Global Aquaculture Advocate ™

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Workshop: Government support, new models needed to expand aquaculture in Latin America

Sunday, 2 September 2012

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Producers eager for new soybean varieties developed specifically for aquafeeds

Discussions during the Aquaculture Investment Workshop led to interesting conclusions about best business models and practices.

With China now a net importer of seafood, Latin America is in a prime position to greatly increase aquaculture production to meet the growing global demand for seafood. In June, the Aquaculture Investment Workshop organized by the American Soybean Association, International Marketing brought industry professionals together in La Paz, Baja California Sur, Mexico, to consider issues that may be delaying the development of aquaculture in the Latin American and Caribbean region, as well as actions to accelerate investments in the aquaculture industry.

In case studies and other presentations, topics included trends in production, financing, market regulation and opportunities for the near future. Researchers and producers related advances in research on potential commercial species, including kampachi, red drum, tuna and snapper. Seafood buyers from Europe and the United States presented the latest market trends and outlined the expectations of the supply chain and consumers. Investment opportunities and sources were outlined for all segments of the production and marketing chain.

The workshop was attended by more than 85 industry participants from 11 countries, including aquaculture producers, feed producers, researchers, government officials, investors and seafood importers from the United States and Europe. Their panel discussions led to interesting conclusions about best business models and practices that can help spur growth of the aquaculture industry in the Latin American region.

Government roles

Participants agreed governments play a crucially important role in growing the aquaculture industry. Governments should provide infrastructure, security and regulations to ensure product and operational safety, and establish and monitor environmental safeguards, they said. Many participants believed that governments must also assist with funding for research, development and start-up capital in order to spur development and growth.

The high capital investment required to start a major aquaculture operation – estimated at $5 million to $10 million – and the high risk to investors can make bank loans and private investment very difficult to obtain. When governments provide grants for research and development, and guarantee loans for start-ups, that lessens risk for private investment to follow.

It was noted that in countries with successful aquaculture industries, such as Vietnam, Thailand and China, governments invest in and support the industry. This is particularly true when crises such as disease outbreaks devastate the industry throughout a country. Governments step in to provide regulatory, technical and financial support to help the industry rebound quickly and improve long-term sustainability. This ultimately pays off for the government in terms of exports and international trade.

Flexible operations

Flexible operational models are required for a robust industry. Models other than that of the independent entrepreneur may be more conducive to profitability and therefore more likely to receive financing.

One alternative is a public/private partnership, an example of which is the Cibnor project in La Paz. This state-of-the-art aquaculture research facility is funded by a cooperative arrangement with government agencies, academia and private industry.

At Cibnor, the National Aquaculture and Fishing Commission CONAPESCA and National Fisheries Institute INAPESCA support research and development of different species, as well as fingerling production for commercial sale to aquaculture operations and for fishery stock enhancement. Masters and doctoral candidates in marine biology work at the facility as part of their degree programs. Private companies, such as Kampachi Farms, utilize the hatchery facilities in exchange for fingerling production technology transfer and training.

Technology transfer is integral to these types of partnerships, and in many cases is a requirement for funding by government agencies. This ensures a return on investment and engenders greater industry cooperation and growth.

Another operating model that is a viable solution for achieving economy of scale is that of the larger “axis” company, which outsources product supply from smaller operations. A prime example of this is Tyson Foods, which contracts with independent chicken farmers to provide product to their corporate specifications. This model is also viable for aquaculture, with the central company providing technical assistance and fingerlings for grow-out to smaller farms.

The smaller farmers have a guaranteed buyer and price for their product without having to incur sales and marketing costs. The axis company can achieve economy of scale with increased product volume without having to invest heavily in facilities and site expansion. For this model to work, technological assistance, product quality and consistency of operational methods must be ensured.

Branding, marketing

Branding, transparency and sustainability are key to marketing new species. Obviously, it's much easier to enter a market with a proven product than to introduce a new species.

As the aquaculture industry grows, new species are more likely to be initially accepted by the foodservice sector than consumers. When selling in retail, it's imperative that new seafood species be sold as fillets, as consumers may find whole fish unappetizing and ugly.

It was noted that the main factor in moving product is value pricing. Tilapia and pangasius are new species to the U.S. market that have become best sellers due to the fact they are priced right. This is important, especially in a down economy with rising costs for other proteins. Tilapia and pangasius are also sold primarily as fillets, which is more acceptable to retail consumers.

If a product cannot compete with the low-priced farmed product from Asia, a product brand that includes a story on how and where seafood was produced must be created by focusing on quality and product differentiation. This will allow upselling at a premium price, rather than having to compete at commodity pricing levels.

Consumers are increasingly interested in how their food is produced, so it's necessary to have brand transparency. Scannable quick-response codes on gill tags are an innovative feature that provides information on how and where a fish was produced, its diet, when it was transported and at what temperature it was held.

Both consumers and the foodservice and retail sectors are demanding more environmentally sustainable food production. A number of third-party sustainability certification programs such as Best Aquaculture Practices are available, and more retailers are partnering with them to assure customers of the sustainability of the wild and farmed seafood products they sell. Achieving a sustainability certification also enhances brand value in the marketplace.

Sustainable feed

There is a pressing need for sustainable, affordable aquafeeds with alternative ingredients to replace fishmeal and fish oil, workshop participants said. Feed is the biggest cost to aquaculture operations, and operators are eager for lower-cost options that provide quality nutrition. Replacing fishmeal and fish oil in feed to allow more strategic use of these important ingredients in finishing diets is a strategy that can help the industry grow.

Aquaculture producers are eager for new soy ingredients for aquafeeds, such as soy protein concentrate and new soybean varieties developed specifically for aquafeeds. Research and feeding trials for these products in the last few years have yielded promising results, and other soy products are currently available as feed ingredients. It is the mission of the soy industry to offer a variety of products and forms at various price levels to meet the different needs of species production.

(Editor's Note: This article was originally published in the September/October 2012 print edition of the Global Aquaculture Advocate*.)*

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