

Report of the Managing Committee

On behalf of the Managing Committee of the Seafood Exporters Association of India, it gives me great pleasure and privilege in presenting the 35th Annual Report of the Association for the year 2004-05 with the Audited Balance Sheet and Income & Expenditure Statement for the period ended 31st March 2005

An organization which successfully stands the test of time is one that transforms itself in line with changes in the environment. SEAI's continued success in India over 35 years is marked by conscious transformations, building on the past and reshaping for future.

During 70's we altered the structure of SEAI to reflect the aspiration of Indian Seafood Export Industry by amalgamating two associations in the Industry and made it a Limited company registered under section 25 of the companies Act. By the end of 90's we made certain basic changes in the very structure of the organization and there by SEAI has become a true representative body of the Seafood Export Industry.

As this millennium dawned, SEAI has become competitive to handle any adverse situation faced by the industry whether internal or external.

The unexpected Tsunami waves which struck the coasts of Andhra Pradesh, Tamil Nadu and Kerala has very badly affected the marine industry. It has caused heavy losses to men and materials. Seafood export industry is committed in bringing all those who are affected back to normalcy.

A. Year Under Report

1. Membership

Membership of the association stands today as follows:

Name of the Region	No. of Members
Kerala	75
Tamil Nadu	43
Andhra Pradesh	52
Maharashtra	41
Gujarat	44
Karnataka/Goa	13
West Bengal	29
Orissa	23
Total	320

2. Regional Offices

We have Regional Offices in Kerala, Tamil Nadu, Andhra Pradesh West Bengal, Karnataka, Orissa, Maharashtra, Gujarat and the Regional Presidents as under heads each region.

President	Region
Mr. Kenny Thomas	Gujarat
Mr.Roozbeh Daruwalla	Maharashtra
Mr.George.K.Ninan	Karnataka
Mr. Anwar Hashim	Kerala
Mr.Ashok Nanjappa	Tamil Nadu
Mr.U.K.V.Raju	Andhra Pradesh
Mr.R.N.Mishra	Orissa
Mr.R.Bhattacharyya	West Bengal

The National Managing Committee consists of 25 members.

3 MEETINGS

During the year under review, 2003-2004, the Managing Committee met 6 times and has evolved into an effective body for dealing with various trade issues. There was more active participation by the Committee Members and debates and decisions were arrived at in a truly democratic manner. I wish to thank the Vice Presidents Mr. Gul Kripalani, Mr. O.N.Sharma, Secretary General Mr. T.Raghunath Reddy, Treasurer Mr.S.Ramalingam and all the Managing Committee Members for their support and cooperation. The details of the dates and venues of the Managing Committee meetings are as follows:-

Sl. No.	Name of the meeting	Date	Venue
1.	246 th Meeting	13 th April 2004	Cochin
2.	247 th Meeting	2 nd June 2004	Kolkata
3.	248 th Meeting	13 th July 2004	Chennai
4.	249 th Meeting	4 th September 2004	Chennai
5.	250 th Meeting	28 th October 2004	Cochin
6.	251 st Meeting	19 th December 2004	Chennai

4.EXPORT PERFORMANCE DURING 2004-05

4.1 Exports touched U.S.\$ 1.5 billion:

In 2004-05, export of marine products from the country had almost touched U.S.\$ 1.5 billion. Exports increased by 11.9% in terms of volume and 9.1% in Rupee terms and 11.1% in terms of US Dollar over the previous year (Table-1). However, compared to 2003-04, the average unit value realization had declined marginally by about 0.78% during 2004-05.

Year		Export	Growth	%	Unit Value
1997-98	Q	385818	+ 7619	+ 02.01	
	V	4697.48	+ 576.12	+ 13.98	121.75
	\$	1295.86	+ 143.03	+ 12.41	3.36
1998-99	Q	302934	- 82884	- 21.48	
	V	4626.87	- 70.61	- 01.50	152.73
	\$	1106.91	- 188.95	- 14.58	3.65
1999-00	Q	340003	+ 37069	+ 12.24	
	V	5095.73	+ 468.87	+ 10.13	149.87
	\$	1184.23	+ 77.32	+ 06.99	3.49
2000-01	Q	440473	+97443	+28.41	
	V	6443.89	+1327.22	+19.12	146.29
	\$	1416.32	+227.31	+19.12	3.22
2001-02	Q	424470	-16003	-3.63	
	V	5957.05	-486.84	-7.56	140.36
	\$	1253.35	-16297	-11.51	2.95
2002-03	Q	467297	+42827	+3.63	
	V	6881.31	+924.26	+13.96	Rs.154.35
	\$	1424.90	+171.55	+12.21	\$3.05
2003-04	Q	412017	-55280	-11.83	
	V	6091.95	-789.36	-11.47	Rs.147.85
	\$	1330.76	-94.14	-6.61	\$3.23
2004-05	Q	461329	+49312	11.97	
	V	6646.69	+554.74	9.11	144.08
	\$	1478.48	+147.71	11.10	\$3.20

Between 2000-01 and 2004-05, export which reached a maximum of Rs 6881.3 crore in 2002-03, declined in the next year to Rs 6091.3 crore and reached Rs 6646.7 crore in 2004-05. Compared to 2002-03, the appreciation in the value of Rupee against US dollar in 2004-05, helped to earn more Dollars in 2004-05 (US \$ 1.48 billion as against U.S \$ 1.42 billion).

