CHAPTER- III

Impacts of International Decisions on Indian Seafood Industry: A Review

*America has lifted the countervailing duty on Indian Prawn has created the impetus to Indian seafood industry, but Rupee Volatility is shifting the balance of Seafood Exporters:*

The American International Trade Commission (USITC)’s decision not to impose countervailing duty (CVD) on Indian Prawn imports is a major decision. Also there are other six countries like Indonesia, Thailand, China, Ecuador, Malaysia and Vietnam also received this incentive which is going to add as a competitive advantage to seafood export industries in these countries. Due to economic volatility and sluggish business trends in other developed countries like from European Union the affected business has give the ray of hope for balancing the business activities. This is indeed good news for all Indian Shrimp exporters.

For the high value seafood like Prawns the America is the biggest importer of in terms of value from imports of seafood. In past the antidumping duty was imposed on Indian seafood it was as high as 11% in year 2008 & 09. The total no of Indian exporters in past were almost near to 300 which drastically reduced to 70 on account of antidumping duty. It got a major setback.

However from 2010 the exports started increasing again when America reduced the duty to nearly 4 %. Almost 50 % reduction in export seen during 2011-12 i.e 68,354 tonnes (Rs 2,978 crore) as against in year 2012-13 the import was 92,447 tonnes of marine products, valued at Rs 4,027 crore, from India this was a raise nearing to 36% during Fy 2013.

The countervailing duty was always the concern of Indian exporters it use to be a major tread barrier but the recent decision of US has relived all the tentions of Indian exporters and its was welcomed seafood Industry of India

Even after the victory of no CVD in US for Indian Shrimps , Indian exporters are not able to compete with established and competitive manufacturers out of south east Asian countries. Their competitive advantage is mainly on the value economics. So, for Eg. China & Thailand remains
as the leading suppliers to United States of America. Our potion will further get aggravated by the decision of executing the bonds for exports and implementation of around 4% duties under various heads.

The scenario for India has changed even after these trade barriers and having no competitive advantages on account of loss of production on juvenile catching of fish in countries like Indonesia and Thailand has to suffer on account of loss of production to meet the demand of America and hence they have to look forward India as their major supplier of Imports. In-spite of these countries having the advantage of zero duty in US.

Export to China otherwise would have been jeopardised, but the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) of China has formally approved India’s request for an inspection and quarantine certification, paving the way to the continuance of export of seafood items to China.

Seafood export to China has to be accompanied by this certificate, effective June 1, 2012. As India had not been included in the list of the approved countries, exports to China were in doldrums during April and May. Beijing had conveyed them the formal approval by the Chinese authorities in this regard. The Export Inspection Council of India (EIC) will be issuing the required certificates for exports to China.

Russian Federation and India has reached a new administrative arrangement on shipping and export of fish and seafood products from India. In June 2009 an agreement was signed between MPEDA on behalf of the Export Inspection Council (EIC) and the Federal Service of Veterinary and Phytosanitary Surveillance of the Russian Federation (FSVPS).

The arrangement, besides defining the terms of export for over 45 Indian fish processing establishments, details the modalities of cooperation in the fields of quarantine and inspections during the export and import of products processed from wild catch and aquaculture, the release said. This would help in ensuring high level of food safety and quality control for shipment of seafood products from India.
Indian Rupee value against dollar facing volatility: The seafood exporters are facing huge challenge due to instability of US$, it is observed that more the rupee gets stable and firm the exporters loose more unlike other export sectors. In Maharashtra the exporters some time lose 1.5 US$ per kilo which is matter of worry. This happens due to commodity item and the raw material availability cannot be ascertain at the time of negotiations.

“As the negotiations are made on dollars irrespective of the exchange rates, the appreciation in rupee by about 7.35 per cent recently has hit the exporters badly,” The INR appreciated by 6.89% in September and INR touch a record high of INR 67.73/- a dollar. Importers are also not gaining as their market prices are fix, in this sector the variation up words in INR is passed on to the exporter hence they make the loss, at the same time the purchase prices are also increased so, it reflects badly on the exporters in a view that they are not in a position to confirm the order at the fixed prices. For ex. when they made offer the dollar was at Rs. 68 and hv touched 63 within 1 month attributing to loss.

Short supply of raw material is another cause of increasing prices of raw material this has further despair Indian seafood exporters. The ultimate result is seafood exporters have reduced their off take of prawns which has further hampered the exports earnings. They are awaiting for INR to get stabilized. However in this sector the forward cover or hedging of dollar is generally not done the reason is unknown. The unpredictability of INR in any case not favorable to any export or import transaction. Especially in festival season which is more demanding and generally the exporters are busy during this period to bridge the gap of supply and demand during this time if INR has appreciating meand it will have adverse impact on their export business. Festive seasons in October, November, December months are busy season for exporters sending consignments to Europe and America.

Increased Cost of Shipments & Terminal Handling charges - will adversely affect Seafood Exporters, may lose competitive advantage

The seafood industry which in trouble due to high raw material cost, reduced yield, and INR volatility gets another surprise by an unpleasant announcement i.e. from 1st January all shipping companies have increased the cost of refrigerated containers by around 1.5 k US$
per container for all countries in the world. It was big blow. 99% of seafood consignments are shipped by the sea route with refrigerated containers which are four times costlier than the dry type of containers. Major shipping liners have decided to increase the cost of refrigerated containers. Naturally this will put pressure on the cost calculation and increase fear of being uncompetitive in international markets. The exporters who are shipping low value fish are likely to suffer more on account of these increased charges. As such the fishing season in west of India is only available for six months in a year and in last four five years the cost of labour, fuel power, water has almost doubled which further add to exporters woes.

“Sardines might earn lose Rs 50,000 on a 40ft container. It is difficult to bear an increase of $1,500, equivalent to Rs 83,000 in freight charges.

A sharp increase in terminal handling charges (THC) at the International Container Transshipment Terminal (ICTT) here is adversely impacting the exim business of Kerala and other southern states.

THC is levied on shippers (exporters/importers) by shipping lines for the costs borne by them at the port of shipment or destination to move handle containers. The charges are fixed by the Tariff Authority of Major Ports (TAMP), an authority setup by the Government of India. TAMP periodically fixes the THC in consultation with the port users. Once the charges are fixed, service providers are not authorised to deviate from this. The TAMP approved THC at Kochi port is Rs 8,600 per container. However, steamer agents are charging Rs 18,500.

The increase in THC is justified only if exporters get the benefits of an international terminal from the ICTT. However, due to the absence of a required draft, mother ships still evade the terminal, which is working just as a feeder port even after four months of commissioning. If the containers are directly routed to ports across the world, the exim community could benefit $350 on shipping charges per container on average and could save transportation time by a week.

Exporters also pay Rs 1,000-3,500 to shipping lines for providing Bill of Lading a
receipt given by the carrier after accepting the goods for shipment. It is to be provided like a railway receipt or transport receipt. Even the Bill of Lading Act and Carriage of Goods Act do not mention that charges can be levied for providing the receipt. 1015 years ago there were no charges for giving this receipt. Then, till around 56 years ago, the service providers started charging a nominal fee of Rs 50-200. Now this has gone up to Rs 3,500. The charges for electricity for reefer containers were now being charged from the shipping lines and this is being charged as THC from the shippers.