

# The Japanese Abalone Market

This was once our biggest market  
--- what happened and what are  
the future prospects?

In the beginning there were cans and frozen meat

And it was like that for a long time, well at least until the late 70's

Then along came frozen on shell and parboiled

And life (for sellers of abalone) was easy

In those far gone days:

- Cans were only first or second grade and they were only 213g drain weight
- Meat was 1-2, 1-3, 3-5 and rarely 5-7 pieces per pound
- Frozen on shell and parboiled was S, M and L

## Canned Australian Abalone

At Japan's peak it was importing about 40,000 cartons per year

Now Japan's canned abalone imports hover around 5,000 cartons per year

## Frozen Australian Abalone

Early frozen Japanese import data is difficult to come by but consider that until the early 1980s, at least:

- All of NSW
- Eastern Zone Victoria
- Western Zone Victoria
- In Tasmania, Tasmanian Seafoods, Boxall and a significant part of Safcol's production was frozen

which amounted to several thousand tonnes, most of which was exported to Japan

Japan now imports around 500 tonnes which also includes farmed abalone product

For convenience, the figures quoted relate to live weight

# What Happened?

## The bubble burst

- For years, the Japanese had been blowing up the property and share bubble and inevitably it all came crashing down in the early 1990's
- Despite years of pump priming by the Japanese government the economy has flatlined
- Other negative factors such as 9/11 and the Global Financial Crisis in 2008 haven't helped
- Japan's effective bank interest rate have been negative for years
- Japan has recently resorted to the US solution of printing money to try to get the economy moving

## The result of the bubble collapse

- Massive reductions in corporate spending, in particular in expense accounts
- The concept of a job for life was steadily eroded resulting in huge job losses
- The massive bi-annual bonuses issued by trading houses and larger companies to the salaried employees dwindled
- There was a loss of confidence by the general public resulting in drastic cutbacks in discretionary spending
- Japanese started to save their money rather than spend
- Flow on effects rippling through the economy over the next 10 -15 years
- Poor domestic spending leading to the closure of once powerful department store companies such as SOGO and Daimaru

## The effect on Abalone Sales

- Reduced corporate expense accounts meant less of the expensive wining and dining of customers
- The majority of frozen abalone was reprocessed into expensive gift packs. With smaller bonuses and less upper mid level workers to buy/receive the gifts in Japan's traditional 2 gift seasons per year the demand for these expensive gifts declined drastically
- Banquet style eating in Chinese restaurants declined resulting in declining demand for canned abalone
- Reprocessors looked for cheaper alternatives to maintain sales volumes, using Chilean Loco and increasingly using farmed abalone to make smaller portion sizes to reduce unit costs of the gift pack ranges



Fortunately for the frozen producers, live shipments started to become a big player in the 1990s.

- Most of NSW harvest was diverted to live into Japan
- A lot of the Central Zone Victorian harvest went to Japan as live
- Hong Kong and subsequently China started to get interested in live and Tasmania started to send more and more product there

In addition Western Zone Victoria (Sou'West Seafoods) switched over to canning most of their product

## For processors life got tougher

- The number of large frozen abalone reproprocessors reduced from 6 to 3
- Frozen buyers wanted more and more size grading
- Canned buyers also wanted more and more detail on what was in the can creating more complex inventories
- Canned buyers started to request different drained weights to reduce unit costs and further complicating inventories
- Processing abalone became a complex game of juggling and shuffling raw material to try to satisfy an ever more demanding market

## The Future

- “Abenomics” is improving the sentiment in the economy but so far there is no real recovery. The good thing is that the economy has been stable for the last 10 years or so
- Getting the Japanese to spend rather than save is a big problem
- Japanese industry is starting to accept and work with the competition from Korea and China
- Korean live has had a big impact on the market with good quality and survivability arriving direct from Korea by boat
- Chinese farmed product after some initial problems is making inroads into the canned and frozen markets
- The Chinese farms are growing larger sizes comparable to 4 piece 213g canned which is at the lower end of wild sizes
- Chile is a discount supplier although prices fluctuate severely depending on supply

- Australian farmed abalone has been achieving steady growth but is now running in to price competition from Chile and China
- The Japanese population is aging and as in China and other Asian countries, the younger generation tend to favour KFC and various hamburger chains
- The recent FTA was favourable for abalone but the thoughts of the buyers is that they will pass on the savings to their customers initially to try to stimulate demand rather than accept higher prices

## Overall

- Until there is solid recovery in the Japanese economy and the Japanese start to spend again it is unlikely that Australian wild abalone will see much change in the demand from Japan.
- Australian farmed may continue to see some growth but there is increasing competition from other suppliers
- As the economy improves, there is the possibility, through a marketing push like the China Project, to achieve better prices for processed Australian abalone in the Japanese market
- The market for Tasmanian wild abalone in the live market will be small at best. The sizes are simply too big and the quality of the smaller stunted stock is not good enough