

38th Annual Report

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It gives me great pleasure to welcome you all to the 38th Annual General Meeting of your Association. It is a matter of satisfaction for me to report yet another year of robust growth and strong performance encompassing all the segment of SEAI.

A. YEAR UNDER REPORT

1. Membership

Membership of the Association stands today as follows

Name of the Region	No. of Members
Andhra Pradesh	37
Gujarat	50
Karnataka/ Goa	15
Kerala	67
Maharashtra	30
Orissa	22
Tamilnadu	33
West Bengal	20
Total	274

2 Regional setup

The regional Offices as listed above, are headed by the following:

Regional Presidents	Regions
Mr. Y.Surya Rao	Andhra Pradesh
Mr. Kenny Thomas	Gujarat
Mr.George K.Ninan	Karnataka/ Goa
Mr.K.G.lawrance	Kerala
Mr.Gul Kripalani	Maharashtra
Mr.G.Mohanty	Orissa
Mr.K.V.Mohanan	Tamilnadu
Mr.Taj Mohamad	West Bengal

3 Managing Committee meetings

During the year under report 2007-2008, The National Mg. Committee met 4 times. It has faced and effectively dealt with several issues that have cropped up during the year. Some of them have been very critical like the US anti-dumping duty on Shrimps, Retention of DEPB at the same rate. Antibiotic issues, exim policy matters and

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other issues have also been important. But all of them have been discussed in detail in the managing committee meetings, and decisions taken, after the MC members had taken the views of the respective regional general bodies. The decisions are implemented through an executive and administrative set-up, making SEAI into a real professional body, which is well recognized in various ministries and forums. For achieving this, we should thank the Vice Presidents, Mr.O.N.Sharma and Mr. R. Bhattacharya, Treasurer Mr.Norbert Karikkassery and Mr. Elias Sait, Secretary General and all the MC members for rendering their effective support and participation. Mr. Sait with his considerable knowledge and experience of the seafood trade, has played a major role in obtaining substantial benefits for the Industry from the Government and other agencies. Mr.Sait will continue to play a major role in guiding the affairs of our Association.

4 Export Performance during 2007-2008

Export of Marine products from India during 2007-08 set a negative growth both in terms of Value and Quantity, but set an all time record in the \$ earnings. This was the 4th year in succession to achieve a record export earning in dollar terms.

4.1. Export trend

The export trend of dollar earnings indicates a steady rise in the export realization since the fall in 2003-04.

Exports during 2007-08 compared to that of 2006-07 are detailed below:

Particulars	2007-08	2006-07	Variation	(%)
Quantity Ton	541701	612641	-70941	-11.58
Rupees Crore	7620.92	8363.53	-742.61	-8.88
US \$ million	1899.09	1852.93	46.16	2.49
Unit value \$/kg	3.51	3.02	0	15.91

4.2 Major items of export

Frozen shrimp continued to be the single largest item of export in terms of value accounting for about 52% in the total export earnings. In terms of quantity, fish accounted for the major share at 41% (shrimp 25%) as could be observed from the table below. Export of both items declined mainly due to the drop in aqua/wide production.

Export Compilation for April- 2007 to March- 2008 - Item wise Total						
Q: Quantity in Tons,		V: Value in Rs. Crores,			\$: USD Million	
ITEM		Share %	Apr-2007 - Mar-2008	Apr-2006 - Mar-2007	(%)	Variation
FROZEN SHRIMP	Q:	25.15	136223	137397	-0.85	-1174
	V:	51.72	3941.62	4506.08	-12.53	-564.46
	\$:	51.64	980.62	997.64	-1.71	-17.03
	UV\$:		7.20	7.26	-0.86	0
FROZEN FISH	Q:	40.65	220200	270751	-18.67	-50551
	V:	17.10	1303.41	1452.88	-10.29	-149.47
	\$:	17.18	326.29	321.95	1.35	4.33
	UV\$:		1.48	1.19	24.61	0
FR CUTTLE FISH	Q:	8.48	45955	55701	-17.50	-9746

