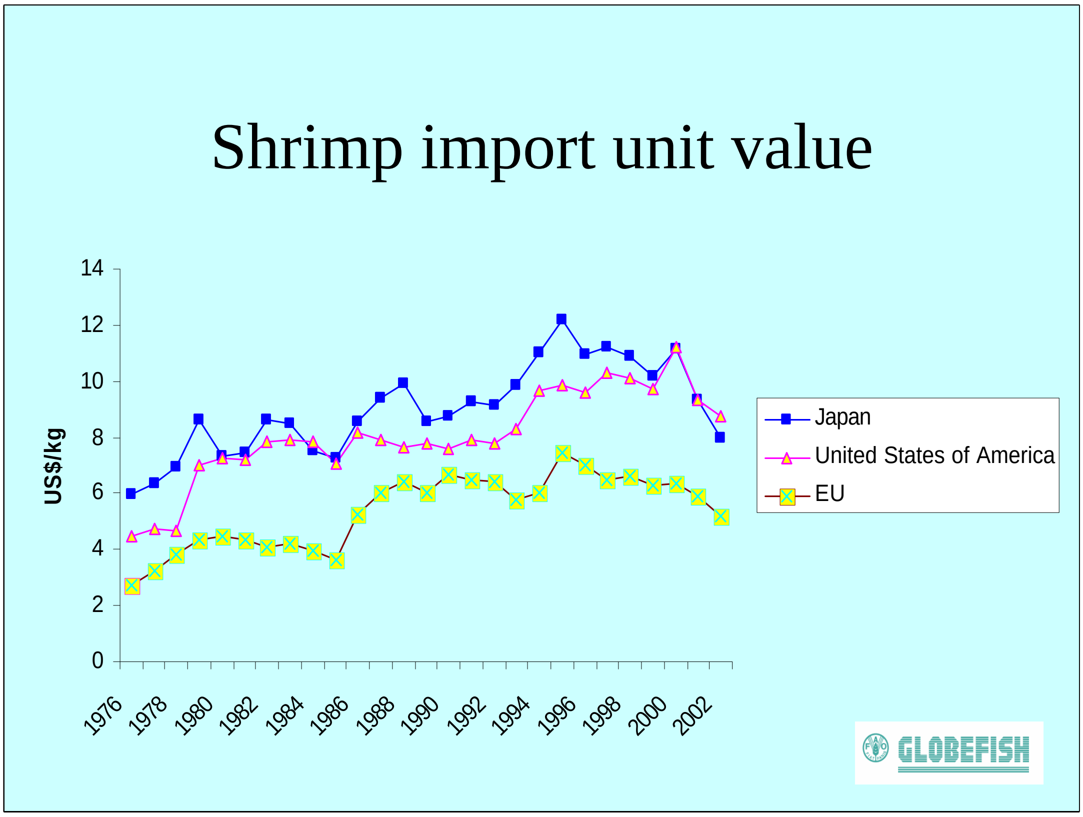
	2001	2002	2003	2004
USA	148 455	170 658	194 710	227 360
Japan (frozen only)	104 127	104 966	94 285	101 951
Spain	50 682	52 696	51 501	59 771
France	33 902	34 842	38 557	43 849
UK	37 384	36 535	38 815	37 796
Italy	25 539	24 705	23 316	26 700

During the first half of 2004, all key markets continued to experience a significant increase of their shrimp imports, to the exception of the UK.
The USA purchased huge volumes of shrimp during the first six months of this year due to the anti-dumping measures.
The current Japanese trend contrasts with last year with frozen shrimp volume imports up 8% for the first half of the year, although it is still lower than previous years' import levels. The increase in Japanese volume imports during the first half of this year reflected a significant jump in sales from Vietnam, India and China while volumes from Indonesia, the number one supplier to Japan, remained stable.
The 16% increase in Spanish shrimp imports is mainly due to sales from Argentina which consolidated its position of first supplier with a 13% increase of its volumes exported to Spain but also of Brazil and Ecuador which both doubled the volume of their exports to Spain.
Brazil also increased its shrimp exports to France by almost 70% during the first half of this year (compared to the same period in 2003) thanks to increased volumes at a unit value as low as €2.65/kg. Consequently, France showed a 14% increase in shrimp imports.
The slight decrease in UK shrimp imports is explained by lower exports of frozen warmwater shrimp from India and Bangladesh - its two main suppliers for this product form.
Regarding Italy, good results for the first six months of the year are mainly due to an increase in volumes exported by Ecuador (+60%) but also to higher volumes from other traditional key suppliers.



