

# OPPORTUNITIES FOR SOUTH AUSTRALIA IN ROCK LOBSTER

South Australia benefits from the 'high quality', 'clean' and 'sustainable' image that Australia enjoys in global markets. Moving forward, as traceability becomes a key demand trend in several export markets, South Australia's high environmental standards will help sustain its competitive advantage.



LUXURY FOODS

**PREMIUM**  
FOOD AND WINE FROM OUR  
**CLEAN**  
ENVIRONMENT





This fact sheet presents a high level summary of the opportunities for South Australia to supply Rock Lobster to the eight countries analysed through the Functional and Luxury Foods Research Project.

In Australia, there are two main species of rock lobster which are commercially harvested and sold. They are the Southern Rock Lobster which are prevalent in the southern coasts of Western Australia, South Australia, Tasmania, Victoria and southern New South Wales. The other variant is the Western Rock Lobster which is found off the mid-Western Australian coast. These two species account for 90% of all rock lobsters harvested in Australia. The Australian rock lobster market produced AUD451million worth in 2012-13, of this South Australia contributes around 15%.

**CHINA** While there is no local rock lobster industry in China, the product is becoming increasingly popular with a strong focus on imports, and expectations that demand will continue to grow (aided by the China-Australia Free Trade Agreement).

**HONG KONG** Hong Kong's mature and sophisticated luxury foods market continues to drive the demand for Southern Rock Lobsters from Australia. The growing preference for live and unfrozen lobsters continues to ensure that secure export infrastructure remains a crucial component within this sector. Imported products are subjected to inspection at various checkpoints and importers need to show health certificates issued by health authorities of countries of origin.

**INDIA** India is a major exporter of lobster; therefore the demand for imported product is low. India has its own production of high quality lobsters that are appreciated by customers, but not considered luxury items. Indian seafood lovers prefer fresh local seafood over imports, but there is some demand in the luxury sector, currently serviced by Canadian lobsters (retailing at almost USD50 per serving).

**INDONESIA** Highly sought-after in Indonesia's luxury market, imported rock lobsters are mainly consumed in tourist destinations (particularly Bali). Demand is mainly for frozen lobsters, with a minimal demand for live versions. Indonesia has now started its own production of lobsters, as over 60% of Indonesians protein demand is met by seafood.

**JAPAN** In Japan, there has been a growing demand for rock lobster. There is a limited local industry, with the bulk of produce being imported. There is also significant interest from Japanese suppliers to partner with international companies for supply and research and development needs.

**MALAYSIA** Malaysia is currently building the largest rock lobster farm in the world (as of December 2015), with peak production of 18,000 tons per annum expected by 2030. Rock lobster is a high demand product in Malaysia, with the first Red Lobster restaurant opening in Kuala Lumpur in 2014. Lobsters are currently exempt from the 6% GST normally applied in Malaysia.

**SINGAPORE** In Singapore, rock lobster is an entirely imported product, most often seen in Chinese or western cuisine. The demand for rock lobster remains steady.

**SOUTH KOREA** South Korea's Free Trade Agreements have led to a proliferation of lobster in the local diet. The demand for lobster continues to grow, with more than 50% of imported lobster coming from the United States; however Canadian imports are considered superior to the US product. There is no significant local production of rock lobster in South Korea.



## OPPORTUNITIES FOR SOUTH AUSTRALIA

South Australia benefits from the 'high quality', 'clean' and 'sustainable' image that Australia enjoys in global markets (for example, the strict annual allowable lobster harvest quotas ensure sustainability of the sector). Moving forward, as traceability becomes a key demand trend in several export markets, South Australia's high environmental standards will help sustain its competitive advantage. In this context, the Marine Stewardship Council (MSC) certification may support the marketing message to export destination markets.

With the China Free Trade Agreement (FTA) in place, a phased reduction of the current tariff from 17% to zero over four years puts Australia in a more competitive position (New Zealand and Chile already have zero tariff access to China). The FTAs with Japan and Korea also included rock lobster. While the expansion of the Chinese middle class is expected to be a long-term driver of demand growth for rock lobster, the fact that the Australian rock lobster industry is mainly reliant on a single market for the majority of its exports presents risks that can only be alleviated by growing alternate export markets as well. This presents the opportunity to leverage the currently undervalued >2kg lobster, which is not in demand in China, in new markets.

- Export volumes to China have risen without negatively impacting average prices; thus confirming the fact that China's demand is growing faster than supply. This presents South Australia with the opportunity of reinforcing its premium position whilst growing supply volumes (in general, competing on price tends to erode perceived value of products targeting the luxury food sectors). To do this however, would require bolstering direct marketing efforts to Chinese end-customers so that the 'pull' effect is strengthened by reinforcing premium value. It will also require proactive efforts to influence the Chinese food service sector to support this premium positioning by specifically confirming source through labelling or naming on the menu as 'South Australian Southern Rock Lobster'. This will help protect South Australian product from the risk of substitution by lower-priced rock lobster from Western Australia, New Zealand or the United States.

- The Australian industry's main operational challenge is the rising cost of production. For example, according to Southern Rocklobster Limited (SRL), Australian production costs for rock lobster are around seven times that of Cuba and around five times that of US and Canadian clawed lobster (August 2014). Apart from addressing increased compliance costs (due to regulation) and improving management practices, research (for example, to reduce the risk of paralytic shellfish toxins through algae, enhance productivity through alternative spatial and temporal management approaches, improve mapping, navigation etc.) will help improve South Australia's competitive position in relation to operating costs.
- Over the next 10 years, rock lobsters farmed via aquaculture may improve the competitiveness of Australian export. Industry initiatives in this direction are still at the trial stages and the main challenge will be scaling up from laboratory projects to commercial operations. For example, research at the University of Tasmania's Institute for Marine and Antarctic Studies has been focused on growing rock lobsters from eggs to adults in captivity.
- Value-added product opportunities need to be explored where applicable (e.g. lobster portions, bisque, ravioli, frozen steaks, pizzas, salads, etc).



[www.pir.sa.gov.au/functionalandluxuryfoods](http://www.pir.sa.gov.au/functionalandluxuryfoods)

South Australian Food Innovation Centre | Phone: (08) 8226 0109  
Email: [PIRSA.foodinnovationcentre@sa.gov.au](mailto:PIRSA.foodinnovationcentre@sa.gov.au)