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	V:	9.76	744.13	797.37	-6.68	-53.24
	\$:	9.78	185.66	175.75	5.64	9.91
	UV\$:		4.04	3.16	28.04	1
FR SQUID	Q:	6.31	34172	47252	-27.68	-13080
	V:	5.36	408.42	568.32	-28.14	-159.90
	\$:	5.33	101.29	126.25	-19.77	-24.96
	UV\$:		2.96	2.67	10.94	0
DRIED ITEM	Q:	4.14	22414	24293	-7.73	-1879
	V:	3.40	258.88	183.16	41.34	75.71
	\$:	3.41	64.72	40.75	58.81	23.97
	UV\$:		2.89	1.68	72.12	1
LIVE ITEMS	Q:	0.46	2498	2478	0.81	20
	V:	0.91	69.07	64.06	7.83	5.01
	\$:	0.91	17.21	14.22	20.96	2.98
	UV\$:		6.89	5.74	20.00	1
CHILLED ITEMS	Q:	1.21	6541	7200	-9.15	-659
	V:	1.55	118.11	117.30	0.68	0.80
	\$:	1.56	29.62	26.63	11.22	2.99
	UV\$:		4.53	3.70	22.41	1
OTHERS	Q:	13.60	73698	67571	9.07	6127
	V:	10.20	777.29	674.35	15.27	102.94
	\$:	10.20	193.68	149.72	29.36	43.96
	UV\$:		2.63	2.22	18.61	0
TOTAL	Q:	100	541701	612641	-11.58	-70941
	V:	100	7620.92	8363.53	-8.88	-742.61
	\$:	100	1899.09	1852.93	2.49	46.16
	UV\$:		3.51	3.02	15.91	0

4.3 Port-wise exports

Exports were effected from 19 land/air ports. The major ports to handle the export cargo during the year, in the order of \$ earnings, were, Kochi 18%, Chennai 15%, JNP 15%, Vizag 13%, Pipavav 14%, Tuticorin 9%, Kolkata 9%, Mangalore 2%, etc.

Export Compilation for April- 2007 to March- 2008 - Port wise Total						
Q: Quantity in Tons,		V: Value in Rs. Crores,			\$: USD Million	
Ports		Share %	Apr-2007 - Mar-2008	Apr-2006 - Mar-2007	Variation	(%)
KOCHI	Q:	18.19	98520	106454	-7934.24	-7.45
	V:	18.16	1383.74	1476.51	-92.77	-6.28
	\$:	18.14	344.45	329.35	15.10	4.58
CHENNAI	Q:	7.93	42947	42272	675.15	1.60
	V:	15.20	1158.50	1332.58	-174.08	-13.06
	\$:	15.16	287.87	295.05	-7.18	-2.44

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J N P	Q:	19.32	104670	137153	-32483.43	-23.68
	V:	14.71	1120.86	1279.48	-158.62	-12.40
	\$:	14.70	279.25	283.51	-4.26	-1.50
PIPAVAV	Q:	27.64	149734	178751	-29016.53	-16.23
	V:	14.11	1075.31	1162.05	-86.74	-7.46
	\$:	14.15	268.79	258.74	10.05	3.89
VIZAG	Q:	6.56	35535	36594	-1059.60	-2.90
	V:	13.37	1018.60	1264.75	-246.15	-19.46
	\$:	13.36	253.66	278.88	-25.21	-9.04
CALCUTTA	Q:	5.11	27666	23238	4427.96	19.05
	V:	9.05	689.70	655.65	34.05	5.19
	\$:	9.06	172.06	144.27	27.79	19.26
TUTICORIN	Q:	5.48	29697	30611	-913.67	-2.98
	V:	8.59	654.64	735.48	-80.84	-10.99
	\$:	8.58	162.97	162.16	0.81	0.50
MANGALORE/ICD	Q:	4.83	26155	26723	-568.62	-2.13
	V:	2.13	162.61	149.49	13.11	8.77
	\$:	2.14	40.65	33.05	7.61	23.02
MUMBAI	Q:	0.44	2383	2893	-509.75	-17.62
	V:	1.52	116.12	67.54	48.58	71.93
	\$:	1.53	29.14	15.01	14.13	94.15
GOA	Q:	3.56	19297	16152	3145.12	19.47
	V:	1.46	111.22	89.45	21.77	24.34
	\$:	1.46	27.80	19.70	8.10	41.09
AHMEDABAD	Q:	0.02	127	90	36.86	40.99
	V:	0.71	54.38	27.16	27.22	100.22
	\$:	0.72	13.62	6.06	7.57	124.93
TRIVANDRUM	Q:	0.33	1784	2123	-339.14	-15.97
	V:	0.61	46.73	47.04	-0.31	-0.66
	\$:	0.62	11.69	10.44	1.25	12.00
MID SEA	Q:	0.39	2129	0	2129.07	***
	V:	0.18	13.93	0.00	13.93	***
	\$:	0.18	3.50	0.00	3.50	***
MUNDRA	Q:	0.15	830	8760	-7930.24	-90.53
	V:	0.14	10.99	71.75	-60.75	-84.68
	\$:	0.14	2.72	15.70	-12.98	-82.65
KANDLA	Q:	0.01	36	565	-528.81	-93.58
	V:	0.02	1.29	3.64	-2.35	-64.56
	\$:	0.02	0.33	0.80	-0.48	-59.29
AGARTALA	Q:	0.00	18	63	-45.42	-72.09
	V:	0.01	0.57	0.11	0.46	412.36
	\$:	0.01	0.14	0.03	0.12	465.92
NSICT	Q:	0.02	112	0	112.13	***
	V:	0.01	0.49	0.00	0.49	***

