



## PANGAS, you want it, here it is!

**W**hile the driver was wrestling the sea of motorbikes on the way out of Ho Chi Minh City, John is reading his email in his laptop connected via wireless satellite internet. In this way, it is not a waste to spend 4 hours on the road from Ho Chi Minh City to Can Tho - the main city of Mekong Delta for the General Director of OFCO Sourcing, a young private company which specializes in quality control and exporting Vietnamese Pangasius.

This morning, a Russian customer requested John to supply 3 containers of frozen fillets. "I do not know what feedback to give them", the French guy said. With the time needed to prepare the product and ship to St. Petersburg, the container will be delivered in July. However in July, the Russian are not eating fish "there is a risk that the sales could be aborted during transportation..."

John is actually Jean-Charles Diener, "a name impossible to pronounce for Vietnamese". He has been living in Vietnam for 8 years and has witnessed the development of Pangasius' aquaculture from the total quantity of 30.000 MT in 2000 as it increases to 1.2 million MT


in 2007 which is similar quantity as the world production of Salmon (1.3 million MT).

"And it doesn't end there. All important farmers started to venture into processing and the exporters started farming..." This vertical integration is the beginning of a more mature structure of Pangasius business. It is an

important step because in mid 2008 there is a panic in the market.

The European buyers don't know which pangas to follow. The Russians, Polish and Ukrainians push the price down - and so is the quality - taking advantage of the active competition between processors.

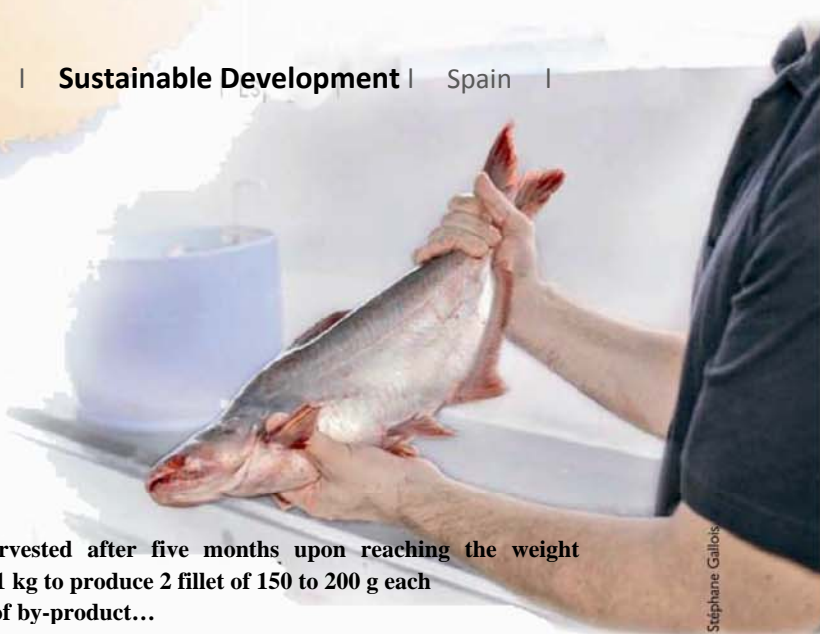
### Mañana, pangasius para todos

 Desde hace ocho años, la acuicultura del pangasius ha conocido un crecimiento fulgurante en Vietnam. La producción ha pasado de 30 000 t en 2000 a 1,2 millones de toneladas en 2007, tendencia que parece que no experimentará cambios en el futuro, ya que las grandes granjas se lanzan a la transformación y todos los exportadores invierten en la producción... Una integración vertical que anuncia el inicio de la madurez de este sector de actividad. A buena hora, ya que cunde el pánico en los mercados.

Los compradores europeos ya no saben a qué proveedor recurrir. Los rusos, poloneses y ucranianos hacen que los precios -y la calidad- tiendan a la baja, aprovechando la importante competencia entre los transformadores. Los estadounidenses gravan las importaciones para proteger su propia producción de catfish. Y los vietnamitas no contribuyen a mejorar las cosas al mostrarse incapaces de crear un clima de confianza entre sus clientes, prefiriendo demasiado seguido una "buena" operación puntual a una cooperación duradera.

