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Seafood



**Cracking a Multi-Billion
Dollar Industry**

Interview

Sam Peou

Nautisco Seafood's CEO





BLUE OCEAN STRATEGY

CRACKING CAMBODIA'S SEAFOOD INDUSTRY

BY AN CHANNTHLA | ECONOMICS TODAY

■ A multi-billion dollar industry elsewhere in the region, seafood businesses are few and far between in Cambodia. Investors are only now beginning to discover the Kingdom's seafood potential.

While Cambodia nets 300,000 to 500,000 tons of fish per year, worth US\$250 million to US\$300 million per year in exports, MAFF data show the bulk of the catch is freshwater. Only 75,000 tons of 2009 total aquatic exports were from sea products. A mere 5,500 tons of sea-products were processed in Cambodia in 2009.

Just across the border, Vietnam's seafood export industry is turning over huge sums. In the first five months of 2010, Vietnamese companies exported US\$1.63 billion in seafood products, fulfilling 35 percent of the yearly plan to obtain US\$4.5 billion from the industry.

Both Vietnam and Thailand are prolific exporters of seafood caught in the South China Sea, on which Cambodia has around 440 km. The vaunted tourist trade will hopefully utilize the more scenic stretches, but there is scope for other industries as well.

Seafood is as available in Cambodia as in Thailand and Vietnam, both of which catch from the ocean to feed their own processing industries and for export to other processors, such as Malaysia. Although official figures are hard to come by, some of the neighboring countries' seafood exports may come from Cambodian waters; reports in the local media and anecdotal accounts suggest that Thai and Vietnamese fishing boats may be clandestinely trawling Cambodia's coasts.

In addition to the economic losses, illegal fishing is unregulated, so fishermen are likely to harvest unsustainably. The solution is better policing, and Cambodian authorities are assembling a navy to defend maritime resources, including fishing rights, but primarily offshore oil and gas fields.

Cambodian fishermen complain that they are

outclassed by bigger boats from other countries, and dream of netting huge catches themselves. But a better Cambodian fishing fleet may just strip seafood resources more quickly, as seen in fisheries elsewhere.

Better to process whatever is caught here in Cambodia, moving products up the value chain and creating clusters of economic activity to build on later: As with other Cambodian foodstuff such as rice, much goes across the unprocessed. Cambodia exported about 30,000 tons of seafood products to Thailand and Vietnam last year, up from about 20,000 tons the year before, essentially feeding the growth of its neighbors' processing industries.

SHELLING OUT

There are a few small scale seafood processing firms in Cambodia, but they cannot consistently produce enough to be viable, and lack capital to invest in the expensive facilities to meet stringent international standards. Most of these family operations produce simple and durable items like dried squid for the domestic market.

Not always clued into international trends, Cambodian investors have for the most part shied away from seafood processing as the local preference is for unprocessed seafood, preferably live.

Low incomes and a cultural penchant for freshwater fish translate to only modest local demand at best. Liv Lai, a former Preah Sihanouk province seafood merchant, told *Economics Today* that her seafood processing business closed after less than a year. Few Cambodian customers were interested in processed seafood products, she said, and efforts to meet standards for export failed.

Demand for processed seafood is mostly from hotels, restaurants, institutions, catering and supermarkets, according to LSH (Cambodia) Pte Ltd. The company, an importer of many kinds processed seafood products, told *Economics Today* that there is as yet no local producer able to supply high enough quality seafood. ►

“Cambodian seafood is good quality; foreign consumers are interested.”

SAM PEOU, CEO OF NAUTISCO SEAFOOD

► Cambodia can certainly do better. Unlike its neighbors, vast stretches Cambodia’s coast is completely undeveloped. Improving infrastructure and a ready supply of wild-caught seafood give the coastal zone good potential for seafood processing. Tax free exports to the EU and a ready supply of Special Economic Zones should seal the deal for investors, but so far there has been little interest

Shrimp may be a good place to start. Vietnam exported over US\$1.5 billion of frozen shrimp in 2009, while Thailand exported an estimated US\$1.37 billion of shrimp the same year.

Nautisco Seafood, a Canada-based company whose shareholders include individuals with prior seafood processing experience in Eastern Europe, is the first to commit to a modern, large scale shrimp processing operation in Cambodia.

Nautisco says it has experience in European product development and quality control management processes that will enable it to produce processed shrimp to supply both the local and international markets.

Nautisco has already sent shipments to Japan and aims to export to South Korea, Canada the US and other countries, said Sam Peou, CEO of Nautisco Seafood. The company plans to export 90 percent of its product abroad and sell the remaining 10 percent in Cambodia, he told *Economics Today*.

With the opening of Nautisco, Cambodian seafood can be exported as a finished product labeled ‘Made in Cambodia’ (meeting the requirements for tax-free EU imports under the EBA treaty), with the local economy capturing the entire value chain.

Nautisco aims to export 300-500 tons by the end of 2010. The factory can currently produce 5-10 tons of shrimps per day, but in the future will produce over 30 tons per day.

The 15,000 square-foot facility—the Kingdom’s largest and most modern—can accommodate over 1,000 workers and, located near Steung Hav

port, can easily source enough raw materials.

Cambodia offers many advantages, according to Sam Peou. “Cambodia has cheap labor and land compared to neighboring countries, and investors can easily invest in this sector because of lack of domestic competition. Cambodian seafood is good quality; foreign consumers are interested in Cambodian seafood because Cambodia uses wild shrimp as a raw material, primarily from local fishermen who net shrimp from small boats with only a short time spent from fishing area to factory. The wild shrimp is fresh and high quality compared to some countries that use large scale fishing, which takes a long time before processing.”

Cambodia has got a long way to go to catch up with the multi-billion dollar revenues of Thailand and Vietnam, said Sam Peou. The Cambodian seafood processing industry is very small, but this just means Cambodia has all the more space for growth and no competition in this sector, he added.

Workers for the production line are available in Cambodia. Indeed, a significant proportion of the workforce in the Thai and Vietnamese seafood industry are migrant Cambodian workers.

Finding skilled technical workers is a problem though. “In terms of seafood processing, quality and safety management is very important to earn customers’ trust, so this sector needs many technical workers,” said Sam Peou. Nautisco currently uses foreign technical workers, but in the future, more Cambodians will be qualified, he said.

AQUACULTURE

While Cambodia currently has an abundance of wild-caught raw material for processing, unrestrained growth in the industry will not be sustainable unless alternative sources of seafood are found, warned Sam Peou. He said it is important to invest in local aquaculture—farming of seafood.

Farming, especially of the Tiger Prawn (*Penaeus monodon*), has been a massive success elsewhere in the ASEAN region—both Vietnam and Thailand produce hundreds of thousands of tons annually.

Four Cambodian provinces currently rear shrimp—Takeo, Prey Veng, Kampot and Kampong Speu—though the Cambodian Government is promoting shrimp production across the Kingdom.

In addition, now Cambodia has some good points to improve and expand seafood processing industry in order to compete with other seafood processing countries.

Even if Cambodia can only match a fraction of its regional competitors’ output, thousands of Cambodians will find new livelihoods from the riches of the deep. ■

ADDITIONAL REPORTING BY SAM CAMPBELL

