Asia's abundance

Growth in seafood processing in China and Vietnam is putting a squeeze on traditional cold store operations in Europe, while the recent earthquake/tsunami and radiation leaks in Japan are starting to have ramifications for the global cold chain. Alex von Stempel reports.

Japan will import even more seafood in the future as its own supplies have been damaged

The processing of seafood products is globalising and Asia is the winner, with port cities including Ho Chi Minh City, Shanghai and Qingdao in the ascendancy.

At the opposite end of the scale are operators of cold stores in Europe (particularly in Rotterdam and Bremerhaven), where first quarter performances this year have been weak.

Several of the world's main processing companies, including Ocean Trawlers, Unibond, Pacific Andes and Trident have moved their operations to the Far East in recent years with Vietnam, itself a leading exporter of fish, gainig significant amounts of business.

According to a recent Friends of the Earth (FoE) survey of the cargo flows in the fisheries sector in Asia, cod and haddock landed and exported from Norway from Russian-flagged vessels and fished in Norwegian waters seem to be labeled variously as Norwegian or Russian of origin.

'If this fish is transported to, for example, the Netherlands and repacked, it will get an EU health certificate and be recorded on arrival in China as [rather confusingly] being of Dutch origin,' said the FoE study.

Seafood processing in Europe has been declining for many years but this can only partly explain why cold stores in Europe have been struggling. There are indeed other factors at work.

First, all big cold store operators, such as US-based Preferred Freezer Services (PFS) have been developing new facilities in Asia with this group having a presence close to large container terminals such as Waigaoqiao (Shanghai) and Yangshan (Lingang Logistics Park, also in Shanghai).

Americold, another giant in the business is also active in the region.

According to Lueder Korff, managing director of BLG Coldstore Logistics, whose main product is fish, the dwell time of the commodity has been well down this year. The BLG Coldstore is one of the largest in Germany, offering 130,000m^3 of space and 31,000 pallet storage slots and so any loss in its core business is of concern.

Pedro Garay, managing director of Bilbao-based ship brokers and chartering agent Jentoft SA, which is also involved in the cold storage business, is equally worried.

The company, which is a member of the International Freight Logistics Network (IFLN), which recently held a perishables workshop together with Cool Logistics Resources in Vietnam, complained that cold store utilisation at the Bilbao Atlantico Frio Terminal (BAFT) was well down in the first quarter of 2011. BAFT operates a 4,000m^2 cold store in the port of Bilbao.

Yet to speak of pessimism all round would be wrong. There are high hopes for Alaskan pollock, the leading product for the European industry.

'There is more pollock in 2011,' said Korff, 'and the permissible fishing quota should be used.'

Another reason for the drop in Europe's cold store utilisation levels is the rising use of reefer containers.

'These [reefer boxes] are increasingly being used as entrepots, which means the cargo bypasses commercial cold stores in order to reach the end customers on a just-in-time basis,' explained Korff.

This also explains why as a general trend more container terminals, particularly those adjacent to cold stores and warehouses for time-sensitive goods, etc, are investing in reefer plugs.

The first significant investment by PFD in Asia has been a new cold store in Ho Chi Minh City. The fully-automated facility which is located in the Cat Lai port area is exempt from the downtown city's traffic restrictions and can function 24/7 delivery.

The terminal itself has 1,000 reefer plugs on site and a 5,300m^2 CFS for export and a 10,000m^2, plus a depot for preferred carriers.

The cold store is located just 15 minutes from the city centre across the Phu My Bridge with direct access to the Nguyen Van Linh motorway. Reefer trucks are, therefore, within easy reach of the Mekong Delta where the majority of the Vietnamese fish trade is located.

The cold store features robotic cranes

EXECUTIVE SUMMARY

- Seafood processing in Europe is losing out to China/Vietnam due to the development of new facilities in Asia and the rising use of reefers
- Vietnam's potential as an international seafood processor is huge
- The impact of Japan's tsunami could lead to China/Vietnam importing more seafood into the country

and has 24,000 pallet spaces and fully-racked storage facilities. It is equipped with 16 docks and dedicated inspection areas and its operator offers all kinds of export services, including freight consolidation, cross-docking, repacking, weighing, labeling plus free online access for all account information.

The facility is also HACCP certified which is important for a country prone to frequent power cuts its own electricity supply.

PFS offers very competitive storage charges, according to leading freight forwarder Kuehne+Nagel, which has a large presence in Vietnam, with electricity charges of only USD0.20 per kw/hour and handling charges of US$2 per tonne.

One idea that is currently being evaluated by a number of freight forwarders specialising in the perishable business is the possibility of developing LCL activities and using the PFS cold store for cross-docking reefer trucks coming from the Mekong Delta.

This would also mean any consignment not meeting the stringent quality requirements, perhaps because of incorrect temperature settings, could be ‘weeded out’ at the beginning of the cold chain, thus reducing wastage and saving costs.

