

Riding the Waves: Shrimp Industry Resilient amidst Global headwinds

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Synopsis

- India is the world's second-largest aquaculture producer after China and one of the largest exporters of seafood in the world. Shrimp production, riding on a paradigm shift from native species such as the Black Tiger to Vannamei shrimp, grew by 255% over the last decade with production of 11.6 lakh MT in FY23 as against 3.3 lakh MT in FY14.
- Shrimp exports, which constitute around 70% of India's marine exports, have grown remarkably in the last decade ending FY23 by 136% in volume (MT) terms and 122% in value terms (INR). In FY24, the shrimp industry in India witnessed a divergence from the trend with a moderation of around 10% in exports in INR terms, majorly due to international pricing pressure.
- India, Ecuador, Vietnam, Indonesia, Thailand, and China largely dominate the global shrimp export market. These six countries have a combined market share of around 75% by value in USD terms and around 74% in volume terms in the total export market in CY22. The global shrimp export market grew at a compounded annual growth rate (CAGR) of 4.90% in the last 10 years to US\$24,600 million in CY22 from US\$15,262 million in CY13, mainly driven by an increase in volumes from 1.88 million tonnes to 2.37 million tonnes.
- India exported about 60-70% of its shrimp production and held its position as the largest exporter in value terms (USD) till CY21 with around 20% share in global shrimp exports. However, Ecuador benefitted from its proximity to the US markets and the resultant export competitiveness against India post COVID-19 and increased its supplies to the USA. This, with substantially increased demand from China, where it already held a major market share, resulted in Ecuador surpassing India as the largest shrimp exporter in CY22 by value, with a 26% market share as against 18% market share of India.
- Amidst challenges such as muted international prices, tariff and non-tariff protection measures undertaken by major export destinations like increasing anti-dumping duties and rejections, increasing competition and geographical concentration, the Government of India set an ambitious seafood export goal of ₹1.0 lakh crore (as against ₹61k crore in FY24) for revitalising agricultural vigour supported by different schemes of the Government.

Indian Shrimp Sector – Current Scenario

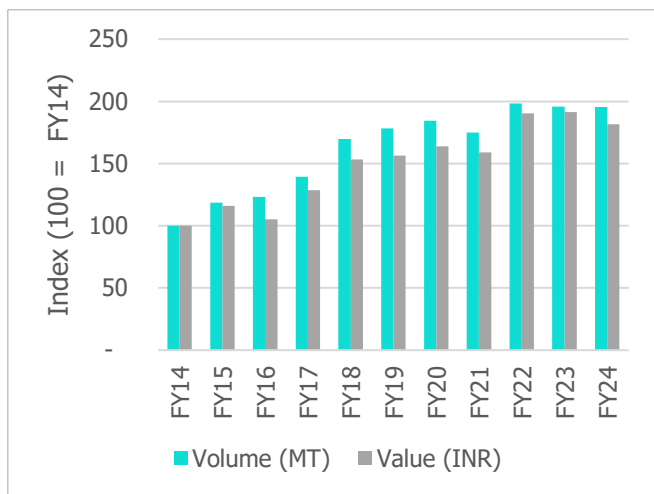
India is the world's second-largest aquaculture producer after China and one of the largest exporters of seafood in the world. In the last 10 years ending 31 March 2023, total marine exports from India have increased by around 76% in volume (MT) and by around 62% in value (USD) terms. During the same period, shrimp exports from India, which constitute around 70% of marine exports, have also witnessed remarkable growth, with an increase of 136% in volume (MT) terms to over 700,000 tonnes and a 122% increase in value terms (INR) to around ₹43,000 crore.