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Export Compilation for April- 2007 to March- 2008 - Country wise Total

	\$:	0.01	0.12	0.00	0.12	***
CALICUT	Q:	0.00	14	40	-25.54	-64.42
	V:	0.01	0.47	0.56	-0.10	-16.87
	\$:	0.01	0.12	0.12	-0.01	-6.28
PARADEEP	Q:	0.00	6	0	5.72	***
	V:	0.01	0.45	0.00	0.45	***
	\$:	0.01	0.11	0.00	0.11	***
HALDIA	Q:	0.01	42	0	42.00	***
	V:	0.00	0.23	0.00	0.23	***
	\$:	0.00	0.06	0.00	0.06	***
DELHI	Q:	0.00	0	0	0.26	***
	V:	0.00	0.10	0.00	0.10	***
	\$:	0.00	0.02	0.00	0.02	***
KARIMGANJ	Q:	0.00	0	160	-159.94	-100.00
	V:	0.00	0.00	0.28	-0.28	-100.00
	\$:	0.00	0.00	0.06	-0.06	-100.00
Total	Q:	100	541701	612641	-70940.67	-11.58
	V:	100	7620.92	8363.53	-742.61	-8.88
	\$:	100	1899.09	1852.93	46.16	2.49

4.4 Major Export Markets

European Union (EU), continued to be the largest market during the year with a percentage share of 35% in \$ realization followed by Japan 16.1%, USA at 13.3% and China 13.3%, South East Asia 7.5% Middle East 5% and other countries 10%. The drop in exports to USA and China was very specific, one due to the anti dumping issues and the other due to drop in fish landings, particularly Ribbon fish.

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Q: Quantity in Tons,		V: Value in Rs. Crores,			\$: USD Million	
Country		Share %	Apr-2007 - Mar-2008	Apr-2006 - Mar-2007	Variation	(%)
JAPAN	Q:	12	67373	67437	-64	-0.09
	V:	16.11	1228	1,353.38	-125.79	-9.29
	\$:	16.09	305	299.20	6.29	2.10
USA	Q:	7	36612	43758	-7146	-16.33
	V:	13.34	1017	1,347.80	-330.86	-24.55
	\$:	13.33	253	297.08	-44.03	-14.82
EUROPEAN UNION	Q:	28	149381	149773	-392	-0.26
	V:	34.96	2664	2,760.32	-96.08	-3.48
	\$:	34.92	663	610.95	52.23	8.55
CHINA	Q:	26	139792	203513	-63721	-31.31
	V:	13.25	1010	1,156.96	-147.37	-12.74
	\$:	13.32	253	259.06	-6.16	-2.38
SOUTH EAST ASIA	Q:	12	63818	67650	-3832	-5.66
	V:	7.53	574	616.70	-42.73	-6.93
	\$:	7.56	143	136.43	7.07	5.18
MIDDLE EAST	Q:	5	25752	23585	2167	9.19
	V:	5.17	394	371.06	22.90	6.17
	\$:	5.16	98	82.47	15.58	18.90
OTHERS	Q:	11	58972	56924	2047	3.60
	V:	9.64	735	757.30	-22.68	-2.99
	\$:	9.63	183	167.75	15.18	9.05
Total	Q:	100	541701	612641	-70941	-11.58
	V:	100	7621	8,363.53	-742.61	-8.88
	\$:	100	1899	1,852.93	46.16	2.49

4.5 .Tuna Exports

A commendable growth was recorded in the total tuna exports during the year. Exports touched 35226 ton valued Rs.214.00 crore/\$53.22 million during 2007-08, as against 23788 ton of Rs.130.38 crore/\$ 29.54 million

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during the previous year. This recorded a rise of more than 80% in the export realization. The major product forms of tuna exported are given below. It may be seen that except chilled tuna all other export forms increased.