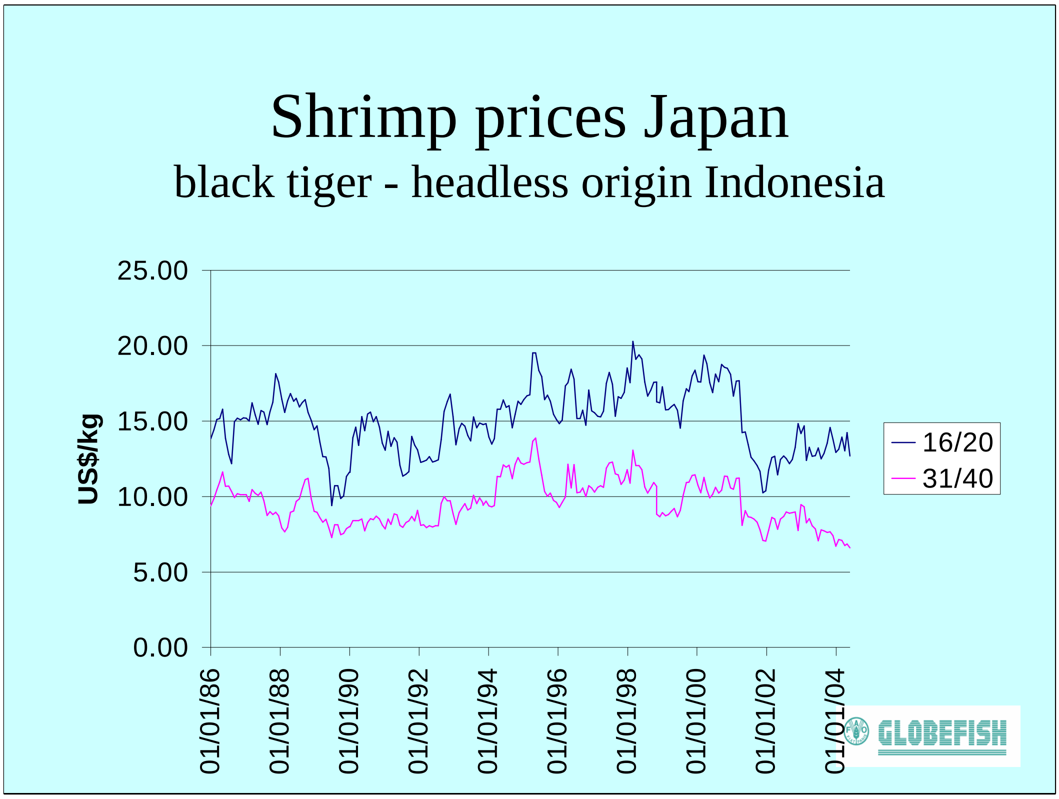
This nice colourful slide – which we prepare at GLOBEFISH every month for the friends of Brazil, ABCC – show the same figures, it can be noted that in only three years, the first half shrimp imports grew by 20% in the main importing countries, or 100 000 MT. This strong increase, with demand staying stable - has had an obviously impact on prices.