Both the volume and value of shrimp exports have grown in the last 10 years considering the increase in domestic production of Shrimp and robust demand for frozen shrimp in international markets. However, realisation moderated in the period, with a continuous decline in Dollar terms by around 28% majorly owing to factors including global production trends, volatile market demand, and increasing international competition, among others. This

has mostly been recovered in INR terms in the period due to the depreciating rupee, due to which, Indian shrimp has remained price competitive over the years, which along with increasing production capacity, technological advancements, diverse product range and adherence to quality standards have enabled better foothold of India in global Shrimp markets.

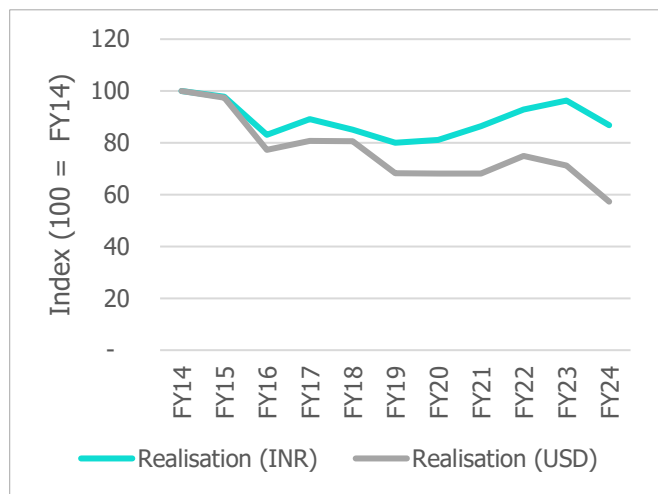
The Indian shrimp exports in FY24, moderated in INR terms as compared to growth in earlier years, majorly due to international pricing pressure, with export realisations falling by around 10% y-o-y in FY24, with no major change in volumes. Pricing pressures are majorly from muted demand from China and Europe, which have been two major customers for India after the US, and competition from Ecuador.

