

CONSTRAINTS FACED BY INDIAN SHRIMP EXPORTS TO USA

Athena Prince, Research Scholar, Post Graduate Department of Commerce and Research Centre, Mahatma Gandhi College, Thiruvananthapuram, Kerala

Dr. Reshmi. R. Prasad, Associate Professor, Department of Commerce, All Saints' College, Thiruvananthapuram, Kerala

Abstract

Shrimp export is the mainstay of Sea Food Export Industry in India. Indian Sea food Export Industry is primarily dependant on shrimp export due to its high value realisation as compared to other sea food varieties exported from the country. USA is the largest importer of shrimp exported from India. However, India face several constraints in exporting shrimps to USA from time to time which affects the volume and value of the shrimp trade between these countries. The present study is an attempt to identify the major constraints faced by Shrimp Exports from India to USA. It was identified that the enforcement of Seafood Import Monitoring Programme (SIMP), Ban on Wild Shrimp Exports, Imposition of Anti- dumping Duty and Border Rejections on Shrimp Exports have a major impact on the shrimp exports from India.

Keywords : Shrimp Export, Constraints, SIMP, Anti- Dumping Duty, Border Rejection

Introduction.

India is a leading supplier of sea food products all around the world. Although, India exports various sea food products like Shrimp, Finfishes, Squid, Cuttlefish, Shrimp is a major sea food item that is exported from India in terms of both quantity and value (MPEDA, 2019). The high value realisation and increasing demand for shrimp in the international sea food market have boosted the growth of Shrimp exports from India. India exports various varieties of shrimp like Vannamei Shrimp, Tiger Shrimp, Deep Sea Shrimp and Brown Shrimp to different countries all around the world. Among these, Vannamei Shrimp and Black Tiger Shrimp are the two main foreign exchange earning shrimp varieties exported from India (MPEDA, 2019). Shrimp is exported in frozen, chilled, live and dried forms (MPEDA, 2019). However, Frozen Shrimp accounts to more than 60 percent in terms of value and more than 40 percent in terms of quantity of sea food exported from India (MPEDA, 2019). Farmed or Cultured shrimp accounts for a lion's share of the shrimp exported from India and wild shrimp accounts to only a minor share in the sea food export

basket (Kumar K. , 2019). India exports shrimp to USA, South East Asia, European Union, Japan, Middle-East and China (Singh, 2020).

Andhra Pradesh is the leading state in shrimp exports from India (MPEDA, 2018). Shrimp exports from India was dominated for a long time by Black Tiger Shrimp until the introduction of commercial farming of Vannamei Shrimp (Pacific White Shrimp) for export purposes in 2009-10 (MPEDA, 2018). Presently, Vannamei Shrimp is the most exported shrimp variety from India (MPEDA, 2018). However, both Vannamei and Black Tiger shrimps together constitute the major share of the Indian shrimp export from India (MPEDA, 2018). The state of Andhra Pradesh is the largest producer of Vannamei Shrimp and has that largest area under culture for Vannamei Shrimp for Export purposes followed by Gujarat, whereas, West Bengal is the leading producer of Black Tiger Shrimp (MPEDA, 2018). Vannamei Shrimp is mainly exported to USA whereas Black Tiger Shrimp is mainly exported to Japan.

USA is the world's largest importer of Shrimp from India (MPEDA, 2019). During 2018, almost 32 percent of the shrimp exports to USA was exported from India (MPEDA, 2019). In addition to this India also set the record by becoming the first country to export shrimp worth 546,872 million pounds to USA in 2018 (MPEDA, 2019). Thailand ,Vietnam and Ecuador are the major competitors for Indian Shrimp Exports to USA (White, 2019). Prior to 2018, Thailand was the largest seller of shrimp to the USA. The Shrimp production in Thailand drastically declined due to the presence of early mortality syndrome disease and it lead to a subsequent decline of cultured shrimps exports from Thailand to USA. Eventually, India became the largest exporter of Shrimp to USA in 2018 (Kumar K. , Exporters worried as US ban on sea shrimps stays, 2019)

Even though, USA is the largest importing nation of Shrimp Exports from India, the exports are often confronted by various constraints from time to time. This adversely affects the quantity and value of Shrimp exports from India and also causes serious losses to the Indian Shrimp Exporters. The present study is an attempt to highlight some of such constraints often faced while exporting shrimp to USA from India.