Another advantage of shipping LCL could be to spread the risk of a container load across a number of smaller shippers.

However, critics point out that developing a separate LCL concept in countries, such as Vietnam, may not work.

First, the seafood business is controlled by a relatively small number of big shippers that focus on FCL shipments.

Second, shipping lines prefer to deal directly with shippers.

Third, the potential profit margins in the frozen fish sector may not be as attractive as in the fresh produce (fruit and vegetables) business.

Fourth, Vietnam’s main export, the Pangasius fish, is a product targeted at the mass market and sells to large retail discounters, such as Lidl. This leaves little room for freight forwarders to make sufficient margins on the freight.

Vietnam’s potential as an international seafood processor and distributor is huge given its already large status as an exporter of local fish.

According to Thomas Nguyen, managing director of GSA Int’l Sealandair Logistics, fish is the country’s second biggest export, generating in excess of USD5 billion in 2010.

Japan is the single largest market, accounting for 18.2% of the country’s exports in 2010. This was followed by the US (16.6%) South Korea (7.4%), with smaller volumes bound for Australia and elsewhere in the ASEAN trading bloc. Collectively, Europe accounted for 24.5% of Vietnam’s fish exports.

Product-wise, shrimps accounted for 35.1% of seafood produced in Vietnam, closely followed by the Pangasius (31.9%), mollusks (9%) and tuna (7.6%).

GSA is involved in processing seafood, fruit and vegetables and flowers. For tuna it provides pick-and-pack service and operates its own dry ice, gel and carton production. It also has cold storage capacity of 400 tonnes (minus 25ºC) and operates 15 trucks.

The long-term impact of the Japanese tsunami is hard to assess, but the thinking by executives at leading fisheries, such as Luen Thai Fishing Venture (LTFV), has been typical to date.

While expressing fears of a reduction in demand and falling prices in the immediate aftermath, prospects now look encouraging.

Mathijs Slangen, a senior analyst with Amsterdam-based Seabury LLC, for instance, expects that Japan will import even more seafood in the future and that seafood prices will be driven up as its own supplies have been damaged.

The prefectures – Miyagi, Iwate and Fukushima – nearest the nuclear plant damaged by the earthquake, for instance, produce 707,500 tonnes of seafood annually, accounting for 13% of Japan’s total production, according to Statistics Japan.

Roberto Jones, corporate logistics director at LTFV explained: ‘We only source fish from South East Asia and so the radiation test requirements on seafood coming out of Japan have not affected us at all. We only supply the Japanese market and do not buy from there.’

LTFV works with Matson Navigation and Mariana Express Lines.

In 2010, Japan imported about 450,000TEU of perishable products and exported less than 50,000 TEU.

Its main imports in 2009 (frozen) were: meat 21%, followed by frozen fish at 18% and frozen fruit and vegetables (17%). In the fresh perishables sector seafood excluding fish accounted for 7% of total traffic.

Hence the potential for China and South East Asia, including Vietnam is significant.

If prices stay firm the impact of the Japanese earthquake is likely to suck in more seafood imports from countries such as Norway and also tropical areas in South East Asia. This could even have a detrimental effect on fish exports from South East Asia to Europe.

This subject was discussed at the recent IFLN/Cool Logistics workshop. However, as long as the Germans and other European continue their love affair with white fish such as the Pangasius, Vietnam is likely to remain an important supplier to European markets.

Joint workshop tackles the halal market

Cool Logistics Resources Ltd, the organisers of the annual Cool Logistics conference, and IFLN, the US-based International Freight & Logistics Network, held their first joint workshop on perishable logistics at the 18th annual IFLN conference in Vietnam in early April 2011.

The workshop focused on the increasing role of the freight forwarding sector in the global cold chain and explored areas of future opportunity.

The USD580 million halal market was singled out, particularly as muslim-led countries have some of the fastest growing populations in the world.

‘Halal standards and the Hazard Analysis Critical Control Point regulations widely, known as HACCP have a lot in common,’ said Charles Sebastian of Malaysia-based Century Total Logistics Sdn Bhd.

‘Halal compliance means: products must not be contaminated, adulterated, spoiled, denatured or have undergone degradation as specified in the Shariah principle of Islam. ‘

However, one of the key differences between HACCP is that in the Islamic world pork is banned.

This also rules out any product that may come into physical contact with pork. As a result halal products must be strictly segregated from non-halal products. The regulation could therefore have a significant impact on storage including specially designated areas. It could also have an impact on stuffing and stripping reefer containers.

Halal logistics will be one of many areas to be addressed at the Cool Logistics conference on September 26-28, 2011 in Antwerp later this year.

Other topics include capacity management, shipper emerging markets, reefer container technology, deep-sea, short-sea, and of course, airfreight trends.