4.2 Exports of frozen fish and squid up:

In 2004-05, frozen shrimp continued to remain as the most important item of export from the country in terms of value accounting for 63.5% of the total value of exports. Volume –wise, frozen shrimp accounted for only 29.9%. Compared to previous year, exports of frozen shrimp increased by 6.4% in volume, 5.1 % in terms of value in Rupees and 7.1% in dollar terms in 2004-05 (Table-2). Unit value realization for frozen shrimp registered a marginal increase (0.68%) in 2004-05.

Export of Frozen fish (the most important item of our export in terms of volume), which declined during 2003-04, made a remarkable recovery in 2004-05. In 2004-05, frozen fish export increased by 15.7% in terms of volume and 22.32% in terms of value over the previous year. Frozen fish accounted for 34.6% of the total export of marine products from the country in terms of volume and 11.4% in terms of value in 2004-05.

Export of fish items such as ribbonfish, croaker, pomfret, tuna, seer fish, mackerel, grouper, etc and fish fillets and carps increased during the year 2004-05.

Among shellfish, export of squid increased considerably during 2004-05 over previous year. Export of squid increased from Rs372.9 crore in 2003-04 to Rs 477.3 crore in 2004-05 , registering an increase of 27.9% in terms of value. Compared to Squid, exports of cuttlefish increased only by 8.9% in 2004-05 over previous year. Squid and cuttlefish together accounted for 14.3% of the total export of seafood from the country in terms of value in Rupee.

Among other items, export of dried fish came down sharply by 16.9%(from Rs 145.7 crore in 2003-04 to 121.0 crore in 2004-05) in terms of value. Live items too showed a marginal decline of 0.7% by Value. Compared to these two items, export of Chilled items and others increased by 6.4% and 22.2% respectively over previous year.

ITEM-WISE EXPORT OF MARINE PRODUCTS

(Q: Quantity in M. T, V: Value in Rs. Crore \$: US Dollar Million UV&: Unit value in US\$/Kg.)

Items	% Share to Total		Apr. -March 2004-05	Apr. -March 2003-04	Variation	(%)
Frozen Shrimp	29.93	Q:	138085	129768	8317	6.41
	63.50	V:	4220.67	4013.07	207.60	5.17
	63.47	\$:	938.41	876.64	61.77	7.05
		UV\$:	6.80	6.76	0.04	0.60
Frozen Fish	34.62	Q:	159689	138023	21666	15.70
	11.42	V:	759.27	620.73	138.53	22.32
	11.41	\$:	168.70	135.82	32.88	24.21
		UV\$:	1.06	0.98	0.07	7.35
Frozen Cuttle Fish	9.59	Q:	44239	39610	4628	11.68
	7.13	V:	474.01	435.18	38.83	8.92
	7.10	\$:	104.89	94.92	9.97	10.51
		UV\$:	2.37	2.4	-0.03	-1.05
Frozen Squid	10.43	Q:	48124	37832	10293	27.21
	7.18	V:	477.26	372.92	104.34	27.98
	7.21	\$:	106.63	81.00	25.63	31.64
		UV\$:	2.22	2.14	0.07	3.48
Dried item	2.10	Q:	9692	12574	-2883	-22.93
	1.82	V:	121.01	145.68	-24.67	-16.93
	1.83	\$:	27.09	31.69	-4.61	-14.54
		UV\$:	2.80	2.52	0.27	10.89
Live items	0.49	Q:	2262	2341	-79	-3.37
	0.76	V:	50.75	51.10	-0.35	-0.69
	0.77	\$:	11.31	11.15	0.16	1.42
		UV\$:	5.00	4.76	0.24	4.96
Chilled items	0.86	Q:	3988	3779	209	5.52
	1.03	V:	68.14	64.04	4.10	6.40
	1.03	\$:	15.16	14.00	1.15	8.24
		UV\$:	3.80	3.71	0.10	2.58
Others	11.98	Q:	55250	48090	7160	14.89
	7.16	V:	475.58	389.23	86.35	22.18
	7.19	\$:	106.29	85.54	20.76	24.27
		UV\$:	1.92	1.78	0.15	8.16
Total	100	Q:	461329	412017	49312	11.97
	100	V:	6646.69	6091.95	554.74	9.11
	100	\$:	1478.48	1330.76	147.71	11.10
		UV\$:	3.20	3.23	-0.03	-0.78

4.3 Europe emerged as the most important destination.

Export to USA, our major destination of exports during 2002-03 and 2003-04, came down from Rs 1682 crore in 2003-04 to Rs 1556 crore in 2004-05, registering a fall of 5.8% in terms of volume and 7.5% in terms of value (Table-3). The antidumping proceedings initiated by US government against India and five other countries and the consequent imposition of stiff duties against India were mainly responsible for down fall in our exports to USA. Exports to USA accounted for 23.4% of the total export of the country in terms of value.

