

South Africa's biggest abalone venture targets wealthy Chinese in North America

South African abalone farming venture Abagold is building a presence in North American cities populated with well-heeled Chinese immigrants to reduce its heavy reliance on Asia

By [Liza Mayer](#) | Dec. 1, 2022 17:06 GMT

South African abalone farming venture Abagold is building its presence in North American cities populated with well-heeled Chinese immigrants to reduce its heavy reliance on uber-fancy restaurants in Asia.

Abagold, which has a turnover of \$23 million to \$25m annually, is a big fish in a small pond. It is the largest of the eight abalone farmers in South Africa, producing 600 metric tons or 20% of the annual 3,000t production. It owns four of the 13 farms in the country. Its land-based, flow-through farms are in the seaside town of Hermanus, southeast of Cape Town.

The abalone market is around 185,000t globally, of which 75% is the low-end of the market serviced out of China and South



Korea.

On a world scale,





South Africa trails China and South Korea in farmed abalone production by volume. But as Abagold managing director Tim Hedges pointed out to *Undercurrent News*, South African production is "the Gucci of abalone"; thus, it

commands three times the price -- \$60/kg of live abalone compared to the \$20/kg that the Chinese or South Korean produce fetch.

"Gucci sells their product in the handbag market, but they don't compete with handbags. They play in the premium section of the handbag market, and the value at which they sell that product is 20 times the price of handbag you can buy on the street," said Hedges.

Asian-centric market

In Chinese culture, a mark of a high-end celebratory meal is the presence of abalone dishes. Abalone is believed to bring good fortune, so serving it during Chinese New Year and at weddings is customary for those who can afford it. And many can.



"There are plenty of very high-end, good quality restaurants that are happy to serve \$120 to \$200 plates of food, and that's where abalone fits into. It's a very premium dish that's highly desired," said Hedges.

However, the market for abalone is hyper-focused on Chinese buyers in the Far East. The fortunes of abalone farmers are thus tied to the Chinese economy, political events, and the caprices of nature.

"Abalone reflects people's mood," said Hedges. "We found that when SARS hit Hong Kong in 2000, abalone sales stopped. And the moment things went back to normal, sales picked up again. The same happened in 2008 with the financial crash, it was the same scenario."

That trend prompted the company to diversify to other Asian markets sometime in 2015.

Hong Kong, which accounted for 75% of Abagold's market seven years ago, remains the biggest, but it accounts for less than 50% today. China, Taiwan, and Singapore are the other key markets, respectively, with Canada rounding up the top five.

Key markets in North America

Abagold's Canadian agent sells around 30t of abalone products annually to Chinese communities in Vancouver and Toronto.

"We believe the same opportunities in smaller pockets exist in North America," Hedges said.



"We're focused on where traditional Asian consumers have either immigrated or have moved to with their families in the west coast of the US or Canada. Both the old and the new generation still uphold a lot of the traditions and the cultures that exist in the Asian environment."



The company has its sights on four key markets: New York City; Seattle, Washington; Los Angeles, California and Vancouver in the Canadian province of British Columbia.

"The restaurant trade in these markets is quite healthy both for the dried product and the canned product (which are pricier than the fresh format). We're just a little bit too far away to be able to supply this market with fresh abalone. The restriction for us is the time we're able to manage the animal's health from our tank to the tank in the restaurant. The maximum we can do is about 45 hours (shipping time)," Hedges told *Undercurrent* during the Vancouver leg of his trip at the end of October.



"We're here to scope the market, understand the market and engage with potential distributors. Finding like-minded partners is critical."

He plans to develop the North American market slowly but surely, over the next three years. He sees the market accounting for 50 or 60t -- or 10-15% of Abagold's annual tonnage -- in the next two to two-and-a-half years.

He said the company would be able to achieve this "without too much trouble", thanks in part to globalization.

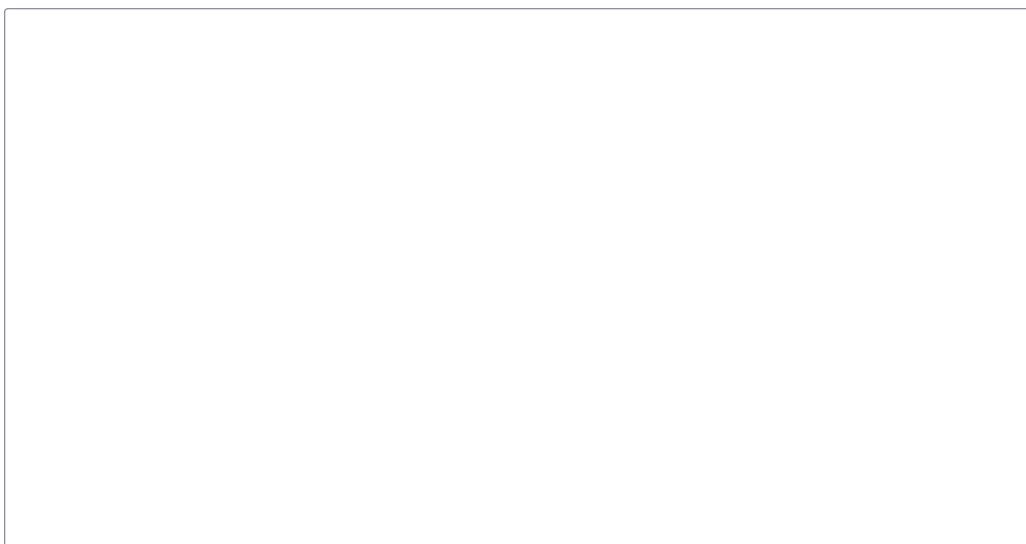
"The globalization of the world means that many more food types are available and consumed worldwide. One beauty of this trip is that I can pretty much eat food from any culture in each city I visit. What this means for our product is that it needs to be available in more places than it ever was because the global consumer wants access to it. That creates an opportunity for us," he said.

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