Shrimp price developments



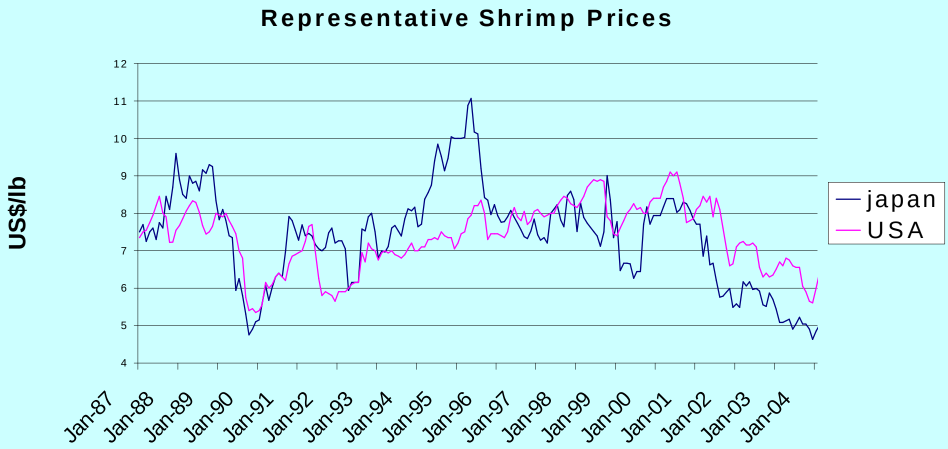
This graph shows the development of unit value of shrimp, that means the total value of shrimp imports divided by the total value. People sometimes mix up unit value with price. All unit values of shrimp have gone down sharply during the past three years, and in 2003 and 2004, this picture was even worse.

It does not come as a surprise that Japan has the highest unit value and that the unit value in Japan grew quite strongly in the 1990s. The already discussed economic problems led to a substantial decline in the unit value to only about US$ 8/kg in 2002. The unit value of the US imports got close to the Japanese one in 1999 and finally overtook it in 2002 (US$ 8.80/kg). The EU imports shrimp of a much lower unit value than the other two main markets. That can be explained by the fact, that the EU imports a lot of coldwater shrimp, generally smaller and lower priced than the tropical shrimp.