The loss of market share in USA was more than compensated by the sharp increase in our export to European Union. Export to this market increased considerably both in terms of volume and value

during the year 2004-05.

Exports to EU increased from 96 284 tonnes valued Rs 1470.9 crore in 2003-04 to 117 742 tonnes valued Rs 1819.3 crore in 2004-05, registering an increase of 22.3% in terms of volume and 23.7% in terms of value respectively.

Exports to Japan registered an increase in terms of volume (15.6%) and value (3.3%) during the year 2004-05 over the previous year. However, these figures are deceptive and hiding the failure of retrieving our share in the Japanese shrimp market. Export of shrimp showed a decline of 4.35% by volume and 4.5% by value during 2004-05 over the previous year. Our export of shrimp, which peaked (52 756 tonnes) in 1999, came down steadily and touched the lowest record level of 29191 tonnes in 2003 (Globe fish). In 2004, exports increased by about 12.0% to 31 571 tonnes.

While exports to China registered a marginal increase in 2004-05 over the previous year, exports to other markets such as South East Asia and Middle east increased considerably –by 17.35 and 24.5 % in terms of value respectively.

COUNTRY-WISE EXPORT OF MARINE PRODUCTS

(Q: Quantity in M. T, V: Value in Rs. Crore \$: US Dollar Million)

Country	% Share to Total		Apr. -March 2004-05	Apr. -March 2003-04	Variation	(%)
Japan	12.54	Q:	57832	50020	7812	15.62
	18.09	V:	1202.45	1163.69	38.76	3.33
	18.06	\$:	266.96	253.86	13.10	5.16
USA	10.85	Q:	50045	53153	-3108	-5.85
	23.41	V:	1556.09	1682.06	-125.97	-7.49
	23.37	\$:	345.52	365.84	-20.32	-5.55
European Union	25.52	Q:	117742	96284	21458	22.29
	27.37	V:	1819.28	1470.99	348.29	23.68
	27.42	\$:	405.40	319.95	85.45	26.71
China	27.06	Q:	124826	123738	1087	0.88
	10.43	V:	693.25	676.46	16.79	2.48
	10.42	\$:	154.10	151.60	2.50	1.65
South East Asia	13.84	Q:	63842	50670	13171	25.99
	9.46	V:	628.83	545.77	83.06	15.22
	9.45	\$:	139.77	119.13	20.65	17.33
Middle East	3.60	Q:	16624	14711	1913	13.00
	3.68	V:	244.42	201.52	42.90	21.29
	3.70	\$:	54.70	43.92	10.78	24.55
Others	6.59	Q:	30418	23441	6977	29.76
	7.56	V:	502.37	351.46	150.91	42.94
	7.58	\$:	112.03	76.46	35.57	46.52
Total	100	Q:	461329	412017	49312	11.97
	100	V:	6646.69	6091.95	554.74	9.11
	100	\$:	1478.48	1330.76	147.71	11.10

4.4 Port-wise export:

Although there was a decline in the export to the tune of 9.0% in terms of volume and 4.85 in terms of value, Chennai port remained as the top most port for our shipments of marine products (Table-4). In 2004-05, its share in the total export of seafood from the country was 21.5% by value and 9.25 by volume. Kochi port too remained as the second most important port in terms of value of exports.

In 2004-05, Pipavav emerged as the top most port in terms of volume shipments.

While exports from ports such as Kochi, Vizag, JNP, Pipavav, Mumbai, Tuticorin, Goa etc registered an increase in 2004-05, other ports- Chennai, Kolkata, Kandla, Porbandar etc- registered a decline in export of sea foods.

