



Top Species: Tilapia

Through ups and downs, tilapia maintains its popularity

By Joanne Friedrich

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The tilapia market is continuing to seesaw after the low supplies of 2008 were followed by a bounty in 2009. But when supplies are plentiful, prices fall and farmers respond cautiously when gearing up for the coming year.

China and South and Central America are the major tilapia producers. In 2009, China exported 322 million pounds to the U.S. market, with frozen fillets outnumbering whole frozen fish by nearly 2.5 to 1. In the fresh category, Ecuador led the way with 22.4 million pounds exported, followed by Honduras with 15.7 million pounds and Costa Rica at 12.8 million.

"Challenging" is how Don Kelley, manager of procurement for Western Edge Seafood in Claysville, Pa., labels the tilapia supply this year, pointing out the roots of those challenges go back to 2009. Rising production costs and low prices resulted in less farming in China. Add to that unfavorable weather and a typhoon while consumer demand stayed steady.

Prices for frozen tilapia from China have risen from the mid- to high-\$1 mark last year to more than \$2 per pound this year for 3- to 5-ounce fillets, according to Kelley. A decision this year by the Chinese to allow some further currency changes between the dollar and China's renminbi, or yuan, will likely send prices higher still, he says.

China, which experienced a freeze in 2008 that severely damaged fish in the ponds, rebounded completely in 2009, he says. In fact, some shrimp farmers, upset by what was happening in that market, switched to tilapia, which led to oversupply and lower prices when the fish came to market.

"The past two years have been a tough cycle" for tilapia, says Richard Stavis, president and CEO of Stavis Seafoods in Boston. Stavis sources his tilapia from Taipei, China, and has witnessed the same up-and-down availability cycle as prices rise and fall.

"In mid-2008, people were buying fish and the price went up," he says. "Then it stopped, and people were stuck holding the bag." He says that influenced some farmers to hold back.

"But as we get consumption back to regular levels, there's not enough fish," he says, which has resulted in shortages, higher prices, suppliers not honoring contracts and fears that quality may be compromised as farms look to meet demand.

Both Kelley and Stavis note fish from China aren't as large as usual, as farmers bring smaller fish to market to meet demand. Stavis says when supplies are down, customers order more "because they want to get themselves covered."

With prices, says Stavis, the impact is often not seen immediately because most tilapia is bought on contract. "The prices were booked months ago," he says, when the fish were still in the water. "Three to four months from now, we'll see prices go much higher," he predicted, in keeping with what is happening on the spot market.

Despite the fluctuations in price and supply, Kelley says demand continues to be strong for tilapia. Within the United States the burgeoning Latin population provides a ready-built market for the fish. The only major competitor to the species, he says, is swai (pangasius), because it is a mild white fish available in the \$2 range.

As a niche marketer in tilapia, Stavis sees more customers moving in and out with the species. Tilapia demand is up, he says, but swai is up even more. With frozen tilapia selling in the \$2 range, it is starting to catch up to cod, which is in the mid- to high-\$2 range, he says.

Still, says Stavis, tilapia is a staple on so many menus today, it would be difficult for some restaurateurs to replace it. "They've created a presence for it," he says, "so they aren't going to try something else."

South America supply

The fresh market also saw a glut of product in 2009, says John Schramm, president and CEO of Tropical Aquaculture Products in Rutland, Vt., which operates tilapia farms in Ecuador, Colombia and Brazil. This year, he says, in part because of the conversion of one of the farms to a recirculating system and a reduction in fish population to that farm, production has fallen and prices have solidified.

"As part of our sustainability effort, we converted one of our farms, so production was down 40 percent for about four months through the summer," he says. The ponds on the Ecuadorian farms are closed, brackish water systems, he says. "Now we are going one step further to create a more stable environment with a recirculating system that takes discharge to almost nothing." But to make the switch, he says, they needed to lower the pond density temporarily.

Schramm notes Tropical has received a long list of sustainability certifications for its farms and processing plants, and continues to focus on sustainability and traceability for its product.

"We haven't found a certification that we've turned away from," he says, adding people are increasingly looking to certifiers as a means of ensuring freshness and quality control.