Objectives of the Study

- To identify the constraints faced by Shrimp Exports from India to USA.

Review of Literature

- Geetha, et al., (2020) examined the causes of border rejections faced from importing countries by Indian Shrimp Exports. It was pointed that border rejections leads to substantial rate of economic loss for the exporters. It was found that the frequency of border rejection faced from USA was higher as compared to other importing countries like Japan and European Union. It was identified that detection of microbial presence in seafood was the main reason for border rejections from USA.
- Ancy and Raju (2014) examined the impact of Anti- Dumping measures imposed by USA on the sea food imports with special reference to Shrimp Exports from India. It was also pointed out that US Anti- Dumping Law and procedures are complex in nature as they have substantially changed over the period of time. It was found that Shrimp exports from India has been significantly influenced by Anti- Dumping Duty imposed by US from time to time.
- Anders and Westra (2012) analysed the patterns and trends of border rejections and import refusals by USA on sea food products with special reference to lower-middle income countries during the period between 2000 -2010. It was found out that instead of following random –selection based inspections, USA follows an import alert system which leads to targeted inspection. It was pointed out that these targeted inspections without appropriate physical examinations have led to increased number of detention of sea food shipments from lower-middle income seafood exporting countries who account for a major share of the US imports.

Methodology

The present study is descriptive in nature. Secondary Data has been used for the study and has been collected from various online journals, newspapers and websites.

Discussion & Results

Constraints and Challenges Affecting Indian Shrimp Exports to USA

- **Enforcement of Seafood Import Monitoring Programme (SIMP)**

The Seafood Import Monitoring programme (SIMP) was launched in January 1, 2018 by the National Oceanic and Atmospheric Administration (NOAA) of the US Government with the intent to prevent the entry of illegal, unreported, unregulated or misrepresented seafood

imports to USA (NOAA Fisheries, n.d.). SIMP mandates stringent data requirements to trace the entire supply chain of seafood from the point-of-harvest to the point-of-entry into the US (NOAA Fisheries, n.d.). It requires the importers in USA to maintain strict data records of fish imported in order to trace the supply chain right from the point of harvest to the point of entry to US (Ravi, 2019). Currently, 13 sea food products have been covered under the SIMP programme and this list includes Shrimp (NOAA Fisheries, n.d.) .

SIMP programme was enforced on Indian shrimp exports with effect from January 2019. The SIMP programme can be considered as a major blow to the Shrimp Exporters from India especially small and medium- sized shrimp exporters as it leads to a considerable increase in the compliance cost and documentation requirements to enable traceability for every shipment made to USA (Ravi, 2019). This programme is expected to provide a protection to domestic producers of Shrimp in USA and at the same time act as a Non- Tariff Barrier for shrimp exporting countries like India (Behera, 2018)

- **Anti - Dumping Duty**

The reason for the imposition of Anti- Dumping Duty on Shrimp Exports from India could be traced back to 2003. In 2003, a petition was filed against six shrimp exporting countries to the USA namely Brazil, India, China, Ecuador, Thailand and Vietnam by an association of Shrimp Farmers of eight southern states of USA known as the Ad Hoc Shrimp Trade Action Committee (ASTAC) alleging that these countries were dumping shrimps into the US market (Bhattacharyya, 2005). After the announcing of the anti- dumping investigation against these countries, the US Department of Commerce finally notified its decision to the International Trade Commission (ITC) in 2004 (Bhattacharyya, 2005). The ITC announced that there was a clear indication that the US shrimp Industry and the domestic shrimp producers in the country were badly affected as these exporting countries were unfairly selling shrimps at low prices in the US market and hence affecting the domestic prices of shrimp in USA (Bhattacharyya, 2005) . As a result anti- dumping duty were imposed on these six countries including India.

During 2004, the average rate of Anti- Dumping Duty imposed on frozen shrimp Exports from India was 10.17 percent but it was reduced to 7.22 percent in the first administrative review (Ancy & Raju, 2016). In the second administrative review, the rate of anti- dumping duty which was 1.69 percent was increased to 0.79 percent in the third administrative review (Ancy & Raju, 2016). In 2018, US department of commerce again raised the Anti- Dumping

Duty from to 2.34 percent from earlier 0.84 percent (ET Bureau, 2020). This changing Anti-dumping duty imposed by the US on the Shrimp exports can be considered as a major constraint to the shrimp exports from India.