TUNA EXPORTS IN MAJOR PRODUCT FORMS							
	2006-07			2007-08			
	Qty	Value	\$	Qty	Value	\$	Growth
Item Name	Tons	Rs.Lakh	MIL	Tons	Rs.Lakh	MIL	%(\$)
Frozen	22765	11406.58	25.36	34,158	19857.09	49.35	94.6
Chilled	758	1345.21	3.54	566	911.44	2.30	-35.0
Canned	248	246.65	0.55	475	562.12	1.40	154.6
Dried	18	39.82	0.09	27	69.51	0.17	88.9
Total	23788	13038.30	29.54	35,226	21,400.16	53.22	80.16

5.CULTURE FISHERIES

5.01 Export production through aquaculture:

Aquaculture continued to contribute significantly to the seafood exports of the country during the year 2007-08 also, even though there was a marginal decrease in the overall production compared to the previous year. Improved awareness has been created on the importance of maintaining quality and food safety in farmed produce by adopting good management practices to sustain the aquaculture sector. Shrimp and scampi production showed a decrease in production because of the numerous problems facing the culture sector. However, in certain states it is seen that aquaculture is expanding in area and thereby its contribution to the total production.

5.02: Status of aquaculture production:

The reports on the production received from various Regional and Sub Regional Centres indicated an overall decrease in Aquaculture production. While shrimp production showed a decrease of 26.5%, scampi production showed a decrease of 9.5% when compared to the figures of previous year. The reduction in shrimp production is attributed to increased disease prevalence in the mother prawns and in turn poor quality seed from hatcheries effected in losses caused due to disease outbreaks during the second crop, the natural calamities such as heavy monsoon, incessant rains followed by floods in some of the states, fall in prices for farmed shrimp in the International market, anti dumping duties imposed on the shrimps by certain importing countries etc.

5.2.1: Shrimp

During the year 2007-08, a total of 1,06,165 MT of shrimps were produced from an area of 1,22,078.80 ha. State-wise details of Shrimp farming are given in table – 1

Table – 1: State-wise details of Shrimp farming:

S.No	State	Area Developed	Area under	Production	Productivity
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		(WSA) (ha)	Culture (ha)	(MT)	(MT/ha/Yr)
1	West Bengal	51,659.00	48,236.00	28,000.00	0.58
2	Orissa	13,843.00	6,286.00	5,410.40	0.86
3	Andhra Pradesh	70,144.00	50,396.00	56,557.00	1.12
4	Tamil Nadu	6,161.33	2,729.70	3,437.74	1.26
5	Kerala	12,434.23	7,597.86	5,902.57	0.78
6	Karnataka	3,697.00	3,577.00	2,119.00	0.59
7	Goa	867.00	840.00	643.00	0.77
8	Maharashtra	1,231.00	756.40	946.37	1.25
9	Gujarat	2,005.93	1,659.84	3,148.90	1.90
	TOTAL	162,042.91	122,078.80	106,164.98	0.87

Compared to the production of 1,44,347 MT from an area of 1,49,632 ha, utilized during the year 2006-07, a decrease of about 26.46% in production and 18.41% in area utilized was recorded. The estimated value of shrimp produced during the year was Rs.2,400 crore which registered a reduction of Rs.775 crore over the previous year (Table – 2).

Table – 2 : Shrimp Production through Aquaculture

Year	Live Weight (MT)	Product Weight (MT)	Estimated Value (Rs. Crore)
2006-07	1,44,347	89,532	3,175.00
2007-08	1,06,160	67,160	2,400.00
Increase/decrease	(-)38,187	(-)22,372	(-)775.00
Difference in %	(-)26.46	(-)24.99	(-)24.41

5.2.2: Scampi

Compared to the production of 3,115 MT from about 30,042 ha of scampi cultured during the year 2006-07 though an increase of approximately 20,160 ha (67%) in culture area has been seen during the year 2007-08, a decrease of about 2,858 MT (9.47%) in production and 27.57% in value was recorded mainly due to the reduction in productivity. The estimated value of scampi during the year was valued at Rs.436 crore. State-wise details of scampi farming in the country is given in table – 3 and the comparative figures to the previous year are given in table -4.