Pero las cosas están cambiando. En el Delta del Mekong, numerosas empresas se esfuerzan por establecer lazos de cooperación con clientes europeos. Hiep Thanh, Caseamex, Vinh Hoan, Binh An, como la mayoría de los otros actores importantes, cuentan con plantas excepcionales, dotadas de una multitud de certificados HACCP, ISO 9001 y 9002, BRC, etc. Esto puede tranquilizar al mercado, a menos que la inflación creciente que padece Vietnam destruya todas esas inversiones.





The fish are harvested after five months upon reaching the weight between 900 g to 1 kg to produce 2 fillet of 150 to 200 g each and 600 to 800 g of by-product...

Stéphane Gallois

The Americans impose importation tax to protect their own Catfish. The Vietnamese are not helping because they haven't shown capability of creating confident atmosphere with their customers. It is often that they prefer a "profitable one-time deal" than a long term business. **"But things are changing and we are here to make it happen"** Jean-Charles Diener emphasized. Later in Can Tho, he will meet Nguyen Ngoc Trai, the vice director of Hiep Thanh Joint Stock Seafood company. **"This is a good company. We have several projects together."** Hiep Thanh is not the only one, Caseamex, Vinh Hoan and Binh An as most of the other major company have a remarkable factory, clean and modern with series of certificates - HACCP, ISO 9001, IFS, BRC, etc.

We are far from the 1990s, when the region of Mekong Delta begun a large-scale aquaculture kindled by Cirad (1). Among the 20 wild *Pangasius* species existing in the Mekong River, there has been an important study on 2 species for domestication, alimentation and farming: ***Pangasius bocourti*** (Ca Basa in Vietnamese) and ***Pangasius hypophthalmus*** (Ca Tra). Today, the latter represents more than 95% of the production.

*P. hypophthalmus* is easier to farm. It can be grown with lower oxygen environment and have less belly fat. Therefore, the fillet productivity can reach 36% compared to 31% of the Basa. However, its meat is less appreciated. Less white, it can easily become yellowish or pinkish if the food is not suitable. Nevertheless, in the international market, this fillet is usually named Basa...

Gone are the days when the fisherman has to go up the river of Cambodia to collect wild fingerlings. Many hatcheries control the reproduction of *Pangasius* and supply the

farm therefore offering traceability but with more or less rigor and sometimes abusive use of antibiotic. **"Those bad practices tend to disappear"** Confirms Jean-Charles Diener "and we have enough serious hatchery in order to work correctly."

## 800 MT PER HECTARE

Passing through the big bridge of Vinh Long which crosses one of the main rivers of Mekong, we discover a great flat plain extended until the horizon. The road, canal and river branch are the passages for transportation between the rice fields and vegetation dominated with coconuts.

Then the Toyota Innova, the latest standard for Vietnamese cars aboard the last ferry-boat to Can Tho. In Hiep Thanh, Mr. Trai was waiting for his visitors. Beside the entrance of the factory, thousands of motor bikes are aligned along the farming pond.

