

# THE PROCESSING AND EXPORTING OF PRAWNS IN THE PHILIPPINES

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## INTRODUCTION

In this paper, processing and marketing of prawns in the Philippines, I shall refer solely to black tiger prawns, popularly known as *sugpo* or *lucon* and scientifically known as *Penaeus monodon*.

The Philippines abounds in rich tropical fishing waters, both coastal and offshore. The area has been greatly increased by the 200-mile economic zone and the archipelagic law. Prawns are caught in these waters and the catches are both for domestic consumption and export. In addition, prawns specifically the black tiger variety, have been produced from aquaculture for many years. We have large tracts of culture farms and many more are being developed each year. Total export production in 1983 was estimated at 4,450 MT, 2,000 MT from Philippine waters and 2,450 MT from culture farms all over the country. These were exported mainly to Japan and the United States in processed and quick-frozen form.

## PROCESSING

Processing starts with proper handling of the prawns caught from the seas or harvested from fishponds as they are transported to the processing plants. Usually, the newly caught or harvested prawns are temporarily refrigerated by packing them with crushed ice in insulated containers. These containers are transported from the fishpond by trucks or fishing vessel to the processing plant where processing is carried out in the following stages:

1. Washing in clean cold water
2. Classifying according to buyer's requirements and specifications either as:
  - A. Whole - the prawn is left with head and shell intact;
  - B. Headless - head is removed with shell intact, or
  - C. Peeled - the head and shell are removed
  - D. Peeled - head, shell and veins are removed
3. Sizing according to internationally accepted sizes ranging from under 8 pieces per pound to 90 pieces per pound;
4. Weighing the sized prawns according to buyer's requirement;
5. Rinsing again with clean cold water before positioning the sized prawns in tin containers;
6. Filling up the tin containers with clean fresh water;

7. Quick-freezing the processed prawns in the water-filled containers;
8. Removing the frozen blocks from the containers and wrapping the blocks successively in plastic bags, consumer packs and bulk packs;
9. Cold storing the fully wrapped prawns at low temperature ready for export.

To process one metric ton a day, a work force of about 30 persons is required. Significantly, all nine stages are completed without the aid of foreign manpower. Except for the imported freezing equipment, the technology is available locally.

Each stage of the processing can be mechanized. However, the machines have to be custom-built and are rather costly. For example, a shrimp peeling machine from Australia would cost at least US\$50,000.

A workable alternative is to mechanize the quick-freezing process and manually perform the other processes. As quality is essential, extreme care must be taken to ensure that the hands of the workers are clean at all times during the processing. Also, due to the perishable nature of the product, it is advisable to import efficient and durable quick-freezing equipment to ensure continuous operation and avoid huge losses due to machine breakdown. It is also important to maintain optimal operational efficiency of the equipment by hiring competent technical personnel.

Experience has shown that it does not pay to scrimp on capital expense by using substandard equipment. As freezing does not kill the bacteria but simply stops or slows down their growth, the faster the processed prawns are quick-frozen by the right equipment, the higher their quality. A shorter freezing time preserves the freshness of the prawns better. And it saves energy.

What happens if the exported prawns are found to be contaminated as a result of negligence during processing because of dirty hands, unsanitary conditions, poor equipment or some other causes? The consequence is damaging. The US, Western Europe and Australia will return the shipment with all extra expenses charged to the exporter. Japan will burn the entire shipment if the Japan Quarantine Department, which is very sensitive to cholera and other contamination, finds a contaminated block from a random sampling of the shipment. While the exporter may be covered by insurance against loss from rejection, his business will inevitably suffer. Either he is going to be charged with costlier insurance premiums or he loses his insurers, buyers, brand name, not to mention the bad reputation he has given to the Philippines. It takes only one contaminated shipment to condemn a brand name and the country of origin of the shipment.

## **EXPORTING**

Although proper processing of prawn is essential to successful operations, the more difficult aspect is marketing or exporting the product. This involves not only quality as in processing but also pricing, delivery, promotion and competition.

## **PRICING**

The pricing of prawns as with other products depends to a large extent on supply and demand. But just like other exports, pricing is critically affected by

other factors such as foreign exchange rates of trading countries, which for us is the US\$, Japanese yen and Phil. peso; labor and packaging costs; freight; taxes; and government policies and incentives.

In a recent statement, former BOI Minister Vicente Paterno commented that price control on agricultural products is a negative factor in the national effort to increase production and income. He said that "the best incentive to farmers and investors to venture into desired areas of production is to give them a favorable price for their efforts." We strongly agree with this observation and feel that the present 6% export tax for prawn, 1% producers tax and 1/2% Bureau of Fisheries Inspection Fee serve as disincentives to higher production.

## **DELIVERY**

Delivery of exported prawns has to be consistent and in quantities worthwhile to the importer. This will encourage importing countries to view the Philippines as a reliable source of continuous supply thereby putting us in a more favorable bargaining position for better export prices.