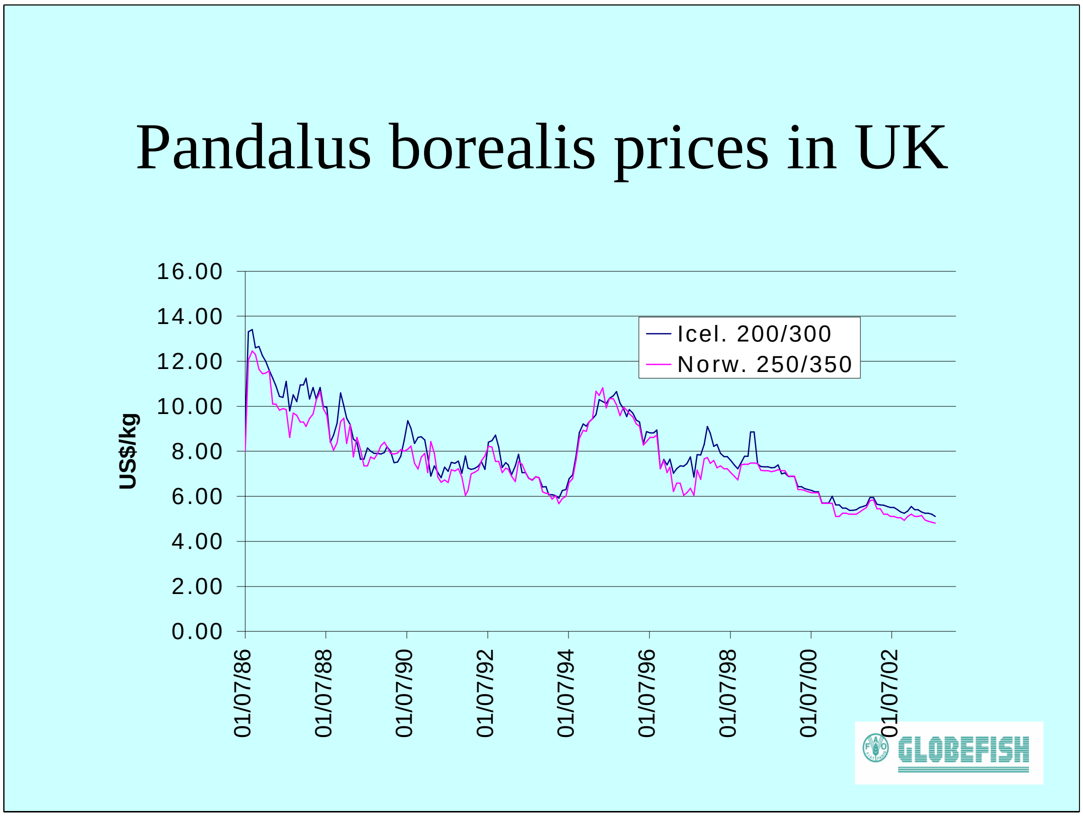


The last months show an impressive drop in prices in Japan, as demand was very bleak, especially for smaller sized shrimp. Prices for large scale shrimp went up, driven by the good demand.

Shrimp prices Japan and USA



The above price graph compares Japanese and US prices - for species which represent the market well: Indian white and Gulf brown. Generally the Japanese price exceeds the one paid in the USA. In 1998, the Japanese price fell below the US price levels, again as a result of the Japanese economic crisis, and has not recovered since.



The above price graph shows the slow, but continuous decline of coldwater shrimp prices in the UK, up to May 2003. From this date onward, we do not have any indications in our European Fish Price Report, but as we know from the trade, the downward trend continued also in 2004.

Summary

- Shrimp trade has not grown in value in recent years
- USA - the main player in shrimp trade in recent years - reports lower imports recently, due to anti-dumping measures
- Japanese market continues bleak
- EU market depends on value of Euro and future economic growth

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We have seen that shrimp supply expanded in recent years, but not so much for shrimp going into international trade.

Shrimp trade has not grown in value terms during recent years

The overall market situation is bleak at the moment, due to various factors, the most important is that the US market, the main player in recent years, reports lower imports in recent months, due to the anti dumping tariffs enforced. We will hear more about the anti-dumping and its impact on trade tomorrow.

The Japanese market also reports bleak demand due to an economic crisis, some moments can bring an elusion of better sales (recent Bon festival), but these are only of a temporary nature.

The EU market seems at the moment the strongest of the three, as demand is quite good and the Euro strong on the US dollar. But the economic growth seems to be less than forecast some time ago, and any further expansion of shrimp consumption in EU countries depends on the value of the Euro and on future economic outlooks.

Future Outlook

- Future very difficult for shrimp trade in traditional markets – as supply exceeds demand
- New markets are emerging
  - in South East Asia
  - in Latin America
  - In China

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As a result of the above said facts, the shrimp markets in these three traditional markets are difficult in the coming year. The best possibility for shrimp producers and traders is to look for new market, and here we can see that new markets are emerging in South East Asia, Latin America and China. The latter is already now the seventh major importer of shrimp, some of this goes for re-processing, but an increasing share stays in the country. As most of the shrimp production also concentrates in these areas, it should be rather easy to diversify exports, and create markets in neighbouring areas.

Future Outlook

- Aquaculture production is expected to grow even further in coming years, with China and Brazil leading the group
- Wild shrimp production stable for main shrimp species entering international trade
- Supply exceeds demand, so little hope for improved prices

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On the supply side, especially with regard to the main species entering international trade - that is the Penaeus spp. and Pandalus - there will be some increase coming from aquaculture, which will have difficulties in finding a market at the present price level.

Opportunities

- Diversify markets – especially true for Pandalus producers
- Value added products: butterfly cut, ring presentations, coated shrimp, etc
- Organic aquaculture
- Denomination of origin

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There are some opportunities to increase shrimp prices, or at least to get more from the shrimp produced. One possibility is the diversification of markets: when Bangladesh could no longer export shrimp to the EU, back in 1998, they had to look for new markets, and were very successful in opening up new opportunities. Now they sell both in the EU and into these new markets. This is especially true for Pandalus producers, where the price goes down every year, and still they sell almost all their production to UK. With just a bit of market promotion, this shrimp could be shipped to Italy or Spain, practically untouched by this species.

There are a lot of opportunities for value added shrimp products, the block frozen headless shrimp should be really a thing of the past. There are other possibilities to add value, by producing organic shrimp – we will hear more about this – or by highlighting the quality of a product through a geographical denomination of origin.


Thank you
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