



Opportunities and Challenges of Seafood Industry in India

KEYWORDS

Export, Trade barriers, Seafood Industry

Dr.S.RAJAMOCHAN

Professor, Alagappa Institute of Management,
Alagappa University, Karaikudi -630004, Tamilnadu

D.JOEL JEBADURAI

Ph.D (Research Scholar)
Alagappa Institute of Management
Alagappa University, Karaikudi - 630004, Tamilnadu

ABSTRACT *Export is the lifeblood of the economic development of the countries growth. India is the country gifted with the lot of resources and wider coastal areas. It exports various types of seafood to different countries in the global logistics market. Seafood is exported by the exporters in the way of direct and indirect manner due to the reason of lack of knowledge towards foreign exchange fluctuation and tax purpose of the exporters. Export is necessary for every country because it brings lot of benefits to the countries in form of foreign exchange; foreign resources, employment opportunity and so on. But still now our balance of payment shows deficit. Within this backdrop this paper is made to study the opportunities and challenges of seafood industries in India.*

INTRODUCTION

In the modern economic world, every country is involving in exporting their goods to the host countries due to strengthen the economic position of the home countries. After the new economic policy 1991, international trade in fish and fishery products have grown rapidly, especially in the developing countries, it has risen from 40 percent to 50 percent, and their net dollar increased from US\$ 4 billion to almost US\$18 billion. Along with the Indian foreign trade also has achieved an unbelievable growth in the international trade because of the new economic policy called Liberalization, Privatization, and Globalization (LPG). India plays an important role in exporting seafood while compare to other Asian countries. Because of marine sector is the sun raising sector in the total fisheries export of the country. India exports various type of seafood like frozen shrimps, squids, and finfish in the form of dried, chilled, and live to various countries according to the need of the foreign customer demands. During the financial year 2012-13, the marine product export was reached the high with of Rs.18,856 crores while compare to the previous year 2011-12, it is achieve the 13.61 percent highest growth rate in the economy. This growth was achieved in the seafood industry due to the reason of that current demand pattern of seafood markets, healthy reasons, and technology transfer by means using modern machinery for freezing and processing of processed value added products. But the marine products export is not contributed the up to expected level in the Gross Domestic Product (GDP) of the Indian economy it is due to the reason of over catching and depletion of the marine resources by way of polluting, Industry wastage, wetland losses, mangrove destruction etc. But it can be reduced with the help of various legislative measures enforced by the government and fisheries association but the problem is encountered in the stage of implementation process.

OPPORTUNITIES AND ADVANTAGES OF SEAFOOD EXPORTING

India has vast potential for fishes from both inland and marine resources, due to its long coastline, huge reservoirs, etc. It is the fourth largest producer of fish in the world. It is also the second largest producer of inland fish. The contribution of fisheries to the GDP is around 1.4%. From 0.75 million tons in 1950, the fishery sector has grown to the production level of 6.4 million tons worth Rs. 3,20,000 million, and an export of nearly Rs. 70,000 million. Nearly 10 million people, living in 4,000 coastal villages and more number of interior villages, depend on fisheries to earn their livelihood. Development of brackish water and freshwater aquaculture has tremendous

scope in India. Out of a total area available for this culture, only 30% of fresh water area and 10% of brackish water area is utilized. Huge production, consumption and export has made this sector an important part of the Indian economy. The major thrust in fisheries development has been focused on optimising production and productivity, augmenting export of fishery products, generating employment and improving welfare of fishermen and their socio-economic status. The target is to increase the fish production from the current level of 60 lakhs MTs to about 95 lakhs MTs by 2020. The opportunities of the seafood industries are:

Earning of Foreign Exchange

The main benefits of the export are that to earn the foreign exchange from the host countries. From that this our country currencies are getting relatively strengthen position in the foreign exchange market. Export is strengthening the par value of domestic currency through creating the demand of the home countries currencies in the foreign exchange market. Because importer demanded the exporter currency in the market for the payment of the importer simultaneously par value of the currency was increased. This foreign exchange earning made a positive impact in the balance of payments of the country. In the financial year 2013-2014 Indian currencies par value was decreased while compared with the American dollar it is the effect of higher level of export from the outside of the countries

Employment opportunities

Employment opportunity is the biggest problems of Indian economy. But this problem was solved with the help of the marine sector. Export provides employment opportunities to the domestic countries and increases the standard of living of the population in the countries. Approximately 50 million people worldwide depend on fishing for all or most of their family earnings, while another 150 million depend on fish processing and the fleet servicing industry. More than 10 million works on 2.5 million small scale fishing vehicles and account for 50 percent of the worlds catch.

Increase purchasing power

International trade increase the purchase of the customers through offering and purchasing the product from the goods available with the low cost.

Economies of scale

Developing and under developed countries are entering in the international trade for the advantage of achieving the

economies of scale. Economies of scale refer to producing more output with lower cost. By utilizing the existing resources and labours of the domestic countries' economies of scale achieved.

Utilize the factor of production

Export industries are effectively utilized this land, labour, capital within the capacity. By doing this Indian economy flourished with the high growth.