Figure 1: 10-year Shrimp export trend in volume and value terms



Source: MPEDA

Figure 2: 10-year trend of realisation in INR and USD terms

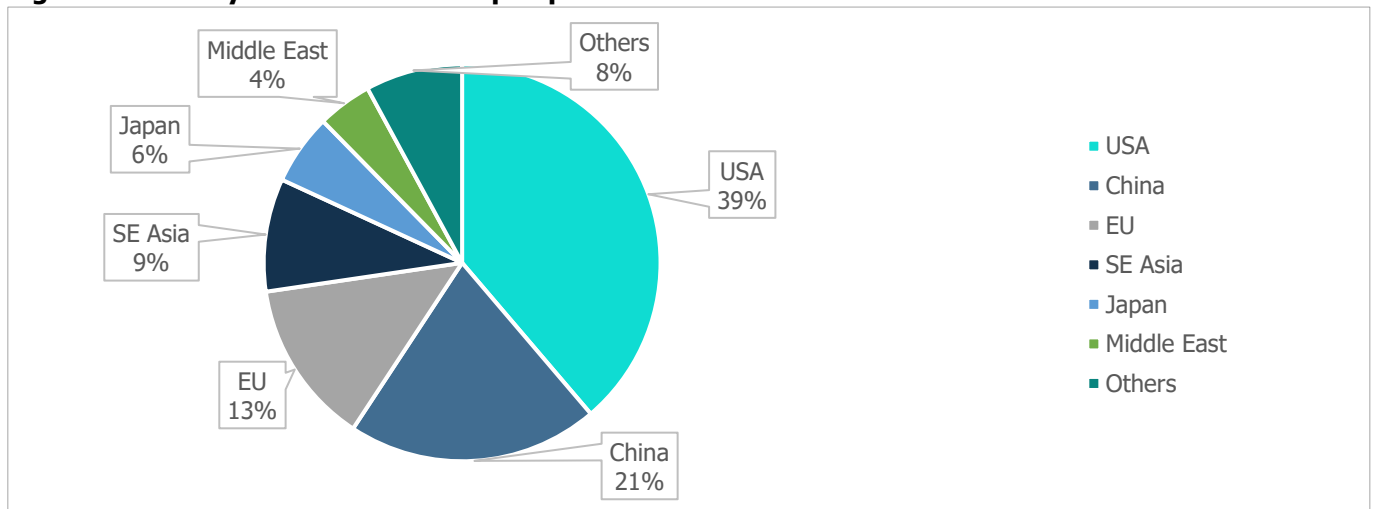


Source: MPEDA

Major export destinations from India

Geographically, frozen shrimp exports from India are spread over North America, Asia, and Europe. However, the United States of America (USA) and China contributed around 60% of the total shrimp export value in FY23.

Figure 3: Country-wise frozen shrimp export from India in FY23

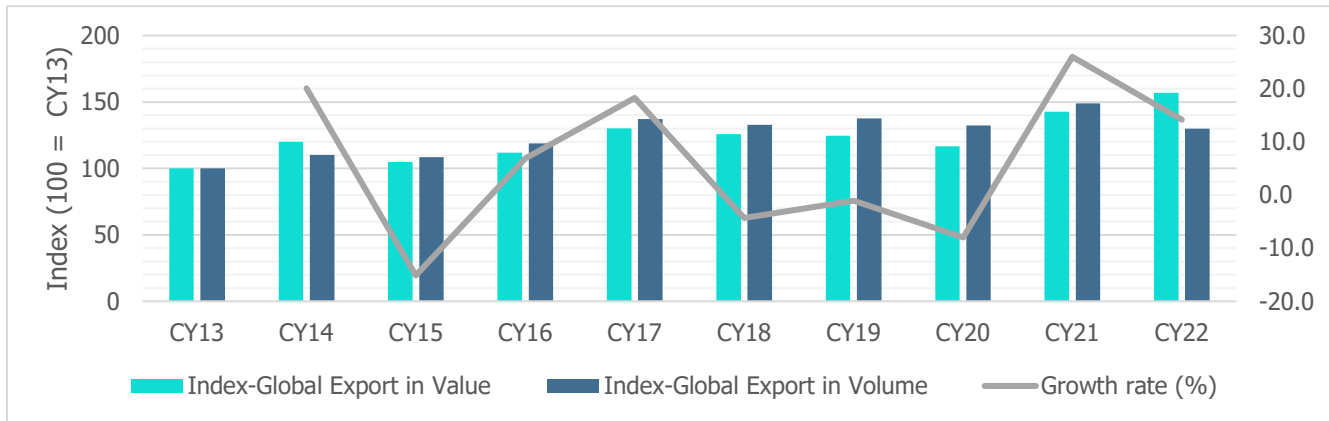


Source: Pib.gov.in

Global export market size

The global shrimp export market grew at a compounded annual growth rate (CAGR) of 4.90% in the last 10 years to US\$24,600 million in CY22 from US\$15,262 million in CY13 mainly driven by an increase in volumes from 1.88 million tonnes to 2.37 million tonnes. The global shrimp demand has been affected over the years by a lot of factors including the COVID-19 pandemic. However, the growing preference for shrimp against other marine food products led to the fast fading of COVID-19 led to weakness in demand.

