

What competition do I face on the European cultured shrimp market?

Shrimp traders have seen their competitive position change frequently in recent years, for several reasons. For example, outbreaks of Early Mortality Syndrome (EMS) amongst producers of *P. vannamei* led to supply shortages, high prices and deterioration in the position of traders. In 2015, cases of EMS have started to diminish, prices have returned to normal and even low levels, and the competitive position of shrimp traders is expected to remain relatively stable.

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1. High cost of compliance and fierce competition result in high entry barriers

There are high barriers in place restricting entry into the European market. Food safety regulations are complex, as are additional buyer requirements relating to sustainability, and the cost of compliance is higher than in Asian and South American markets. Owing to these compliance costs combined with the high level of competition between suppliers, new entrants need to be able to offer competitive prices in order to access the European market. This situation is expected to remain the same in the short term. Over the long term, however, European buyers will be faced with increasing competition from buyers located in other markets, such as the BRIC countries. Therefore, European buyers will have to reduce the entry barriers in order to secure the supply of cultured shrimp.

Tips:

Discuss with your buyer the investments you should make in order to maintain access to the European market.

If you want to enter the European shrimp market, consider investing in integrated production facilities to enable your compliance with Europe's stringent regulations.

On the CBI website, you can find more information about [European buyer requirements](#).

[ITCs Market Access Map](#) provides you with information related to getting access to the European market.

2. Substitution between different shrimp species

There is competition between the different species of shrimp, especially between the two cultured shrimp species most commonly imported: great tiger prawns (*P. monodon*) and whiteleg shrimp (*L. vannamei*). Substitution of other seafood or chicken products for shrimp is significantly smaller in scale, as there are few products that possess comparable product characteristics. With regard to small to medium-sized shrimp products, whiteleg shrimp often are preferred over great tiger prawns and are consequently being more

competitively priced. Given that the global market's shrimp supplies are anticipated to be sufficient over the next few years, the level of substitution for shrimp by other products is not expected to increase in the near future. It is important for DC exporters to have knowledge of the specific market preferences for the different species of cultured shrimp.

Tips:

If you are a supplier of giant tiger prawns, there will be an increasing need for you to seek out European buyers that supply to niche markets within Europe, e.g. the organic giant tiger prawn market.

3. Normally, large supplies increase the degree of rivalry

Although the situation has temporarily changed, rivalry within the cultured shrimp sector is normally high. The market for cultured shrimp is a competitive market with a large number of suppliers. With regard to giant tiger prawns (*Penaeus monodon*), rivalry arises between suppliers from India, Bangladesh, Vietnam, and Indonesia. With regard to whiteleg shrimp (*Litopenaeus vannamei*), rivalry occurs in the main between Asian suppliers from Thailand, Indonesia, Vietnam and, recently, India. In South America, Ecuador is also a supplier of whiteleg shrimp. Suppliers of certified shrimp products face considerably less rivalry, because only a limited number of suppliers are currently approved by certification initiatives such as ACC, ASC, and Global GAP. With demand for certified shrimp products increasing rapidly, DC exporters able to supply certified shrimp will find healthy opportunities in the European market.

Tips:

It is important to have a good marketing plan in order to set your company apart from your competitors' companies.

Analyse whether it is feasible for you to get involved in one of the certification initiatives.

Go the website of [ASC](#) to find out more about the progress of the development of the ASC standards for cultured shrimp.

4. Buyer power temporarily declined, and slowly recovers

Buyer power in the shrimp sector is usually relatively high. Buyers of cultured shrimp in European countries often occupy an important position within the supply chain. These companies know the different suppliers of cultured shrimp, and they often have a good overview of the trends and developments in the shrimp market. European buyers need to fulfil the requirements of the retail and food service industry. European supermarkets, in particular, purchase only from those suppliers that have Global GAP-approved shrimp farms. Owing to increasing demand from BRIC countries, buyer power in Europe was already expected to decline over the short and long term. However, as a result of the global supply shortage, European buyer power declined drastically during 2013. Record prices, combined with high demand from China, have changed European buyers from price leaders to price followers. This reduced the power of European buyers but the risk is that if prices remain high and consumers are not willing to pay, demand from the EU will decline and consequently prices will stabilise. In 2014, buyer power is gradually increasing due to increasing supplies from Indonesia and India. Exporters need to consider whether they want to maintain their relationship with European buyers to secure long-term business prospects when the supply shortage is solved.

Tips:

Work in close collaboration with your European buyers in order to meet specific European market requirements efficiently.

To identify markets with the best opportunities, collect information about market trends and developments in Europe and BRIC countries.

5. Supplier power likely to increase, even if current supply crisis is solved

Before the supply crisis, supplier power was relatively low in the market for cultured shrimp, because supply had not yet outgrown demand. Consequently, European countries remained an important market for shrimp exporters. Suppliers of certified shrimp have a better market position than suppliers of uncertified shrimp. Assuming that after the supply crisis is solved, for as long as domestic and local demand lack sufficient strength, European buyers will continue to enjoy a strong market position in the short term. However, shrimp consumption is increasing over the long term in BRIC countries and other Asian countries. As a result, exporters may be able to increase their power because of these alternative markets. In some cases, European buyers are already investing in long-term relationships with suppliers in order to secure future supply.

Tips:

Consider establishing relationships with shrimp farmers in order to increase your influence in the supply chain and to control risks by directly working with farmers. Not only will this give you better control over risks in the supply chain, but it will also strengthen the story behind your product.

Only work with middlemen if they can guarantee transparent and traceable sourcing.