Table – 3: State-wise details of Scampi farming

S.No	State	Area Developed (WSA) (ha)	Area under Culture (ha)	Production (MT)	Productivity (MT/ha/Yr)
1	West Bengal	4,744.00	4,744.00	4,516.00	0.95
2	Orissa	3,786.00	3,786.00	915.00	0.24
3	Andhra Pradesh	40,913.00	38,819.00	19,887.00	0.51
4	Tamil Nadu	442.80	404.35	376.69	0.93
5	Kerala	2,194.49	2,171.65	539.97	0.25
6	Karnataka	285.00	265.00	180.00	0.68
7	Goa	0.00	0.00	0.00	0.00
8	Maharashtra	23.28	15.60	6.95	0.45
9	Gujarat	34.00	0.70	0.45	0.64
	Production from Reservoir			808.00	

	Production from Village ponds			32.00	
	Total	52,422.57	50,206.30	27,262.06	0.54

Table – 4: Scampi production through Aquaculture

Year	Live Weight (MT)	Product Weight (MT)	Estimated Value (Rs. Crore)
2006-07	30,115	15,058	602.00
2007-08	27,262	13,631	436.00
Increase/decrease	(-)2,853	(-)1,427	(-)166.00
Difference in %	(-)9.47	(-)9.47	(-)27.57

5.2.3 Total aquaculture production

Thus, the overall production from export- oriented aquaculture during the year 2007-08 was estimated at 1,33,422 MT. The total value of the production was estimated at Rs.2836 crores (Table -5), which works out to an average farm gate price of Rs.210/- per kilogram of wet weight. There was a decrease of 41,040 MT by volume and Rs.941.00 crore I value respectively (-23.52% in quantity and – 24.91% in value respectively) compared to the previous year production of 1,74,462 MT valued at Rs.3,777.00 crore.

Table – 5 Total Shrimp & Scampi production through Aquaculture

Year	Live Weight (MT)	Product Weight (MT)	Estimated Value (Rs. Crore)
2006-07	1,74,462	1,04,590	3,777.00
2007-08	1,33,422	80,791	2,836.00
Increase/decrease	(-)41,040	(-)23,799	(-)941.00
Difference in %		(-)22.75	(-)24.91

Though it was anticipated that all the shrimp/scampi produced in aqua farms will go for export market only, it has been observed that some quantities of shrimp and Scampi started moving in to the domestic market as well due to the awareness being created. Contribution of aquaculture production to the shrimp exports is given in table – 6

Table – 6 : Contribution of aquaculture production to the shrimp exports

Year	Total shrimp/scampi Exports		Production through Aquaculture				
	Quantity in MT	Value (Rs)	Live Weight in MT	Product Weight in MT	Quantity Share %	Value Realized Rs.Crore	Value Share %
2006-07	1,37,144	4,508	1,74,462	1,04,590	76	3,777	84
2007-08	1,35,158	3,907	1,33,422	80,791	60	2,836	73

B. TRADE ISSUES

1. IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS AND THE CREDIT POLICY IN INDIA

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1. There has been a clamor for reduced prices from Europe by 10 to 15%, which constitutes nearly 35% of our market. This is due to the USD strengthening against Euro and many other currencies. As a result, there has been a slowdown in demand, and also renegotiation of contracts in a few cases.
2. The freight rates have gone up in rupee terms by almost 20%, due to all freight rates being finalized in USD rates. This has impacted, not only the cost to the exporter, but has also discouraged imports for re-export. In this context, it has to be mentioned that the freight support scheme announced by MPEDA, is lacking in many areas, on practical applicability, and will not at all help this sector, in its current form.
3. The importers, both in USA and EEC are asking for usance terms of more than 120 days, and in quite a few cases DP/DA terms. This is contrary to the Indian banks' reluctance to enhance post-shipment credit and also advise to exporters, to be wary of credit to these markets. This will progressively lead to the exporters' competitiveness coming down in these markets.
4. Some of the banks are taking a longer time to negotiate documents backed by letters of credit from US and EEC banks. What the banks used to negotiate and release funds to the exporters on the same day, it is now taking 3 days to sometimes a week to release the funds.
5. There has been a significant increase in the costs of imported consumables, chemicals and packing material, ranging between 20 to 30%, due to exchange impact on many currencies.
6. The cost of feed for the shrimp farmers, has also increased, due to many of the feed inputs of the shrimp feed manufactured being imported. The shrimp farmers are already facing a crisis of a drop in international selling prices of aquaculture shrimps over the last two years, with output dropping by nearly 40%, and the increase in costs, is bound to have serious repercussions.
7. The increase in interest rates due to the credit policy of RBI, and also withdrawal of support on interest rates given to this sector, last year, had an impact on increase of interest costs by 4%, which is a major blow to the exporters, and ultimately, it relates back to the farmer/fishermen.
8. The RBI credit policy, has also resulted in tightening of credit to this sector. Not only in credit requirements being reviewed for increase, due to the above factors, but on the other hand, there is effort to reduce the existing credit limits.