The port-wise export details are given below:-

PORT WISE EXPORT OF MARINE PRODUCTS
Q: QUANTITY IN M T, V: VALUE IN RS. CRORE, \$: US\$ IN MILLION

Ports	%Share to total		APR- MAR 2004-05	APR- MAR 2003-04	VARIATION	(%)
CHENNAI	9.24	Q	42649	46894	-4244	-9.05
	21.56	V	1432.87	1505.51	-72.64	-4.82
	21.55	\$	318.55	327.30	-8.75	-2.67
KOCHI	18.70	Q	86291	75761	10531	13.90
	17.09	V	1135.70	1077.11	58.59	5.44
	17.07	\$	252.44	237.84	14.60	6.14
J N P	23.72	Q	109430	95584	13846	14.49
	14.52	V	965.32	837.25	128.07	15.30
	14.56	\$	215.24	183.35	31.88	17.39
VIZAG	6.94	Q	32028	24284	7744	31.89
	15.48	V	1029.06	763.64	265.42	34.76
	15.46	\$	228.58	166.47	62.10	37.31
TUTICORIN	6.10	Q	28160	21568	6591	30.56
	9.56	V	635.19	565.65	69.53	12.29
	9.54	\$	141.01	123.28	17.74	14.39
KOLKATA	4.01	Q	18492	17473	1019	5.83
	7.84	V	521.13	543.56	-22.43	-4.13
	7.82	\$	115.66	118.03	-2.38	-2.01
PIPAVAV	23.76	Q	109597	89628	19969	22.28
	9.47	V	629.54	477.31	152.23	31.89
	9.53	\$	140.83	104.41	36.42	34.88
KANDLA	1.36	Q	6281	13505	-7223	-53.49
	0.77	V	51.43	109.24	-57.81	-52.92
	0.76	\$	11.29	23.64	-12.35	-52.24
MANGALORE/ICD	2.24	Q	10349	8474	1875	22.13
	1.16	V	76.92	64.48	12.45	19.30
	1.16	\$	17.15	13.99	3.16	22.56
MUMBAI	0.59	Q	2744	1873	871	46.49
	1.09	V	72.39	47.37	25.02	52.83
	1.09	\$	16.17	10.33	5.84	56.56
GOA	2.17	Q	10030	10212	-183	-1.79
	0.71	V	46.96	31.4	15.56	49.57
	0.70	\$	10.42	6.89	3.53	51.27
PORBANDAR	0.30	Q	1365	5253	-3888	-74.01
	0.11	V	7.45	27.86	-20.41	-73.27
	0.11	\$	1.68	6.14	-4.46	-72.66
TRIVANDRUM	0.23	Q	1040	866	174	20.03
	0.33	V	21.70	22.02	-0.32	-1.44
	0.33	\$	4.84	4.81	0.03	0.62
HALDIA	0.02	Q	113	528	-415	-78.58
	0.06	V	4.18	18.44	-14.26	-77.33
	0.06	\$	0.91	4.04	-3.13	-77.48

PARADEEP	0.00	Q	0	110	-110	-100.00
	0.00	V	0.00	1.09	-1.09	-100.00
	0.00	\$	0.00	0.24	-0.24	-100.00
CALICUT	0.01	Q	47	4	43	1046.83
	0.01	V	0.67	0.02	0.65	3939.49
	0.01	\$	0.15	0	0.15	*****
Mundra	0.59	Q	2708	0	2708	***
	0.24	V	16.16	0.00	16.16	***
	0.24	\$	3.56	0.00	3.56	***
NSICT	0.00	Q	5	0	5	***
	0.00	V	0.02	0.00	0.02	***
	0.00	\$	0.00	0.00	0.00	***
TOTAL	100	Q	461329	412017	49312	11.97
	100	V	6646.69	6091.95	544.74	9.11
	100	\$	1478.48	1330.76	147.71	11.10

4.5 EXPORT PRODUCTION-CULTURE FISHERIES

During the year under report Aquaculture continued to grow and contribute substantially to seafood production and export from the country. Despite the vagaries of nature like drought etc aquaculture farms along the coastal states performed well to sustain the production level. As a result of the screening for antibiotics by the EU countries and Japan there has been a wide and increased awareness among the farming community for maintaining the quality of the product while opting for sustainable eco-friendly production techniques at all levels.

4.5.1. STATUS OF AQUACULTURE PRODUCTION.

The preliminary estimates from aquaculture farms during the year 2004-2005 indicated an increase in production of both shrimp and scampi in comparison to the production achieved during the same period in previous financial year. The shrimp production was estimated to be 1,25,670 MT registering 11.43% increase over the production achieved during 2003-2004. The estimated value of this production was 3367.33 crores at an average farm gate price of approximately Rs.270/kg. This indicates an increase of 14.61% over the previous year figure of Rs.2938 crores.

SHRIMP PRODUCTION THROUGH AQUACULTURE

Year	Live Weight (MT)	Product Weight (MT)	Estimated Value (Rs.Crore)
2001-02	1,02,940	65,882/-	3,170
2002-03	1,15,320	73,805/-	3,608
2003-04	1,12,780	69,673	2,938
2004-05	1,25,670	78,026	3367
Increase/Decrease in production	12,890(+)	8353(+)	429(+)
Difference in %	11.43	11.99	14.61

The Scampi culture operations also continued to expand in States like Andhra Pradesh, despite the disease and price problems. The estimated production of scampi was 38,720 MT which when compared to production of 35,870 MT during 2003-2004, recorded an increase of 2850 MT. The estimated value of Rs. 200/- per kg. Though culture scampi is primarily meant for export, it can be inferred that a large portion of the production goes to the domestic market for internal consumption as the actual quantity of scampi exported during year was 9401 MT valued at Rs.377 crores. The estimated production weight generated from cultured scampi and the actual export is given below

SCAMPI PRODUCTION THROUGH AQUACULTURE

Year	Live Weight (MT)	Product Weight (MT)	Estimated Value (Rs.Crore)
2001-02	24,230	12,115	485
2002-03	30,460	15,230	600
2003-04	35,870	17,935	700
2004-05	38,720	19,360	767
Increase/Decrease in production	(+) 2850	(+) 1425	(+) 67

Thus the total aquaculture production of shrimp and scampi during the year 2004-05 was 1,64,390 MT registering an overall increase of 15,740 MT ie 10.59% over the previous year production of 1,48,650 MT. This increase has resulted in a corresponding increase of 8317 MT in the country's shrimp export, as depicted in the table below.