Figure 4: 10-year trend of Global Shrimp exports



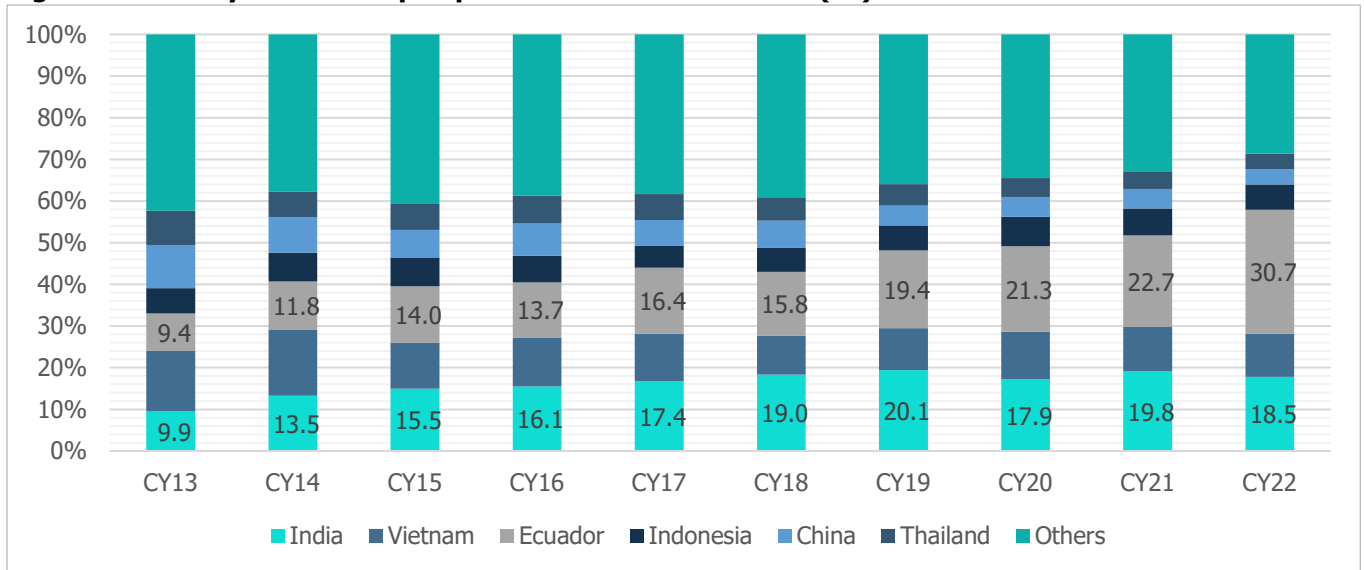
Source: WITS & World’s top exports

India’s position against peer countries

Global shrimp export market is largely dominated by India, Ecuador, Vietnam, Indonesia, Thailand and China. These six countries have a combined market share of around 75% by value in USD terms and around 74% in volume terms in the total export market in CY22. Market share in volume terms of these countries has increased in the last ten years from 60% in CY13 to 74% in CY22 mainly driven by an increase in export volumes of Ecuador and India. From CY13 to CY19, India remained the largest exporter in volume terms with a market share of around 20% in CY19.

However, after the onset of COVID-19 in CY20, normal business activities including supply chain were disrupted worldwide, including India, which led to higher transport costs. Ecuador, which has always been one of the major competitors of India, benefited from its proximity to the US markets and captured a significant share in the US imports from CY20 to CY22. Demand from China increased significantly since CY19 majorly due to rising meat prices, strong domestic demand, and continued value-added processing for the export market. This also helped Ecuador, which held a substantial market share in China’s imports. Its exports to China increased from 99,000 MT in CY18 to 6,45,000 MT in CY22 making it the largest Shrimp exporter by volume with a 31% share in global shrimp exports.