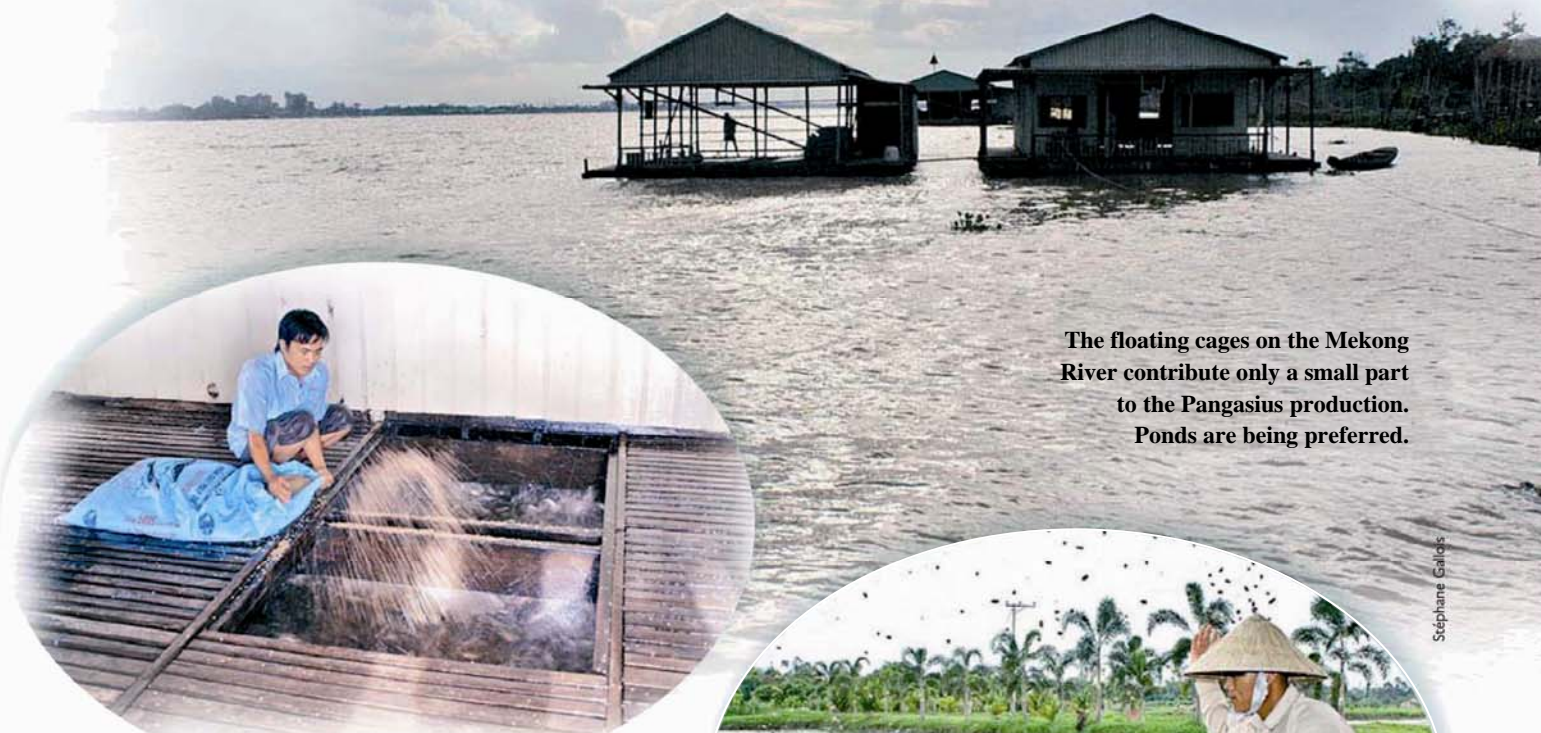
The said pond is like a showroom. The actual farms are on the other side of the river. **"We produce around 40.000 MT per year"** explained the vice director. In the pond, with surface area of 5.000 -10.000 square meters and 3-5 meter in depth, the average yield is 400 MT/hectare/harvesting period which means 800 MT/hectare/year. **"It is about 10 fish of 1KG/cubic meter"**. Since few years, the farmers prefer to farm by pond than the floating cages and cages along the river.



(1) French Agricultural Research Centre for International Development

The next Vietfish fair will be from 12 to 14 June 2009.





The floating cages on the Mekong River contribute only a small part to the Pangasius production. Ponds are being preferred.

Stéphane Gallot

In the Cage or in the pond, feed represent around 80% of the fish cost production.

“In the cages, the fish grow slowly because they use their energy to swim against the current.” On the other side, the ponds need higher technology and need to pay special attention to the oxygen in the water. “1/3 of the water has to be changed daily.” This is done with the use of pump or tide.

Back in his office, Mr. Trai could not hide his worries. The very young manager – same as his staff and the majority of the Vietnamese population – is facing a crisis for the first time since the beginning of the Pangasius story. “Erratic inflation – almost 20% in 6 months – and the selling price is too low.