Even if, the impact of the international economic crisis and the credit policy in India, may not immediately appear to be grave, it is very definite, that this will progressively, over the next few months, have very adverse consequences on this sector, unless the government addresses these issues with all the seriousness that it deserves.

2. Re-opening of IT Assessments for payments of sum exceeding Rs. 20000/-

Some of the exporters got letters from IT Authorities on reopening of IT Assessments for payments of sum exceeding Rs.20000/- made otherwise than by crossed cheque/demand drafts.

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Our sector is facing a serious threat on re-opening of I.T. assessments for payments of sum exceeding Rs. 20,000/- made otherwise than by a crossed cheque / demand draft. The mis-interpretation of exemption under Rule 6 DD of the Income Tax Act, by the authorities can result in demands running to hundreds of crores of rupees on this sector for the last 6 to 8 years.

Income Tax Department has started reopening of Assessment of Marine Exporters for 5 years, for the period 2000-01 to 2004-05. These exporters have not evaded any tax, had exports which run to hundreds of Crores, in the last 12 to 15 years. These exporters are now faced with individual demands of crores of rupees, only on account of misinterpretation of Rule 6DD of the Income Tax act. Worse still, the I.T. authorities have issued attachment orders to the bankers of the exporters. This has totally halted the activity of these exporters, and all their direct workforce, face retrenchment. The exporters will go bankrupt for no willful default or evasion. For being an honest exporter, who has made payments to all his raw material suppliers, with all relevant and correct details only have to face harassment and demands, on account of misinterpretation of rules and laws, for adding unwarranted revenue to the coffers of the state, by authorities who feel their job is revenue collection.

The two issues which are to be addressed are summed up below:-

1. Rule 6 DD(f) gives exemption for payment made in excess of Rs.20,000/- other than by crossed cheque / demand draft for purchase of fish or fish products. This should include payment made for purchase of all marine products including shrimp, prawn, cuttle fish, squid, crab, lobster, etc
2. Payment to the trader-middlemen, who collect, preserve the quality, store and transport the material from all the farmers / fishermen, should be considered as payment to producers / cultivators and growers, as mentioned in Rule 6DD(f).

To solve the above, a suitable clarification on rule 6DD(f) of the Income Tax Act, through a circular needs to be issued immediately by the revenue authorities, which effectively addresses both the issues mentioned above. Such a clarification should also mention specifically that it is applicable to all the transactions of the past.

3. Service Tax Issues

Since long we were requesting the Government that there should be no **Service tax** on processing, contract labour and Foreign Commission. But in spite of our various representations and assurance given by the commerce Ministry no action has been taken so far, expect some notification to refund of service tax on certain services in connection with export. As everybody is well aware, submitting applications for refund and getting the same reimburse from the Department have become an unnecessary burden for the exporters.

Though it is clearly mentioned in the Annual Supplement of Foreign Trade Policy to exempt service tax on processing for export instructions have not been issued to the concerned agency by the Ministry of Finance. As a result the Processors are required to pay Service Tax.

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4. Antidumping

4.1: 2ND Administrative Review

US Department of Commerce Announced its Final Determination of its Antidumping duty Orders against certain Frozen warm water shrimp from India.

SUMMARY OF PRELIMINARY RESULTS MARGINS: INDIA	
Devi Sea Foods Limited	0.35
Falcon Marine Exports Limited	1.69
Review-Specific Average Rate	1.69
AFA Rate	110.90

4.2: 3rd Administrative Review

US DOC announced 3rd Administrative Review against Frozen Warm water shrimp from India. The last date for filing voluntary request for review was 29th February 2008. Out of 68 Exporters to US from India 41 filed their voluntary review application. 27 applications were filed through M/s. Lakshmi Kumaran and Shreedharan, the Law firm engaged by Association to help the Indian Exporters to file petitions before US DOC. Association in its 265th Managing committee meeting decided to engage M/s, Lakshmi Kumaran and Sreedharan to file the Review application of the US Exporters. Mean time US Department of Commerce Announced the Mandatory Respondents for the 3rd Administrative Review as M/s.Devi Seafood Ltd and M/s.Falcon Marine Exports Ltd.