Year	Total shrimp exports			Production through Aquaculture			
	Quantity in MT	Value in Rs. Crores	Live Weight in MT	Production Weight in MT	Qty Share %	Value Realized in Rs.Crores	Value share %
2003-04	1,29,768	4013	1,48,650	78,713	61	3348	83
2004-05	1,38,085	4221	1,64,390	87,427	63	3705	88

B. TRADE ISSUES**1 TSUNAMI**

Seafood Exports from India has declined by almost 30% due to the unexpected deadly Tsunami waves. It wrecked havoc on the southeast and south west coast of India unleashing terror on the people, fisher folk community in particular. The tsunami has also devastated millions of dollar worth of infrastructure in this region. Fisherman living along the 1000 km of the Indian coast line were the most hit by tsunami. A large number of fishing boats and fishing gears have been lost. In Tamil Nadu almost 600 villages and 30 islands of Andaman Nicobar Islands have been badly affected by the tsunami. The tsunami impact on aquaculture farms is equally devastating. A Large number of aqua farms near the coastline were inundated living a trial of destruction of the properties, particularly the critical eastern embankments and sea water pumping station. Most of the Indian aquafarmers are small operators which generally do not take insurance against natural calamities and therefore, will find it difficult to restart farming operations immediately. It appears that there will be serious capacity reduction in Indian Shrimp aquaculture output for the next two to three years. Many shrimp hatcheries which are situated just off the coastline have been flooded and there is heavy damage to building and seed production facilities. Shrimp seed production for the coming year will be a serious issue for the Indian shrimp farming industry and this also could substantially reduce shrimp aquaculture production and export.

2 80 HHC RECENT CONTROVERSIES

The Inadmissibility of deduction under 80 HHC brought our industry into a serious crisis of re-opening of assessments by the Income Tax authorities and heavy demands of re-worked taxation amounts with threats of attachment of bank accounts, which leads to suspension of much starved liquidity for the industry. Such an action comes on top of various other imponderables existing in the industry in succession over the last 8-9 years, the latest being the Anti Dumping action and the Tsunami impact.

The export sector across the board has been affected by this unfair approach of the revenue authorities. We are referring to the re-opening of assessments on account of the following two factors:

- 1) Inadmissibility of deduction under 80HHC where the derived income as per the Act is negative after deduction of export incentives.
- 2) Inadmissibility of DEPB income as an export income which effectively blocks DEPB income from qualifying for deduction under 80HHC.

First and foremost, it will not be out of place to mention here, that, the very Section of 80HHC was introduced in 1983 by the then Government, to encourage exports from India. This was later modified at various points in time to meet the requirements of the liberalized business scenario, which came into effect after 1991. The very objective of this section, as outlined in the Preamble to different Finance Acts, was to encourage exports and extend tax shelter to export income so as to place this sector on a level playing field in the international markets. The various governments in power, during these years, have continued the policy of encouraging exports and giving tax exemption / credits to export income. Having done so, to try to bring such export income back into the net of taxation, through intelligent interpretation of what has been stated in the Income Tax Act, is a total let down to the export sector and the business houses at large. It amounts to trust of the business sector in the objectives, as outlined by the government in the various Finance Acts, being misplaced, as a result of an unjustified effort by the revenue authorities to pool in more revenue. This, at the cost of overlooking and ignoring the objectives of the government's policy in introducing such a regulation.

Such an unwarranted and unfair effort of misinterpretation of two provisions of the same section, i.e. 80HHC of the I.T.Act, by the revenue authorities will sound a death-knell for our industry and the export sector at large.

Due to the support of other industry organization we could able to pressurize the Finance Ministry and got a temporary suspension of this provision till 31st August 2005.

3. ANTI DUMPING ISSUE :

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4. URGENT NEED FOR A NEW ECGC PRODUCT TO COVER U S CUSTOM BOND REQUIREMENTS FOR INDIAN SHRIMP EXPORTS

The United States Department of Commerce (DOC) imposed an antidumping duty of 10.17% on all imports of Indian Shrimp in the US market. As a result of antidumping proceeding and the uncertainty regarding final dumping duty all US importers are now buying Indian product only on duty paid basis. As a consequence, all the large Indian seafood exporters have registered themselves as "importer on record" with the US Customs and are now delivering products on a duty paid basis. Initially, the US Customs were accepting a US\$50,000 Bond from a US Bond Company for any future liability of difference in antidumping duty that may become payable. The US Bond Companies issued such bonds to an Indian exporter against a guarantee from a US buyer. The US Custom have now come out with a rule that all "importer on record" companies should give a bond equivalent to the duty payable on the average of the 12 month's export of the previous year. When the Bond requirement was only US\$50,000 US buyers of Indian shrimp were prepared to stand guarantee to the Bond Company. Now, that involves a Bond value of over a million dollar US buyers are not prepared to stand guarantee and bond companies are asking for 100% collateral in the US or bank guarantee from a reputed Indian Bank. Banks in India are asking for guarantee margin of 25% to as much as 50% depending on the individual exporter proving margin moneys for numerous bonds which would be totally beyond the means of even the largest and strongest Indian seafood exporter. We have requested ECGC to urgently introduce a new product specifically for the Indian shrimp exporters to US market on account of this new antidumping duty. ECGC should issue a guarantee on the US Bond Company on behalf of Indian exporter and charge a reasonable premium for issuing this guarantee.