The shortages witnessed on the frozen tilapia side of the business, he says, have driven some people to fresh, especially those serving the high-end consumer market. "They want the flavor profile of fresh [tilapia] from the Americas," he says.

Tilapia competes less with other species of fish, and more generally with other proteins, says Schramm. "If we're losing consumers, it's to cheaper alternative proteins, which is a loss for the whole seafood category," he says.

Regal Springs Tilapia also witnessed the boom and bust that 2009 brought. Mike Picchietti, president of the Bradenton, Fla.-based company, says its farms were stocked heavily in 2009 "and a good supply got hammered because people switched to other cheaper species" such as haddock and pollock.

Regal operates vertically integrated farms in Indonesia for its frozen tilapia. When prices of frozen tilapia topped \$2 a pound, Picchietti says lower-cost groundfish and pangasius were snapped up instead. Labor costs and currency fluctuations coupled with overproduction caused Chinese farmers to lose money, he says.

"We did OK," he says, "but we're 40 percent higher-priced than China." Nearly all of Indonesia's production is for Regal Springs, he says.

The company also operates in the fresh market, with farms in Honduras and one coming on line in Mexico. Regal produces about 350,000 pounds a week in Honduras, he says, which is in line with what is coming out of Ecuador

and Costa Rica. Fresh prices are about twice what frozen tilapia sells for, he says, which has caused fresh sales to flatten.

Production in Mexico ensures availability for U.S. customers and provides another logistical option because they will be able to bring fish over land, forgoing ocean and air transport. Fish from Honduras can arrive in three days by boat, he adds.

Like Schramm, Picchietti is a proponent of sustainability and has worked on the World Wildlife Fund's steering committee on tilapia standards through the Aquaculture Dialogues.

"We didn't become sustainability gurus because we were told to do it," he says. "We have because we're in public water bodies. We had to develop a holistic approach," he adds, working with non-governmental organizations and local governments. "We were in a glass bowl and we still are. We have developed an attitude with employees to be politically and socially correct because that's our model."

Despite tilapia's ups and downs, or more likely because of them, Picchietti says he has increased his sales staff, with five people now covering different regions. The idea is to tell the story of tilapia and to emphasize the differences among frozen and fresh and countries of origin.

Even though tilapia has lost some ground to other species, "to bet against tilapia is a foolish idea. To think wild fish will be plentiful and cheap isn't realistic," says Picchietti.

Mild wins favor

Tilapia has leant itself well not only to professional chefs and home cooks, but also to the production of value-added products. Morey's Seafood International in Golden Valley, Minn., has produced marinated tilapia fillets since 2003, says Lynn Girouard, president.

"People think in terms of strong and mild fish," she says, and salmon, which the company also offers in marinated portions, can come across as "fishy" or "strong."

Tilapia lends itself to interesting flavors, she says, because "it is mild, without a specific taste, so you can do a lot of creative things with it." Morey's sources fish from both South and Central America and China depending on customers' preferences and price considerations. Most of Morey's products fall in the 4- to 5-ounce range. Fillets this size, she says, provide good plate coverage and while that is a little larger than the recommended portion size, most Americans are looking for a slightly bigger portion.

Tilapia is the No. 2 selling fish at Fish City Grill, which has restaurants in Arkansas, Colorado, Florida, Oklahoma and Texas. Bill Bayne, founder of the full-service seafood chain, says tilapia is offered as a fish sandwich and also a chalkboard special. The chain has also used tilapia in fish tacos and it can be prepared blackened or pecan-, parmesan- or tortilla-crust, he says.

The chain buys tilapia on contract and then offers it to individual restaurants in the system, he explains. Neither price nor supply has been an issue, says Bayne, in part because the contracts ensure both. When available, the restaurants use fresh fish from Costa Rica or frozen product from China, he says.

What makes tilapia work for Fish City is its versatility. In addition, "the price point is a great value to us," running from \$6.99 to \$9.99 per dish.

From time to time, tilapia is used in promotions, such as a fish taco event. But in the end, says Bayne, "it's really more of a workhorse for us," appearing on the daily board as one of the lower-priced entrées.

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