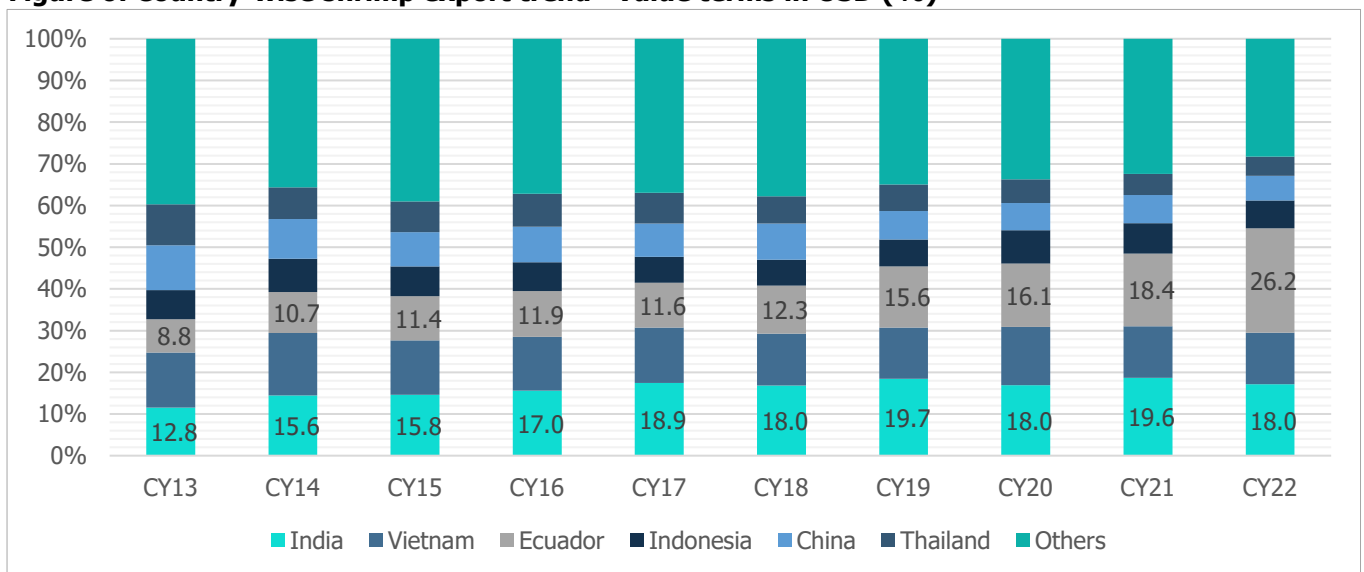
Figure 5: Country-wise shrimp export trend – Volume terms (%)



Source: WITS & World’s top exports

India held its position as the largest exporter in value terms (USD) till CY21 with a 19.6% share in global shrimp exports, given the higher average pricing charged for processed shrimp. However, Ecuador surpassed India in CY22 in shrimp exports by value, with a 26.2% market share as against the 18.0% market share of India.

Figure 6: Country-wise shrimp export trend– Value terms in USD (%)