C. ACHIEVEMENTS

1. Application of DEPB with retrospective effect:

Our DEPB rate, which was reduced from 5% to 3%, has been restored back to 5% as per Public Notice No.23(RE-2005)/2004-2009 of the Ministry of Commerce dated 20.06.2005. This is a correction to Notice No. 12 dated 26th May 2005.

The DEPB rate was reduced for almost all commodities on account of reduction in import duties in the last budget. However, we were able to convince the DGFT that the customs duty reduction did not in any way affect our DEPB rates. We are, perhaps, the only commodity group that has been able to convince the DGFT to make the correction and restore our DEPB rate.

It is because SEAI took immediate action in submitting to DGFT all the details of our import duty calculations that we were able to achieve this result.

Managing Committee wish to thank Mr. Elias Sait for the timely action he took in submitting the detailed calculations required and following up with the DGFT.

We hope members appreciate the efforts made by the Association, and it is important to note that it is only as an association that we are able to achieve such beneficial results.

2. New Executive Instructions for Fish & Fishery Products meant for export to EU and Non-EU Countries.

After continuous and long discussion, EIC has come out with New Executive Instructions for Fish & Fishery Products meant for export to EU and Non-EU countries.

The salient features of these instructions are as under:-

1. These instructions would be applicable for both EU and Non-EU establishments.
2. The major changes made are in the approval systems and also in the monitoring of the establishments.
3. The method of fixation of production capacity has been modified and the same would now be based on the Operational Freezing Capacity.
4. The aspect of water and ice would be checked through HACCP.
5. For fresh approvals the IDP shall assess the unit in two stages i.e., first to assess the infrastructural facilities and then for HACCP auditing which is based on the new EC regulation.
6. The frequency of monitoring has been reduced to once in a month; however checking on HACCP implementation has been made more stringent.

In addition, the responsibilities of the establishments have been highlighted and the penal actions in case of violations have been specified.

3. Traceability system introduced by West Bengal Region

The practice of soaking shrimps at W. Bengal has had an adverse impact not only on the quality of exported shrimp and its unit value but also on the reputation of Indian marine products in markets like Japan. The BT shrimp of Kolkata which commanded a premium price once are losing value mainly because of this practice. This practice over the years has led to a 15-20% reduction in unit value realization and has also affected the acceptability of Indian shrimp in Japan. As early as March 2001, a Code of Conduct was implemented by the SEAI and various meetings conducted at different levels to address the issue. But the cooling or shrimp continues to prevail and this call for stern measures with a view to retrieving the premium segment of the market which the BT shrimp sourced from West Bengal had occupied once.

At the instance of SEAI, West Bengal Region, the Director, EIC had held a meeting of exporters at Kolkata on 4th August 2004 to discuss the issue of soaking. Subsequently, the same was discussed

at the General Body Meeting of the SEAI, West Bengal Region on 6th August 2004 which was addressed by the Chairman MPEDA and the Secretary, Dept. of Fisheries, Government West Bengal. A set of guidelines including the punishments to be given to those violating the guidelines was laid down by the EIA vide No.EIC/D(Q/C)/T-1(Meeting)2004/4789 dated 01/ September, 2004 and this was also incorporated in the Code of Conduct signed by all exporters of the West Bengal Region. Again on 9th February 2005 a meeting was convened by SEAI, West Bengal Region to discuss the enforcement of the Code of Conduct for elimination of soaking of shrimp in which a number of decisions were taken. Director, EIC was also present. Some of the decisions taken at the meeting on 9th February 2005 which are more relevant to the exporters is reproduced below:

1. SEAI, West Bengal would introduce the system of registration of suppliers and all exporters who are signatories to the code of conduct would buy shrimp only from registered suppliers. The registered exporters in turn would be required to refrain from any activity which affects the quality of shrimp and conform to a Code of Conduct.
2. Every exporter would be required to implement the traceability system atleast upto the level of the auction centre. The records relating to the farmers would also be available at the auction centre.
3. Every exporter would give a traceability certificate with each export consignment.
4. Export certificate would be given by the EIC only on production of the traceability certificate.
5. From the commencement of the next season the task force of SEAI, MPEDA and EIC would be conducting regular surveillance of the processing units.
6. A publicity campaign would be mounted against soaking of shrimp. Regional Office, Kolkata will organize a publicity campaign through leaflets, posters to be distributed in auction centres. In addition to this, advertisements in local newspapers should also be published.
7. A special contact programme also needs to be launched by RO, Kolkata to educate the farmers, agents and suppliers on the need to maintain quality.