Our profit is only a few cents per kg of fish.” he explained.

(Read article below)

During this time, the farmers are selling at lost to deplete their stock which is too voracious and to obtain some cash flow necessary to buy feeds. “Factories and farmers will be in trouble soon” confirmed Jean-Charles Diener, who is working with several of them. Furthermore, the bank stopped giving loan under government’s injunction. In this way, Ha Noi wants to fight against the inflation.

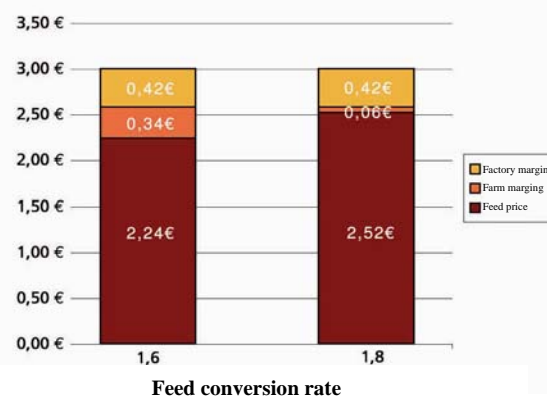
The main exporters have another idea: reduce the production cost by merging vertical business. Therefore, they are preparing to produce their own feeds. It is understandable; as the cost of the feed represents about 90% of the cost of the whole fish and 75% of the total value of the fish fillet. “However, they are making a mistake,

## THE FEEDS REPRESENT AROUND 80% OF THE PRICE OF FILLET

To produce 1kg of Pangasius fillets sold at an average price of (FOB) 3.00 USD, we need 3 kg of fish with a purchase price from the farm of 14.000 VND (0.86USD/Kg) on June 15. This means that the average purchase price for raw material fish is 2.58 USD/Kg.

Based on the feed conversion rate (between 1.6 to 1.8 kg of feed to make 1kg of fish), it needs 4.8 to 5.4kg feed per kg fillet. Therefore, at 7.600 VND/kg, the expenses for the feed will be 2.24 to 2.52 USD. This represents 75-85% of the export selling price.

The diagram beside shows the role of food quality (conversion rate) on the profit shared between the farmer and producer.



Estimated Marc Compet, the aquaculture director of Ocialis – French feed producer in Vietnam. **To improve, it is better to work on more efficient formula than resort to cheaper feed with low yield performance. A result that cannot be obtained without important effort in research and development. An effort that only the specialist company can provide.”**

Proconco is one of them and its general director shares this point of view. Located in the huge Tra Noc Industrial Zone – in Can Tho, one of four companies of its group produces 200.000 MT of fish feeds per year. **“But we have a project of a 5<sup>th</sup> factory to reach soon 1 million MT soon”**. Effectively, its general director Philippe Serene estimated that the fish food market will reach 4 million MT in few years.

## DEVELOPMENT OF THE ORGANIC.

At present his company is preparing to produce organic. The first line with a production capacity of 3 000 MT per year, will be on operation before the end of this year. “It should boost the organic production of pangas” observed Xavier Bocquillet, representative of the Switzerland certification company, IMO. Until now, the only two certified farms (by Naturland and Biosuisse) import feed from Israel. **“Once the organic**



Stéphane Gallois

**Mrs. Nguyen Thi My Dung, the director of Proconco Factory in Can Tho has doubts “the economic situation does not allow it”. But the company invests to increase the production and start to develop feed to produce organic fish.**

**feed will be locally available, other farmers will join in”.**

Ntaco Factory in Long Xuyen process organic Pangasius. They are working for the German importer Binca and produce around 400 MT fillets every year.

**“The idea is interesting: The price in Switzerland can reach 25 or 35 FS (15-18 €) for organic Pangasius fillets on a tray”** against 5-10 € for standard fillet. But as,

profitable that it could be, the organic is reserved to a niche market among the 2 million MT Pangasius that the country will produce in the near future. “In order to improve the entire production, we also need to develop less strict certificate for example GlobalGAP” explain Xavier Bocquillet. We are driving to Cao Lanh, around 50 KM North of Can Tho. There, the Green Farms (Vinh Hoan group) will be the first to receive

## HIEP THANH, FROM RICE TO CATFISH

**B**ig rice producer, Hiep Thanh group started Pangasius farming 5 years ago before building their own processing factory nearby Can Tho. Today, Hiep Thanh process around 70.000 MT of fish of which 80% comes from their farm.