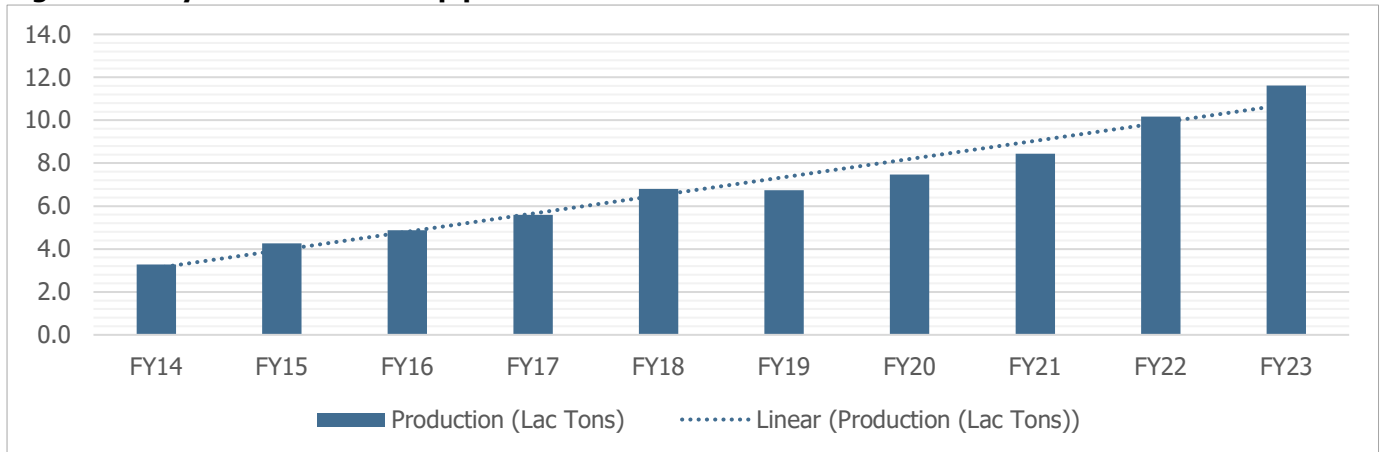


Source: WITS & World’s top exports

Domestic production trend

Production of shrimp in India witnessed consistent growth in the last decade driven by an increase in cultured shrimp production by introducing *Litopenaeus Vannamei* (Vannamei) variety shrimp in the commercial sector, with higher productivity per hectare than other shrimp varieties. Shrimp production (MT) witnessed a growth of 255% in the last decade with production of 11.6 lakh MT in FY23 as against 3.3 lakh MT in FY14, of which, around 60-70% is exported.

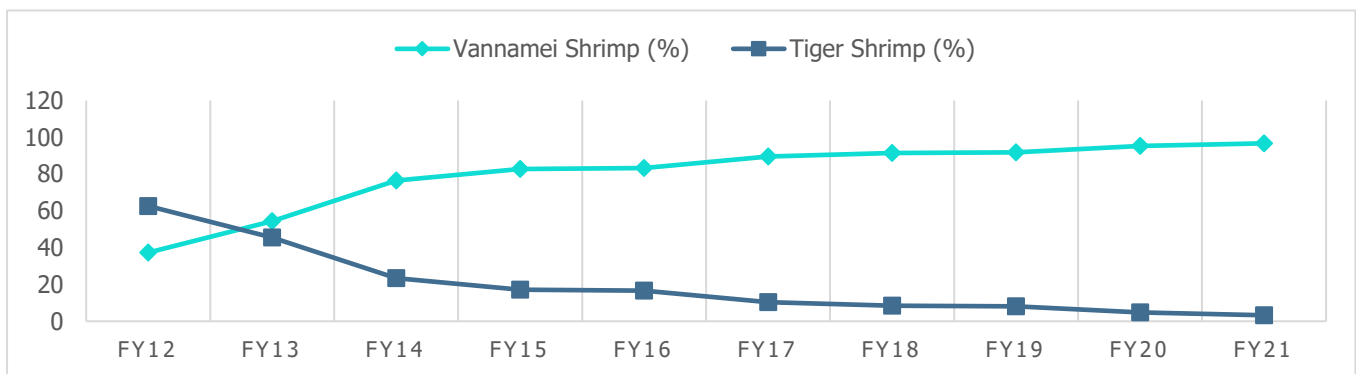
Figure 7: 10-year trend of shrimp production in India



Source: MPEDA

The decade saw a paradigm change in Shrimp production in the country with the export of Vannamei shrimp outpacing native species such as the Black Tiger, which was once the dominant farmed species. The growing importance of the Vannamei variety is attributed to their favourable commercial characteristics in the form of higher adaptability to production environment (tolerance to varied temperature, and salinity, among others), better disease resistance capability, higher growth rate, ease of breeding, and relatively higher demand in the global market. Consequently, Black Tiger production, which is more prone to viruses, has been taken over by the Vannamei variety and this resulted in increasing exports of shrimp over the years. The production trend of both shrimp varieties over the years are as below:

