

## **VIETNAM PANGASIOUS OVERVIEW AND OUTLOOK**

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The Incomfish/Acomfish Group is based in southern Vietnam and is active in farming and processing of seafood and fish, such as pangasius.

Pangasius has surprised the world with its imperialistic ways, by managing to enter mature markets, such as Spain. It is a species with many interesting features, such as:

- It has come from nowhere to almost everywhere in a jiffy
- It's value for money protein
- it's predominantly white meat
- It doesn't smell or taste like fish and is therefore ideal for kids
- It's great raw material to work with in value-added developments
- It's very popular in 'refresh' market segments
- It's a controversial species
- Its future outlook is unclear.

### **Figure 1 Pangasius growth trajectory**

#### **Figure 2 Farmed output 2005 - 2020**

The growth story of pangasius is remarkable: From a farmed output of less than 50,000 MT in the 1990s to 100,000 MT at the beginning of this century and onward to peak at 1.1 million MT in 2010. However, in 2011 the output will clock off at around 900,000 MT.

Vietnam is a socialist republic and the government likes to plan all aspects of the country's development, including economic growth. Future pangasius industry output targets are set by the government and monitored by the MARD (Ministry for Agriculture and Rural Development) as part of the plan and economy model. The central government's plan for the industry is for farmed volume to reach 1.5 million MT in 2015 and grow to 2 million MT in 2020. According to a study by the government, the Mekong delta can sustain 3 million MT of annual farmed output.

### **Figure 3 Volume and sales**

Pangasius has been introduced to over 80 countries worldwide and exported volume has followed the same path as the farmed output. Exported volumes have been 580 - 640,000 MT in the past three 3 years and will be close to 600,000 MT in 2011. The sales turnover in USD terms will be higher than last year because of price inflation. The year-on-year average price increase of 25% has been driven chiefly by the following factors:

- Increased feed costs - fishmeal prices for pangasius feed have increased from 7,000 VND to 11,500 VND per kg
- Increased fingerling costs - lower fingerling production
- In some cases lower feed conversion ratios because of a change in the feed formulation
- Increased conversion costs - inflation will hit 19-20% in 2011. Labour, packaging and energy costs have gone up
- The Vietnam Dong interest rate is currently at 23% and Vietnamese banks don't borrow in USD which has adverse effects on the short term supply situation. Farmers are reluctant to borrow money to stock ponds at high rates, given the uncertainty of the future raw material price they will be able to fetch.

#### **Figure 4 Dynamics of the industry**

The figure shows some of the dynamics of the pangasius industry over the past six years and the chief developments that have shaped the industry. Farming surface has tripled in this period and there has also been a shift from cage to pond farming. There has been a shift from home-made feed to industrial feed and the number of feed mills has tripled. The number of hatcheries has more than doubled and the number of processing plants doubled. Processing capacity has, in fact, more than tripled. Concomitant with these changes, there is increased sustainability awareness in the industry.

#### **Figure 5 Controversial issues**

NGOs, such as WWF and Greenpeace, have shown particular interest in the remarkable development of the pangasius industry. In a few cases this interest was translated in some form of investigative journalism that, on the one hand, led to harmful generalizations regarding certain features of the product and the industry, and, on the other hand, managed to cause the Vietnamese stakeholders to act.

#### **Figure 6 Sustainability drive**

Objectives for sustainability have been laid down in an agreement between Vietnamese organizations and the WWF laying down the principles and targets for future sustainable growth. By the end of 2015, all exported volume should originate from BAP certified farms of which 50% should be ASC certified. The ambition level can be said to have been set high.

To achieve these growth and sustainability goals, the sector must transition from an agricultural model to a more coherent industrial model. The industry is presently at a crossroads between either an unstable *status quo* (which is not an option if industry wants the species to remain relevant in the mid term) or a transition towards a transparent, collaborative model. Supply chain stability is an important part of this transition and a priority if the industry wants to achieve its growth and sustainability ambition levels. This can be achieved by simplifying the raw material supply structures and driving consolidation at the farm level.

#### **Figure 7 The future**

It must be stressed that sustainability is not a quick fix. It must be viewed as a tool to drive continuous improvements in the sector, with the aim of producing an even better fish in the future and addressing certain product integrity aspects. Another challenge is managing available production capacity. The current overcapacity can be redirected at reprocessing other fish species, taking away, at times, some of the pressure on the pangasius raw material markets.

The medium term outlook for the sector is positive but 2012 is most likely going to be a challenging year with an estimated 800,000 MT farmed output. The planned farmed output by 2015 is set at 1,500,000 MT with an export volume target of 750,000 MT. Pricing is expected to stay firm at Q4/2011 levels, up slightly from Q3/2011 levels. The EU market is expected to stay stable at 2011 levels and the US market is expected to grow further.

#### **Figure 8 Closing note**

Pangasius will continue to find its way to the consumers' plates around the world and in years to come when the ambitions for sustainable growth are realized even more consumers will be able to enjoy this reasonably priced whitefish.