5. EIA Fee

We had been given promises on various stages that EIC will work out a justifiable rate and fix a cap on EIA fee based on the services rendered. After a lapes of 3 years EIC proposal came with an order fixing the fee as 0.20% of FOB with a maximum of Rs. 15 Lakhs per annum per exporter or processor. The recent decision of cap on EIA fee upto Rs.15 lac per exporter or processor hardly benefits any exporter. This is contrary to the expectations and demands made by SEAI from time to time. There were lots of objections raised by the Members regarding the nepotism of EIC.

Industry feel that the present notification will not serve any purpose as it hardly benefit to any exporter. Hence suggest that CAP on fee should be fixed at Rs.5 lakhs.

6. Introduction of L.Vanamei

Industry is very happy for allowing culture of L.Vanamei (White Shrimp) on commercial scale. Happiness has been expressed by the farming and hatchery communities and the exporters. The guidelines have also been well outlined. The aquaculture sector was gearing itself for application of licences for Vanamei culture, including direct import of broodstock for the ensuing crop, when we were shocked to know, that despite the clear guidelines, it has been decided on file, that for an initial period of a year or so, the entire process of import of brood stock and production of naupli would be done through a single entry, i.e, MPEDA alone. Considering the vastness of our coastal areas and the interest shown by a large number of shrimp farmers in the country to take

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up this new venture, after facing repeated failures in culturing the *Monodon* species, it is a big dampener and a major handicap if MPEDA alone is authorized to import broodstock.

There is a huge demand for the seed, which cannot be met by the operations of a single agency. This will result in defeating the very objective for which *Vannamei* species has been allowed for culture, the objective being to retrieve the loss of the leading position that India occupied in export of aquaculture shrimps to countries like Thailand, Veitnam, China and other countries. India's export of cultured shrimp has dropped by nearly 40% during the last 3 years, from a quantity of nearly 2,00,000 tonnes valued at Rs. 4500 crores to 120000 tonnes valued at nearly Rs.3000 crores, affecting the livelihood of thousands of aqua farms and the related segments of this sector.

The industry has assessed the minimum demand for *Vannamei* seed for the year 2009 as 1500 million post larvae, for which we may have to import atleast 6000 pairs of brood stock in a year. The entire seed has to be produced between January and August so that farmers can culture both the summer and winter crop, although the requirements would be at its peak during the summer crop. It is understood that the facility identified for this purpose by MPEDA, is both for quarantine purposes as well as for production of naupli. This will not be sufficient to handle even a few hundred brood stock. It would be almost impossible for the MPEDA to meet the needs of the farmers, with the limited facilities available at present. Our request is that MPEDA's facilities at Chennai should be used only for Quarantine purpose and the other facilities (OSPARK and TASPARK) may be used for production of post larve.

Considering these practical aspects, necessary instructions to allow suitable private hatchery operators, who have the required bio-security facilities to import brood stock and produce seed as already brought out in the website. As the season is fast approaching and the farming community is becoming restless, industry seek Governments immediate intervention and necessary orders to make the venture a success without any hurdles.

D Achievements

1. WTO decision on Enhanced Bond Requirement (EBR)

The World Trade Organization's highest appeals court-the Appellate body-upheld India's core complaint against the United States' enhanced bond requirement (EBR) on Indian shrimp exports as a violation of the trade body's anti-dumping rules. In two separate disputes, India and Thailand challenged the EBR imposed by the US customs and border protection Agency on exporters of shrimp products who were subject to anti-dumping duties on shrimp exports since February 1, 2005. The Appellate Body ruled that an earlier dispute settlement panel was correct in dismissing the EBR as imposed on shrimp exports from India and Thailand because it constituted "Specific action against dumping". Such specific actions against dumping are inconsistent with the Anti-dumping Agreement, the Appellate Body said. The three -member bench of the Appellate Body pronounced that " the application of the EBR to subject shrimp is inconsistent with Article 18.1 of the anti-dumping Agreement because it is inconsistent with the AD note to Article VI:2and 3 of the GATT 1994.

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The Appellate Body recommends that the DSB request the United States to bring its measure, found in this Report and in the Panel report, Us-Customs Bond Directive, as modified by this report, to be consistent with the Anti-Dumping Agreement and the GATT 1994, in conformity with its obligations under those Agreements.