Figure 8: 10-year trend of different varieties of shrimp production in India



Source: MPEDA

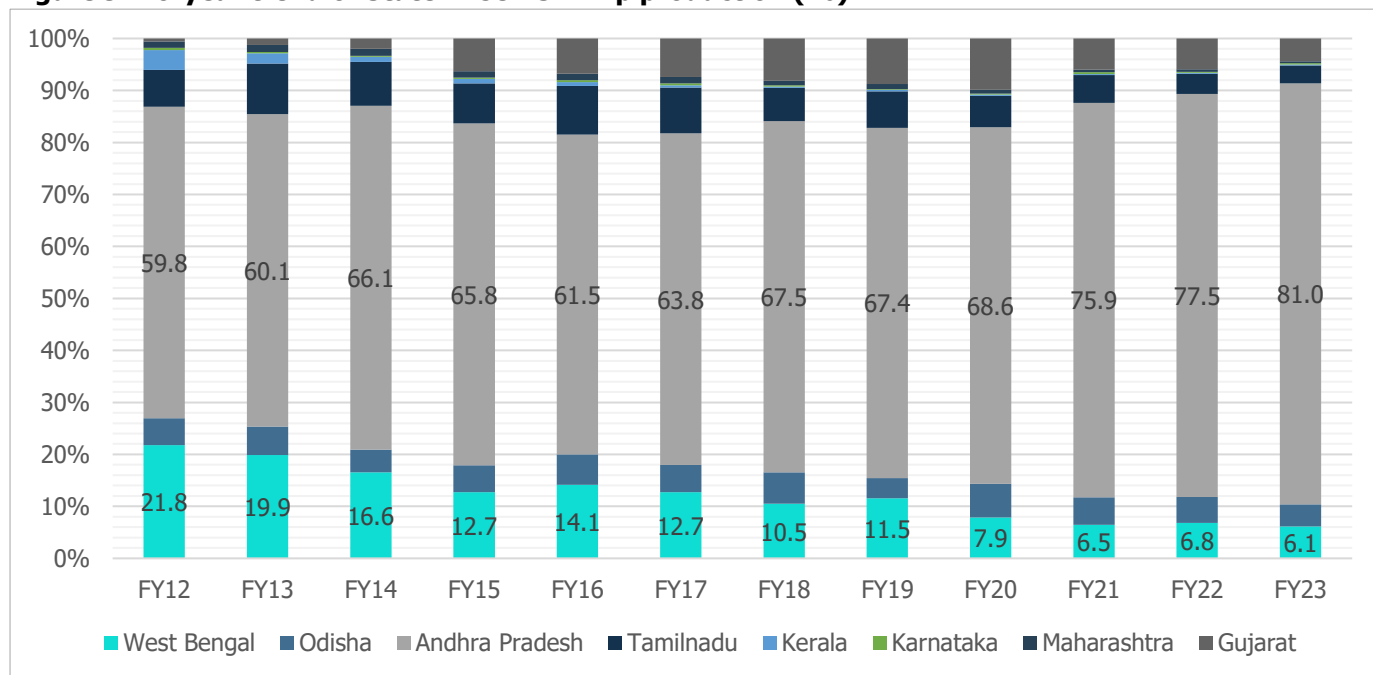
Shrimp hub of India

The growing business volume of frozen shrimp in India encouraged many medium-to-large players to set up seafood processing units and units for auxiliary products and services such as feed manufacturing facilities and cold storage chains to take part in the potential growth in the seafood export industry. As per the latest Government data, India has 36,572 MT per day of processing capacity with 621 processing plants, of which, more than 68% is approved by the European Union.

The majority Shrimp production in India is concentrated around five states, with Andhra Pradesh having the lion’s share of around 81% in FY23 (up from 60% in FY12) followed by West Bengal (6%), Gujarat (4%), Odisha (4%)

and Tamil Nadu (4%). In terms of area under culture, Andhra Pradesh and West Bengal are the top two states having a combined area of around 78% of the total area under shrimp culture in India. The share of West Bengal in the total shrimp production declined sharply in the last decade from 21.8% in FY12 to 6.1% in FY23, majorly due to West Bengal continuing largely with black tiger shrimp production, which has low productivity per hectare.