CHALLENGES AND BARRIERS OF SEAFOOD EXPORTING Increase in reefer base rates

All the shipping lines operating from Indian coasts have unilaterally announced an increase of US\$1500.00 in freezer container freight rates irrespective of the size of the container and port of destination. All ocean freight carriers carrying goods to US ports are required to file their tariff rates with Federal Maritime Commission (FMC). However, these rates are not the actual tariff collected from the shippers. The rates vary from shipper to shipper based on a special contract signed between individual shipper and the freight carrier. All other shippers will be subject to the open tariff rate filed with FMC. The tariff rates between the contracted rate and the open tariff rate for US East Coast may be as high as US\$1500.00 or more. The lack of effective legislation for fixing the freight rates to specific destinations have contributed to this unhealthy practice of bargaining for the freight rates by the shippers. Application of an across the board increase of US\$1500.00 for all destinations and sizes of containers clearly indicates that the increase has been applied without proper methodology, justification or without supportive documentation.

Terminal handling charges

A major hurdle faced by the seafood export industry in India is the exorbitant Terminal Handling Charges (THC) levied by Indian terminal operator. Although the scale of rates for the THC is fixed by Tariff Authority for Major Ports (TAMP), the shipping services sector pays little heed to the regulatory body knowing full well that no penal action will be taken against them. The THC in Indian ports today are very high compared to ports in the neighbouring countries including Sri Lanka and the Middle East region.

Anti-Dumping Duty

The US anti-dumping duty on frozen shrimp imports from India was imposed from August 4, 2004. The average duty imposed on Indian companies was 10.17 per cent and in the first Administrative Review (AR), this was cut to 7.22 per cent. It was further reduced to 1.69 per cent in the second Administrative Review (AR) and to 0.79 per cent in the third. In the fifth AR, this was raised to 1.69 per cent. After the sixth Administrative Review (AR) it has been further enhanced to 2.51 per cent, from 1.69 per cent. Announcing the results of the sixth AR, the US Department of Commerce (DoC) reduced the duty for Falcon Marine Exports, the mandatory respondent for the review, to zero. The revised duty is applicable from February 2011 to January 2012. This decision of DoC will be effective from 2013, when the seventh administrative review completes.

Withdrawal of subsidies for marine industry

The Director General of Foreign Trade (DGFT), on 5th June 2012, published the Annual Supplement of the Foreign Trade Policy (FTP), in which the Status Holder Incentive Scheme

was expanded to cover more export product groups including marine products. However, the words 'Marine Products' was neither mentioned in Chapter 3 of FTP, nor in the Handbook. Because of this anomaly, exporters couldn't avail of SHIS benefits. Surprisingly, on 28th December 2012, marine products were withdrawn from the scope of SHIS.

Importers default

Importers make default to the payment of the exporters due to the reason of highly devaluation of the importers currency, quality of the goods, labeling and certification of the goods, not obtain green certification for seafood, lot of wastage for the importer country, war between the countries etc.

Cultural and language Differences

Culture and language are important in the international trade. Due to the lack of knowledge in the common language used in the international trade they cannot able to trade at higher level compared with what they are actually expected to export to the host countries.

Political System

Legal system of every country is framed by the ruling parties of the country. So every company is abiding the rules of another country while exporting their goods. Seafood companies follow the customer need and also the rules of the host countries in order to export the goods without restriction.

Food safety legislation

International trade has faced more restriction because of strict legislative measure of importing countries. The European Union food industry has created standards on grounds of food safety assurance, environmental management and social welfare issues. Majority of the importing countries are tightening their food safety legislation and demanding the adoption by exporting countries of agreed inspection, examination and certification procedures.

Over catching and depletion of resources

Sometimes fishermen catch fishes from the ocean exceed to the limit of the permitted one. It will lead to depletion of the fish resources very shortly. In addition with this oil, chemical from the sunk the cargo in the sea and environmental conditions are also reducing the growth of the fishes. The result of this consequences lead to raw materials supply to the export organization being reduced.

Infrastructure facilities

Seafood should be stored with the high capacity of chilled and protected go down. Due to lack of this facilities seafood are destroyed and it is to be thrown out in the open place and created the lot of diseases to the human being those who are living in the surround places.

Conclusion

The global seafood market is a complex system of trade and sustainability issues. Seafood exports are to be encouraged in the international trade due to the reason that it is satisfied the human food security needs. From the study export are restricted with various activities such as over-fishing, environmentally harmful fishing practices, capacity management, trade in endangered species, trade barriers, so it is to be managed by the exporters with the help of various trade organizations like General Agreement on Tariff and Trade, World trade organization and so on.

REFERENCE

1. www.celk.au.in/Fisheries/CaptureFisheries/Indian_seafood.aspx (Accessed on 28, March 2014).
2. http://www.fisheries.is/economy/fisheries_impact/financialperformance/ (Accessed on 29, March, 2014)
3. <http://www.iisd.org>
4. <http://www.mpeda.com>
5. <http://seai.in/history/>
6. <http://business.gov.in/agriculture/opportunities.php>