Therefore, the company can guarantee the traceability of their products, including the feed which is supplied exclusively by Proconco.

The factory has 4 IQF machines and cold store that allows direct

loading of reefer container. The factory has certificates: HACCP, BRC, IFS, ISO 9001:2000 and Halal.



**These very white and well trimmed fillets are probably for a European customer**

## TOO MUCH POLYPHOSPHATE?

**“Most of the factories respect the use of polyphosphate which is maintained around 2-3g/kg of fillet with a maximum authorized limit of 5g.”** Jean Charles Diener said. But the process of treatment by churning varies from one producer to another.” In some factory, the fillets which are treated too fast becomes jellylike or lose their texture” he complained. In general, visual and tactile control is enough to evaluate the quality of treatment and the respect of the concentration of additive. In some cases, when the factory couldn’t refuse to sell at too cheap price, to compensate they will be tempted to increase the treatment. The use of polyphosphate is not allowed for organic pangasius.





These fillets with part of the belly on and red muscle is for East Europe or Russian market.

AquaGAP certificate developed by IMO for Pangas. **“Traceability, working condition, food safety and environment are the 4 basics of our philosophy”** explained Dang Van Vien, the farm director from Vinh Hoan. Around the farm, decanting ponds collecting the rejected water represent one third of the total area.

Obligatory for the AquaGAP certification, the decanting ponds are also necessary to reach the limit fixed by the government: no more than 1 mg of Nitrate per liter of rejected water. **“This target is not possible but it proves the concern of the country to minimize the pollution”** observed Xavier

Bocquillet. Moreover, we can also consider the dissolving capacity of the river: its average flow (450 billion cubic meters per year) is one thousand times over the reject of the entire farming of the country. Their effects on the environment are minimum: according to the official statistics, the area of Pangasius farms is about 9.000 ha (in comparison with 360.000 for shrimp farms) and these farms are located far upstream the mangrove.

**“The truth is, it is not the question of ecological or social matter that worries western buyers”** analyzed Jean-Charles

Diener while meeting an Australian customer in Ngoc Lan restaurant at Cao Lanh. Belgian importers in Victoria hotel at Can Tho as well as several other European met at Vietfish fair few days later at Ho Chi Minh City confirmed: the commercial problem are surpassing the problem of quality.

**“Therefore while waiting for the time that we could work in peace, we are just buying one container and another to supply the demand”** criticized a disappointed Belgian buyer.

## ULTRA FRESH

**“The ideal situation would be for Vasep, Vietnam association of seafood exporters and producers, to set up a minimum and reasonable price.** Jean-Charles Diener hoped.” **Around 3.10 USD/Kg of fillet for example.”** It will be better to have higher and more profitable price than an erratic market, where everything is allowed and there is no control. For the moment, the exporters manage this uncertainty with the way they can. For the Russian, Polish and Ukrainians, the cheap fillets not well trimmed and polyphosphate. (Read article from previous page) And the other customers who are usually more strict gets high quality product and well trimmed.

Vuong Quang Khanh, trading manager of Caseamex, specially appreciate Spain. **“It’s a good market to take care”.** His factory is located in Tra Noc Industrial Zone, nearby Proconco’s. And same with Hiep Thanh, their farm is on the other side of the river. The fish arrive alive to the factory after crossing the Mekong aboard a well-boat. Upon arrival to the factory the fish are gutted and brought by flowing water to the filleting area. Trimming

## CASEAMEX, PIONEER IN TRA NOC

**T**he first company set-up in Tra Noc Industrial Zone in Can Tho, Caseamex became private on July 2006. The company operated with pond, floating cages and cages along the river. For better regulation and to guarantee the traceability of their fish, they are in the process of completing one hatchery which will produce its first fingerling by autumn. This factory is certified: HACCP, BRC, ISO 9001:2000.