Figure 9: 10-year trend of State-wise - Shrimp production (%)



Source: MPEDA

Ongoing and upcoming challenges

The Indian shrimp industry is facing challenges such as muted international prices, tariff and non-tariff protection measures taken by major export destinations such as the United States of America (USA) in the form of increasing anti-dumping duties and rejections. Increasing competition and increasing geographical concentration are also posing challenges for Indian Shrimp exporters. There are ongoing deliberations on countervailing duty (CVD) to be imposed by the US Department of Commerce on frozen warmwater shrimp from India, Ecuador, and Vietnam, which if imposed, is expected to further dent India’s position in the global shrimp markets given that the USA is a major importer from India.

However, amidst challenges, the Government of India has set an ambitious seafood export goal of ₹1.0 lakh crore (as against ₹61k crore in FY24) for revitalising agricultural vigour supported by different schemes, some of which are listed below:

- Pradhan Mantri Matsya Sampada Yojana (PMMSY):** To support the fisheries sector, the Hon’ble Prime Minister of India launched the Pradhan Mantri Matsya Sampada Yojana (PMMSY) on September 10, 2020, to “transform” the fisheries sector and add strength to efforts of building an ‘Aatmanirbhar Bharat’. PMMSY is a flagship scheme for focused and sustainable development of the fisheries sector in the country with an estimated financial outlay of ₹20,050 crore from FY21 to FY25. Of this ₹12,340 crore is proposed for beneficiary-oriented activities in marine, inland fisheries, and aquaculture, and about ₹7,710 crore for fisheries infrastructure.

- **Shrimp Crop Insurance scheme:** The GOI launched the Shrimp Crop Insurance scheme developed by the Agricultural Insurance Company (AIC) with the support of ICAR-CIBA (ICAR-Central Institute of Brackish Water Aquaculture). Two Memorandums of Understanding (MoU) were signed, first between CIBA and the National Fisheries Development Board (NFDB) and second between CIBA and the Fish Farmers Producer Organization. (FFPO), for implementing crop insurance for aquaculture with premium subsidies offered by the NFDB and technology support for the Fish Farmer Producer Organizations (FFPO).
- **Government initiatives to reduce export rejection and improve safety:** To improve the quality and safety of seafood, GOI provides financial assistance for the setting up of mini laboratories by processors. Also, GOI through its nodal agency MPEDA runs various plans and programs like the National residue control plan, Pre-harvest testing, monitoring of pesticide residue at the national level, proficiency test (PT) and inter-laboratory comparison programs, internal audits, antimicrobial and antibiotic awareness programmes and testing for covid19 and SARS nucleic acid in food package materials. This has led to improvement in the safety standards of Shrimp exports from the country and made the Indian shrimp more export compliant.
- **Passing of Coastal Aquaculture Authority (Amendment) Bill 2023 (CAA):** The newly amended CAA bill has allowed shrimp producers and other seafood producers with various benefits, including flexibility in the registration period of a coastal business including its renewal based on sectoral needs and prevailing situations rather than rigid five-year period and decriminalise non-registration of farms. Also, the new act exempts hatcheries, nucleus breeding centres, broodstock multiplication centres, etc, from the 200-metre restriction from the high tide line towards the landward side. These among other measures, are set to help shrimp farmers improve their production in the long run.

CareEdge Ratings' View

"While the outlook for the shrimp industry is expected to remain stable, the Indian Shrimp Industry is facing high competition and challenges on the global front. The country is trying to regain its top position in the global field, riding on the back of GoI's initiatives undertaken to improve product quality, and productivity, reducing wastages & rejections through improved infrastructure like cold storage chain, and presence of testing laboratories, among others. This is expected to augur well for a better global market share for the Indian Shrimp Industry in times to come," said Arindam Saha, Director at CareEdge Ratings.

"The industry prospects demand broad basing the markets through premiumisation of products and geographical diversification of exports for the sustainable growth of shrimp industry players in the country, going forward," said Gopal Pansari, Associate Director at CareEdge Ratings.

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