A meeting of the Task Force constituted to conduct a detailed assessment of the problem of soaked shrimps was held at Kolkata on 16th March 2005. The Task Force comprises representatives of EIA, MPEDA, State Fisheries Department and the SEAI, West Bengal Region, made surprise visits to approved units located in Kolkata region. As a result of these actions the Code of Conduct was strictly implemented from 26th March 2005.

All exporters refrain from buying or processing soaked shrimp from any dealer, farmer or processor. It was also decided to take stringent action, if any exporter is found to be acting contrary to the above instructions, including de-registration as exporter/de-registration of processing plant.

The leadership of Mr. R.Bhattacharrya, Regional President SEAI, West Bengal Region has developed a traceability system for Black Tiger Shrimps starting from Aratdar Level. It is worth mentioning to state that all suppliers of Black Tiger shrimp are registered with Seafood Exporters Association of India and the establishment accepts the raw material supplied by registered suppliers only. They have developed two sets of traceability forms for the use of Aratdar and also suppliers and factory supervisions. Once this system is fully implemented, it will be easy to trace back the material up to Aratdar level or beyond, which in fact will be highly beneficial for the trade.

For implementing the traceability system SEAI West Bengal got the full support of its members, MPEDA, EIA ,the local Government etc.

We may explore the possibilities of establishing similar traceability systems in other regions also, even though the conditions and requirements vary from region to region.

4. UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

UNCTAD, New Delhi, MOC&I and Department of International Development, UK are jointly implementing a project **Strategies and Preparedness for Trade & Globalization in India**”. to enhance National and Sub-national capacity to formulate strategies at product/sector level for facing globalization. The selection committee as well as the project steering committee appointed SEAI and

MPEDA as Tier –1 partner.

The aim of the project is to help all stake holders the fishery industry to continuously update their knowledge on all international issues affecting the trade and enhance their capacity to handle the issues correctly/ to take advance action if necessary/ to mitigate the impact of such issues.

The project is fully funded by UNCTAD for the first 4 years and MPEDA, SEAI as two Tire-1 partners will jointly utilize about Rs.57 lakhs in Trade related capacity building activities (TRCB) in the first year of implementation, about 48 lakhs in the second year Rs.17 lakhs in the third year and Rs.11 lakhs in the final year. The share of fund allocation between MPEDA and SEAI will be roughly equal.

An amount of Rs.30 lakhs was allotted to MPEDA and SEAI for the first six month's programmes. Identification of Industry related organisation to become Tire-2 partners in this porgrammes.

1. Setting up of sector net work and conducting inception work shops ie we are required to conduct 4 inception work shops in East Coast and West Coast.
2. Formation of a dedicated Website for the sector
3. Identification of Trade issues on priority basis
4. Targeted training workshop on specific issues of concern along with distribution of reading materials. For eg.:
 - a) Training module in preparedness in facing antidumping duties on trade and mitigation of problems raising from it.
 - b) Awareness programme on emerging standards and regulations.
 - c) Facilitating the exchange of information on business practices/ opportunities
 - d) Market studies
5. Continuous dissemination through Newsletters, translation of English material, Radio programmes, update of websites, organising fairs.

The MPEDA, SEAI will enter into an MOU with UNCTAD shortly.

5. SEALAB-the Quality control Lab

SEAI's Quality Control Lab at Cochin have been fully equipped and one of the best lab working in this sector. A further grant of Rs.3 crores have been sanctioned by the Government of India for the up gradation of the Lab.

SEAI Gujarat is also in the process of setting up a laboratory

6. Fishing harbour at Vishakapatnam

SEAI AP region has setup a fishing harbour with all international requirement handling sea caught materials. All the exporters are using his facility. This facility is appreciated by various international agencies visited India. Industry is in the lookout of setting up same facilities in other locations.

D. FUTURE OUT LOOK

1. Financial Restructuring of the Seafood Industry

The Commerce Minister and Secretary are keen to assist the financial restructuring of the seafood industry. The Ministry through MPEDA has already formed a committee to arrive at a solution for exit of sick units.

The Ministry has asked SEAI to submit urgently a financial restructuring proposal for existing units. The Proposal has now been reworked on the basis of the reaction of Managing Committee members. This has now been structured as a Soft Loan Scheme. This can be perhaps named as the Marine Products Industry Stabilization Fund or Restructuring Fund.