Caseamex also own a shrimp processing factory (P.monodon) and other seafood product (Cephalopods for example). The group has 2.000 employees.





by hand, filleting by machine, treatment, visual control... all these processes take less than half an hour before delivered inside the freezing tunnel. Glazing, manual or automatic, light or heavy... "Most of the factories are perfectly capable to respect the glazing rate and net weight requested by the customer." assured Jean Charles Diener. The fish is then packed eventually with the customer brand and then stocked or exported.

### A MINE OF BY-PRODUCT

"I am also exporting some fresh fillets processed by some factories nearby Ho Chi Minh City, said the general director of OFCO Sourcing. **There is some demand in France and Switzerland.**" Exported via Vietnam Airline's direct flight, the fillets arrive in Roissy the day after at 7:00 AM and despite the freight cost of around 5 USD/Kg, this brings a comfortable profit for the Vietnamese producers. **"But with the price of 11 USD/Kg CIF is more on for the product's image."**

On the other hand, the high value products are developing. **"We will soon build a new specialized plant"** announced for example by Nguyen Phuoc Hau – also called Tommy, from his desk made of marble and wood in Binh An office. The young manager, an archetype of Vietnamese golden boy, is very proud to introduce "his" factory, one of the most recent

### BINH AN, THE CELEBRATED COMPANY

**F**rom outside it looks like a castle. Inside, the hygiene and working condition seems to be flawless. Binh An seafood factory, the more recent in Can Tho, employs ... **4.000 personnel.**



The factory processes exclusively the fish from the farm of their group which is located on the other side of river. And for the traceability, the food comes from Cargill their neighboring company in the industrial zone. At the moment, Binh An sells part of the production of their farm to other processors. But the project of factory expansion is on study. This should increase their capacity and allow them to develop high value product.

from Tra Noc. But Vinh Hoan and Agifish already opened the market and developed valued products such as: Pangasius spring roll, Pangasius Skewer, Breaded product, Pangasius mixed, Fish Sausage etc. These products are mostly commercialized in Asia even if Vinh Hoan got the highest award in Brussels fair last April.

Some of these new products are made from Pangasius by-products. **"This is a source of income which is under-utilized by producers"** Philippe Serene said. An important mine - 700 000 MT today and 1.3 million MT soon - that **"some French companies who are very competent on this field should pay attention."** If not, others will invest for sure.

For the moment, converted as a fish meal for livestock feeds, the flesh, bones and skin

brings nearly as much profit as the fillet does. The temptation to re-introduce this fish meal in the feed for Pangasius could be important for the processors who are building their own feed factory. **"I will make sure that this will not happen."** John insisted in his car on the way back to Ho Chi Minh City.

The road is large and straight and so is the future that is opening for the new white fish in the huge worldwide market. But this road is full of obstacles and like the driver of OFCO in the middle of the pedestrians and motorbikes, the western buyers must know how to navigate their business with precision to make the most out of this resource which is becoming more and more indispensable.

(2) Cost, Insurance and Freight  
(price delivered to France)

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Published in the french magazine "*Produit de la Mer*" \_ N°110 August-September 2008, P53-P62

Translated from French to English by **OFCO Sourcing**

Huge and complex, the Mekong Delta seems to have the capability to accept the fast increase of aquaculture activitie with a condition that a good practice promoted by some will be adapted quickly by others...

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We are the **link** between  
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*“We know the product from most of the Pangasius suppliers from Vietnam and from many Seafood suppliers in general. **The prices fluctuations are important but most of the time predictable and it's possible to see clearly inside the bend of prices.***

*Our company policy is to regularly audit our suppliers and keep seeking for new one. Our strength is the competence to always give **the best possible advise and offer at all times.***

*Our offer includes rigorous and systematic quality control before loading and the product is not loaded if doesn't follow customer requirements “*

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*Strong with our success in Pangasius we extend to other items and we are now in full capacity to serve you better with more products such as Clams, Black Tiger, Cephalopod and Seawater Fish “*

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