JULY/AUGUST2013
Volume 9 Number 4

AQUA CULTURE

Asia Pacific



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MICA (P) 008/10/2012 PPS1699/08/2013(022974)

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Vietnam's pangasius catfish reaches maturity in 2013

By Vo Hoang Nguyen

As with the nature of any product, pangasius is reaching its maturation stage in its product life cycle in 2013. What would be the status in the near future? Will it continue to grow and the industry reach a new height in a new increased growth cycle with significant efforts to self-restructure?

Reaching the highest height

Throughout the 12 years of its development (2000-2011), pangasius production has become a key part of Vietnam aquaculture. Starting as a backyard culture for poor farmers' daily food consumption in the 90's, today this industry has grown 35 times in terms of production (from 37,500 tonnes in 2003 to 1,300,000 tonnes in 2011). Pangasius fillet export increased 40 times (from 17,000 tonnes to over 660,000 tonnes in 2011, figure 1) Export revenue increased 45 times, from USD 40 million to USD 1,856 million in the same period. The estimated production for 2012 reached 1.09 million tonnes. The Vietnamese government sets target production in 2020 with 1.5 – 2.0 million tonnes of pangasius, an addition of 4.8% a year, according to Vietnam Association of Seafood Exporters and Producers (VASEP)

Weaknesses and threats

This 'belle vue' development has not been smooth. Positioning it as a cheap product will not allow the industry to grow sustainably. The farm gate price in 2000 was at VND 11,000/kg and at that level, farmers could get VND 4,000/kg benefit and processsing plants could easily sell fillets to the US at USD 4/kg. In June 2012, with every kg of fish produced, farmers lost VND 1,000 with a farm gate price of VND 19,000 to 20,500/kg. This price variation might depend on the scale of production. Normally large size farms get better prices, according to VASEP. The benefit is not fairly shared along the value chain. Exporters might retain a certain margin by price dumping, but the feed millers are currently trying their best to survive.

A negative sign for the development of pangasius farming can be described via the feed price and feed conversion ratio (FCR). In 2005, on average, one kg of feed cost VND 5,800. It increased to VND 11,400 in 2010 and gradually reached VND 14,500 in 2013. Meanwhile FCR also increased significantly from 1.5 in 2005 to 1.65 in 2008 and 1.8 in 2012 (Nhu Van Can, 2013). For this reason, small scale farms cannot compete with integrated farms where feeds are procured at lower prices due to the quantity purchased and better FCR, thanks to better management.

As a result of global warming, salinity incursion into the Mekong River causes negative effects to pangasius culture. Furthermore, the setup of hydropower dams in upstream regions of the Mekong River results in low water discharge and contributes to the high salinity of the low basin areas.

Most areas show increases in salinity of about 1-2%, except for those areas with salinity >32 ppt where the increase is 6.7%, but this is only in a narrow area along the coastline with high salinity. Climate change could also increase the extent of the areas with saline intrusion but the increase in these areas is smaller than that in the areas of flooding (MRC, 2009).

Saline waters from CuaTieu rivulet mouth in Tien Giang province had moved over 45 km inland, posing risks to more than 10,000 ha of padi and other crops in the district. In Kien Giang, saline water is intruding along the 200-km long coastal strip, impacting thousands of hectares of farmland, according to the Provincial Irrigation Sub-department. Meanwhile, in Ben Tre coastal districts, especially Binh Dai and Ba Tri, over 1,400 ha of rice and hundreds of hectares of other crops are being affected by saline water, according to a report in the Saigon Times.



Feeding with floating feeds. In 2012, there are about 26 major producers of pangasius feeds, comprising those selling into the open market and those belonging to large integrators.

Positive signs toward the future

Product diversification should be a suitable strategy to get out from the current difficult situation. The traditional pangasius may remain unchanged as the cash cow of BCG matrix (low growth, high market share). Necessary actions should be taken to prevent it moving to 'Dogs' position (low profit due to low selling price with high production cost). A new diversified pangasius product must be created in the 'question mark' quadrant and to move to 'Star' with lessons learnt from traditional pangasius. The new product can be in the form of a functional food such as high Omega- 3 pangasius fillet, or a firm texture fillet of high salinity tolerant pangasius raised in brackish water. Climate change could narrow the area for pangasius culture with high salinity water. This is a risk but at the same time an opportunity for Vietnamese pangasius to develop a new product for a more diversified portfolio.

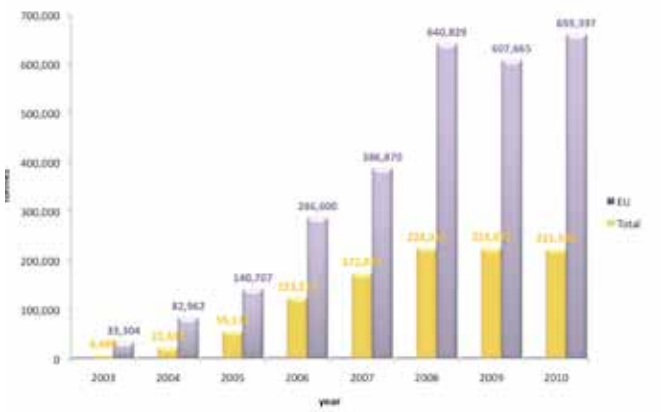


Pangasius BCG matrix



Product forms for the pangasius at the European Seafood Expo in 2012

Figure 1 Pangasius export volumes in tonnes.



Source: Nguyen Huu Dzung, 2012. Vietnam Pangasius Farming Towards Sustainable, presented at ESE 2012, Brussels, Belgium

In order to produce pangasius with least costs , the integration system has been developed in the pangasius industry. Small scale farms are now shutting down operations or are taken over by larger companies. More large scale farming companies are being established with semi-integrated to fully-integrated systems figure 2.

'La vie' might be always 'en rose' if we do not adopt more suitable strategies. The pangasius industry in Vietnam now starts to face the difficult situation with a positive point of view. The Vietnam Government has issued a national program for pangasius production development (2010-2020) with targeted production in 2020 of 1.5-2.0 million tonnes of pangasius (+ 4.8% a year). This rate is somehow of lower level compared to the production in previous years. The trend toward integration with larger diversified range of product is the most adaptive strategy for the Vietnam pangasius culture for a sustainable future.



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Figure 2: Farming areas and Integration

Current status : total farming area (2012): 5910 ha (source: MARD)



Integration in 2010: Ratio of integrated pangasuis farming area: 65%

Ratio of integrated pangasuis farming areas in top-5 provinces.	
Ben Tre	90.0%
Dong Thap	61.9%
An Giang	58.0%
Vinh Long:	46.5%
Can Tho	23.0,0%

Source: Nguyen Huu Dzung, 2012. Vietnam Pangasius Farming Towards Sustainable, presented at ESE 2012, Brussels, Belgium



Pangasius 26 Q&A

This is a publication of the Vietnam Association of Seafood Exporters and Producers (VASEP) which gives an insight into the industry in Vietnam. It gives basic information on the commercial species, techniques of farming and processing, quality management, information on importers and government regulations for the industry which covers all the regulations in its farming, processing and exporting products. The booklet also details the development of the industry from the initial trials in its breeding to the present situation with most production in ponds. It looks at farming models for the pangasius. It lists out several regulations on food safety and how the government regulates and carries out inspections of processing plants. The booklet is available online at http://www.pangasius-vietnam.com/Uploads/image/Luu-Viet-Thang/file/Pangasius26QA.pdf