The details are outlined below:

1. Bonds will be issued by MPEDA for an amount of Rs.700 crores. This will in turn be availed of by the constituents of the industry as individual loans on soft terms, which are outlined later.
2. All the units in the industry who have been performing in the industry for the last 7 years, despite this crisis, will be financially supported based on their performance of turnover over a period of 7 years.
3. For the purpose of raising such bonds, a Government Guarantee or a Letter of Comfort from the Government may be required.
4. MPEDA Act will have to be amended to facilitate such a Bond Issue.
5. The constituents who will qualify for this bond will satisfy the following criteria:
 - a. They should be in existence with a continuous export performance of atleast 7 years preceding the date of distribution of the proceeds from the fund.
 - b. The export performance over the last 7 years should not indicate a serious dip during the last 2-3 years.
 - c. Merchant exporters will be eligible for this Bond only if their eligible amount is utilised for investment in processing plant. After utilisation of such fund, such a merchant exporter will continue only as a manufacturer exporter either by purchasing a plant or by entering into a lease agreement for atleast 5 years and investing in machinery atleast to the extent of the eligible fund.
 - d. New exporters can also avail of this fund only after 3 years of the export performance on parameters to be worked out. The Fund for which they are eligible should be utilised only for investment in fixed assets. The necessary export obligation stipulation will apply.
6. Conditions for release of loan by MPEDA under this Scheme:
 - a. The loan amount that the exporter will be eligible for will be equivalent to 10% of the annual average of exports effected over the last 5 years.
 - b. An undertaking of export obligation will have to be given by the exporter concerned to MPEDA. Such an export obligation will be for a period of 10 years. The annual export obligation will be 120% of the average annual export arrived at on exports for the last 5 years. But, starting the first year, the beneficiary should fulfil an obligation of atleast 1/10th of such obligation every year.
 - c. The repayment of such loan will be effected by way of a cut back of 2% of export value on every export bill. This cut back will be paid at the point of filing the shipping bill with the customs authorities. The customs department will pass the shipping bill only on production of the receipt from MPEDA that 2% has been paid towards repayment of such loan.
 - d. A performance guarantee will be given by the bankers of the exporter to MPEDA for fulfilling the export obligation and also for repayment of the loan to MPEDA.
 - e. The performance guarantee will be for a period of 7-10 years. In case the export obligation is not fulfilled during this period, MPEDA will encash the guarantee at the end of 7-10 years.
 - f. MPEDA will notify the customs authorities the names of those exporters who have availed of this scheme. This is to enable the customs to ensure that shipments are made only after 2% has been paid to MPEDA.
 - g. The interest rate for such loan will be at international rates of interest. This can be around

2. MPEDA-SEAI Task Force on Strategic Issues:

The MPEDA in association with SEAI constituted Task Forces to address the following 7 major issues confronting the seafood industry.

- (i) Retrieval of Japanese markets
- (ii) Implementation of the scheme for market assess initiative in the USA
- (iii) Promotion of value addition

- (iv) Long term measures to compact fluctuation of prices of shrimp in the international market
- (v) Bringing about discipline in the trade by adoption and enforcement of Code of Conduct.
- (vi) Upgradation of Landing Centres
- (vii) Making India a Seafood Processing Hub by importing raw material.

These committees are actively addressing the issues which require paramount importance.

3.PROPOSAL FOR EXIT OPTIONS FOR SICK UNITS AND FINANCIAL RESTRUCTURING OF MARINE PRODUCTS INDUSTRY

SEAI had requested the Government of India to consider the following three- points exit options for sick seafood units on a strictly one time.

1. The claim amount paid by the ECGC to the banks must be considered by the banks as full and final settlement of the Packing Credit (PC) outstanding. This is a legitimate request since the banks have debited the client the ECGC premium paid by them to ECGC for the cover on Pre-shipment finance (PC). ECGC also must have no further recourse to recover the claim amount paid to the banks from the exiting unit. The exporters exiting in the industry must be removed from the Special Approval List of the ECGC.
2. These sick seafood units should be permitted a “one-time” settlement of their term loan outstanding at 20% of the Principal amount, within a period of 12 months.
3. An Inter-ministerial committee should be set-up for examining and approving the above scheme within a set time frame. Till such time, Banks and Financial institutions must keep in abeyance all recovery proceedings before DRT and other judicial bodies.

Unless, the above re-structuring and consolidation of the industry takes place, seafood exports will remain stagnant and the industry will lose its competitive edge against its Asian competition in the markets of the developed economies.

On the basis of our representation Ministry of commerce has constituted a committee comprising of the Chairman, MPEDA, a representative from ECGC, a representative from concerned leading bank to work out a package to bail out units beyond redemption and to review other units to make the industry internationally competitive.

4. Making India a Seafood processing Hub

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5. India International Seafood Show-2005

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ACKNOWLEDGEMENT

In conclusion, on behalf of the Seafood Exporters Association of India, I wish to take this opportunity to express our deep appreciation to the Hon'ble Minister of Commerce & Industry Shri. Kamal Nath, Secretary Mr. S.N. Menon, Additional Secretary and Chairman EIC Mr. Christy Fernandes and Joint Secretary Mr.M.V.P.C.Sastry

Mr. K.P.Chacko Director General of Foreign Trade and his entire colleagues deserve a special mention by the industry, for having extended their full support to the Industry. The entire team of officials in the Ministry of Commerce, Revenue, Agriculture, Food Processing, have always been helpful to the seafood industry. We record our sincere thanks to these Officials.