- **Ban on Wild Shrimp Exports from India**

USA has recently launched a ban on the Wild Shrimps Exports from India due to the finding that the wild shrimps are harvested without the use of Turtle- Excluder Devices (TED) in Fishing Nets (Kumar V. S., 2019). This ban is a serious cause of concern for the Indian Shrimp Exports as USA is the largest buyer of Wild Shrimps from India and this has also lead to a 10-15 percent decrease in the number of shipments in 2019 (Kumar V. S., 2019).

This is likely to affect the livelihoods of fishermen, trawlers, processors and Sea food Exporters in Kerala which is a leading state in the export of wild caught smaller shrimp varieties like Marine Shrimp and Brown Shrimp.

- **Border Rejections**

One of the common constraints faced by the sea food exports from India in general is the need to comply with the strict quality requirements imposed by the USA and subsequent border rejections of consignments, if any variation or violation in quality standards of sea food exported are found. Sea food is a perishable item. Hence, ensuring the safety of sea food imported assumes paramount importance as it is a serious issue concerning the health of the consumers in the importing country. US Food and Drug Administration (FDA) is the federal agency of the US Department of Health and Human Services that is entrusted with the responsibility to control and ensure the food safety in USA (Food and Drug Administration, n.d.).

The USFDA uses import alert system to enforce the food safety regulations on food products imported from other countries and it has the right to modify the alerts as required from time to time (FDA Import Alerts, 2019). According to the Import Alert “IA-16-35”, FDA has the right to detain fresh (raw), frozen and cooked shrimp from India without physical examination (US Food and Drug Administration, 2020). Fresh and Frozen Shrimp can be detained if presence of antibiotics, pathogens like salmonella and filth are detected and Cooked Shrimp can be detained if decomposition is detected (US Food and Drug Administration, 2020).

The USFDA's stringent testing measures are seriously affecting the export trade of shrimp from India. As shrimp is the major sea food commodity exported to USA, Shrimp exports often face the problem of detentions and rejections. Sometimes the permissible residue limits are also changed from time to time. Hence, the stringent border inspections and subsequent rejections enforced by the USFDA are acting as a serious constraint for the shrimp exports from India.

Conclusion

Shrimp has become one of the principal revenue earning sea food items for India. The increased shrimp production accompanied by the increased demand for shrimp from developed countries like USA have stimulated the growth of shrimp exports from India. Shrimp exports to USA has led to increased foreign exchange earnings for India. It is indeed an undisputable fact that Indian Shrimp has been able to earn its own place in the world's largest sea food importing country like USA. However, many aforesaid constraints such as Anti- dumping Duty, Ban imposition, SIMP and Border- Rejections imposed by the US government hinder the smooth export trade of shrimp between USA and India.

References

- Ancy, V. P., & Raju, K. V. (2014, July- December). Indian Shrimp Export and US Anti-Dumping Duty: Issues and Challenges. *ARSS*, 3(2), 6-12. Retrieved from <https://www.trp.org.in/wp-content/uploads/2016/11/ARSS-Vol.3-No.2-July-Dec-2014pp.5-12.pdf>
- Ancy, V. P., & Raju, K. V. (2016, March). Trends in Marine Products Exports from India: Issues and Challenges. *International Journal of Research in Finance and Marketing*, 6(3), 101-114. Retrieved from https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=2ahUKEwivkf-M1YzkAhW36nMBHTlSB34QFjABegQIAhAC&url=https%3A%2F%2Fpdfs.semanticscholar.org%2F7b0d%2F6a8efc75ac51f998a75c5429f17be6d9c1af.pdf&usg=AOvVaw0OI_BumFivXSDmUZ0JMMMap
- Anders, S., & Westra, S. (2012). Barriers to Fishery Exports from Developing Countries: The Impact of U.S. FDA Food Safety Regulation. *International Association of*