## **PROMOTION**

Constant promotion of the product and brand name is essential to creating a strong demand for the product and commanding a premium price for the brand name. For example, BT prawns were not popular in Japan before our company (AA Export & Import Corp.) pioneered in its export with an initial shipment of 400 kg in 1975. Today, the export of Philippine BT prawns is over 2,000 MT a year. This marketing success story is primarily attributable to the extensive information campaign through cooking demonstrations, brochures and other advertising and promotional activities conducted to educate the Japanese consumer. The consumers were made to realize that although our BT looks greenish black and unappealing when raw, it turns beautifully bright red when cooked. Not only does BT look good when cooked, it is excellent in taste and most suitable for popular Japanese dishes like tempura.

Attractive packaging helps a lot in increasing saleability and establishing a brand name. Once the product has been established as being of superior quality, the brand name becomes the guarantee of that quality. Once a brand name is accepted, it is important to improve and maintain its image. Various advertising and promotional programs have to be launched and sustained to increase sales. This requires mutual cooperation between the exporter or owner of the brand and the importer and its marketing outlets.

## **COMPETITION**

The major market for Philippine prawns is Japan, followed by the US. Competition for these markets is keen among countries in the Asia-Pacific region as well as some countries in Central and South America.

## 1. The Japanese Market

Japan's importation of frozen shrimps and prawns was 161,000 MT in 1981, 151,397 MT in 1982 and dipped below 150,000 MT in 1983.

BT prawns have become widely accepted in the Japanese market. It recently edged out the white shrimp variety as the most expensive prawn in Japan. Japan imports its BT prawns primarily from Taiwan, Philippines, Indonesia and India. While Indonesia and the Philippines traditionally commanded a higher price for its BT prawns, Taiwan has been able to sell its BT prawns at a better price lately. Some Japanese consumers claim that Taiwan's BT prawns taste better due to the quality feeds used in Taiwanese fishponds as opposed to the natural food used locally. If this is true, it behooves the Philippines to keep abreast with the latest aquaculture technology not just to increase volume but to improve the taste as well. In this connection, it is significant to note the pioneering efforts of San Miguel Corporation in this field.

How does the Philippines compare with other countries that are exporting shrimps and prawns to the Japanese market?

The Philippines exports monthly about 300-550 MT, 80% of which goes to Japan. While some may consider this plentiful, it accounts for only about 2% of the Japanese market.

Compared to other Asian countries, our total exports of shrimps and prawns to Japan ranked us among the top ten suppliers for the first time in 1982 with a total volume of 3,694 MT (valued at US\$37,521,000).

India and Indonesia have continuously occupied the top two positions both in the quantity and value of their exports, which together accounted for about 42% by quantity and 38% by value of Japanese importation of shrimps in 1982. Thailand has climbed to 4th while Taiwan to 5th in 1982. They expect to maintain if not improve their ranking. Others like China, Pakistan and even Bangladesh are continually trying to improve exports to Japan with strong government support. The Philippines cannot afford to simply watch or we will lose out to our very aggressive Asian neighbors in the Japanese market.

## 2. The US Market

The US market for prawns is big, being largely supplied by Mexico, Brazil and other Latin American countries. Only a few Philippine companies are shipping to the US partly because of relatively lower prices than that offered by the Japanese market and partly because of strict FDA regulations applied to Philippine shrimps as a result of previously contaminated exports. Ayala started to sell to the US two years ago, followed by SUGECO of Cebu. Their successful operations have helped boost the Philippine's prawn exporting image.

Recently, the prices of BT prawns in the US have become compe-

titive with Japan. Taiwan has moved in and is now engaged in a vast promotion campaign for its products. More Philippine exporters should penetrate the US market to capture a bigger share of the market for the country.

### 3. Other Markets

Besides Japan and the US other markets like the Middle East and Europe should likewise be tapped. Again, exporters should carefully study the buyer's needs and requirements as to variety, sizes, packaging, and price.

## CONCLUSION

There is, no doubt, a big potential for increased exports of our shrimps and prawns can be realized because of the:

1. strong demand for our product,
2. large tracts of natural fishponds and lands suitable for aquaculture development,
3. geographical proximity to Japan, the largest importer of BT prawns, which provides comparative advantage in freight costs.

The main concern of the prawn industry and government should be how to convert this tremendous potential into increased production and therefore more foreign exchange earnings for the country. Needless to say, increased exports would help alleviate the present economic difficulties the country is experiencing. However, we should not allow ourselves to think that the industry is already that big contrary to the rosy picture that mass media reports portray.

The prawn export industry is still in its infancy and it needs strong government support to be more price competitive in the world market. Hence, the recent imposition of the 6% export tax for shrimps and prawns is a hindrance to the industry's growth. While, the government needs revenues, it should not be at the expense of increased exports. None of the other major producing countries tax their shrimp exporters. On the contrary, governments like India, Taiwan and Indonesia provide tax incentives and soft loans to encourage producers to produce more and exporters to export more. Our government should do no less.

Finally, both government and private sector should actively engage in aquaculture research and development to ensure greater productivity through more efficient BT hatching and culturing techniques.

We have gone a long way in the last eight years of exporting BT. We can do much more. With strong government support and encouragement, we can work harder and more effectively to increase productivity at the fishponds, improve quality at the processing plants, cultivate better business relationship with our existing customers, and promote our products vigorously in existing as well as new markets.