- Agricultural Economists (IAAE) Triennial Conference*. Retrieved from <http://ageconsearch.umn.edu/record/126912/files/Westra.pdf>
- Behera, N. (2018, December 21). Exporters gear up to comply with SIMP regulations on shrimp by US. *Business Standard*. Retrieved from https://www.business-standard.com/article/economy-policy/exporters-gear-up-to-comply-with-simp-regulations-on-shrimp-by-us-118122100688_1.html
- Bhattacharyya, B. (2005). *The Indian Shrimp Industry Organizes to Fight the Threat of Anti-Dumping Action*. World Trade Organisation. Retrieved from World Trade Organisation:
https://www.wto.org/english/res_e/booksp_e/casestudies_e/case17_e.htm
- ET Bureau. (2020, January 8). Tightening of regulation in the US and EU markets has severely impacted Indian shrimp exports , says Drip Capital. *The Economic Times*. Retrieved from <https://economictimes.indiatimes.com/news/economy/foreign-trade/tightening-of-regulation-in-the-us-and-eu-markets-has-severely-impacted-indian-shrimp-exports-says-drip-capital/articleshow/73155384.cms>
- Geetha, R., Ravisankar, T., Patil, P. K., Avunje, S., Vinoth, S., Sairam, C. V., & Vijayan, K. K. (2020, April 13). Trends, causes, and indices of import rejections in international shrimp trade with special reference to India: a 15-year longitudinal analysis. *Aquacult Int*. Retrieved from <https://link.springer.com/article/10.1007/s10499-020-00529-w>
- Kumar, K. (2019, December 3). Exporters worried as US ban on sea shrimps stays. *The Economic Times*. Retrieved from https://economictimes.indiatimes.com/markets/commodities/news/exporters-worried-as-us-ban-on-sea-shrimps-stays/articleshow/72343672.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
- Kumar, V. S. (2019, November 26). US restrictions continue to hit exports of wild-caught shrimps. *The Hindu Business Line*. Retrieved from <https://www.thehindubusinessline.com/economy/agri-business/us-restrictions-continue-to-hit-exports-of-wild-caught-shrimps/article30089404.ece>
- MPEDA. (2018). *State-wise details of Shrimp and Scampi Production*. Retrieved from MPEDA:

<https://www.mpeda.gov.in/MPEDA/cms.php?id=eWVhci13aXNlXNwZWNPZXMt d2lzZS1zdGF0ZS13aXNI#>

MPEDA. (2019). *MPEDA Annual Report 2018-19*. MPEDA.

MPEDA. (2019, April). MPEDA participated in Seafood Expo North America 2019. *MPEDA Newsletter*, 7(1).

NOAA Fisheries. (n.d.). *Seafood Import Monitoring Program*. Retrieved from NOAA Fisheries: <https://www.fisheries.noaa.gov/international/seafood-import-monitoring-program>

Ravi, R. (2019, August 20). India's shrimp exports to the US rises by 14 pct in January-June 2019. *Financial Express*. Retrieved from <https://www.financialexpress.com/economy/indias-shrimp-exports-to-the-us-rises-by-14-pct-in-january-june-2019/1680112/>

Research and Markets. (2019, June). *The Shrimp Market - Worldwide Growth, Trends and Forecasts (2019-2024)*. Retrieved from Research and Markets: https://www.researchandmarkets.com/reports/4771757/shrimp-market-growth-trends-and-forecast?utm_source=GNOM&utm_medium=PressRelease&utm_code=6znzbh&utm_campaign=1264547+-+Shrimp%3a+The+Future+of+the+%2445%2b+Billion+Market%2c+2019+to+2024&utm_exec=joca220

Singh, G. (2020, April 23). *Shrinking prospects for shrimp farmers as India faces a global slump*. Retrieved from The Fish Site: <https://thefishsite.com/articles/shrinking-prospects-for-shrimp-farmers-as-india-faces-a-global-slump>

White, C. (2019, February 1). <https://www.seafoodsource.com/news/supply-trade/india-is-top-exporter-of-shrimp-to-us-for-fourth-straight-year>. Retrieved from Seafood Source: <https://www.seafoodsource.com/news/supply-trade/india-is-top-exporter-of-shrimp-to-us-for-fourth-straight-year>

Workman, D. (2019, May 1). *Big Export Sales for Frozen Shrimps*. Retrieved from World's Top Exports: <http://www.worldstopexports.com/big-export-sales-for-frozen-shrimps/>