The United State's Customs and Border protection Agency imposed the EBR on exporters subject to anti-dumping duties insisting that exporters must maintain a minimum bond equivalent to the amount of the anti-dumping duty margin multiplied by the value of imports of targeted good in the preceding year. Consequently, the EBR was treated as over and above the minimum requirement, which is fixed at 10.17 % of duties collected during the previous year.

India and Thailand has challenged the EBR on the ground that it is inconsistent with WTO Anti-dumping rules, especially Article 18.1. of Agreement, which prohibits WTO members from taking "Specific action against dumping, except in accordance with the provisions of the GATT 1994." The US maintained that the EBR is not a specific action against dumping and argued it is consistent with WTO rules. But a WTO dispute settlement panel rejected the US' argument that the EBR is not a specific action, suggesting that Washington had failed to show that Anti-Dumping duty rates on shrimp were likely to increase, resulting in significant additional unsecured liability.

2. VKGUY Benefits

Director General of Foreign Trade vide Notification No.132(RE-2007)/2004-2009 dated 29th March and No. 12(RE-2008)/2004-2009 dated 5th May 2008 granted 3.5% additional DEPB for products fall under VKGUY Product Code 10.30, 10.31 and 10.37 and ITC HS Codes 030613, 160520, 13021920, 030741, 030749 and 16059020 with retrospective effect from April 1st 2007. Meantime we apprised the Ministry of Commerce and Industry that it is imperative for the sector the UKGUY benefit is also extended to frozen fish, Lobster, Surimi and other Seafood products. As all of us are aware extension of the VKUGY benefit to these frozen products will benefit lakhs of small fishermen and processing workers along the coastline of India. Hence SEAI requested the MoC&I to consider the products fall under the following ITC HS Code also for VKGUY Scheme:-

1. Entire four digit codes of 0303 and 1604
2. Entire six digit codes of 030420, 030611, 030612, 030614, 030710, 030739, 030759, 030760, 160510, 160530, 160540 and 160590.

Industry got this benefit due to the collective efforts of the Regional Presidents and the Managing Committee Members with the support and co-operation of all exporters. If we get such unstinted support from the members we will be able to overcome any issue the industry may face in the course of time. I take this opportunity to thank particularly Mr. A.J.Tharakan and Mr. Elias Sait for the efforts taken by them in getting this benefit.

3. India International Seafood Show-2008

The biennial India International Seafood Show, a mega event organized jointly by Marine Products Export Development Authority and Seafood Exporters Association of India was held at Cochin from 8th to 10th February

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2008. The show was a meeting place for the key figures in the seafood industry across the globe and the representation was consisting of Processors, Exporters, Importers, Equipment Manufacturers and Trade Promotion Bodies operating at international levels.

The India International Seafood Show – 2008 was able to bring together the entire range of institutions and individuals related to the Seafood Industry,

4. Fisheries Subsidies Negotiations with WTO: Current Status

The stakeholder consultation workshop on Fisheries Subsidies Negotiations with WTO was held at Chennai on 18th January 2008. The programme was jointly organized by Department of Commerce, Department of Animal Husbandry Dairying & Fisheries Government of India UNCTAD, MPEDA and SEAI.

The workshop was attended by government officers from Department of Commerce, Department of Animal Husbandry Dairying and Fisheries, states and UTs of Andhra Pradesh, Andaman and Nicobar Islands, Goa, Karnataka, Kerala, Orissa, Pondicherry, Tamil Nadu and West Bengal; exporters and trade policy/ legal experts.

5. UNCTAD project.

The Project 'Strategies and preparedness for trade and globalization in India' was undertaken by UNCTAD in the fisheries sector and SEAI and MPEDA were selected as Tier I partners for the implementation of the project. SEAI was involved in the implementation of the project throughout and have tried to make use of it in all possible ways for the seafood export industry.

The Marine Products Export Development Authority (MPEDA), and Seafood Export Association of India (SEAI) are the tier -I partners selected by UNCTAD. The objective of this project is to strengthen stake holder capacities for understanding and managing the impact of globalization and helps to formulate strategies with a greater level of understanding of the impact and the opportunities from globalization , particularly with a pro-poor perspective.

Under this project, the main focus of the work plan for this year was on three issues, i.e., Eco labeling, Anti-Dumping issues and conducting Market Intelligence Study relating to marine products at various fish landing centers in India through a firm . The other programmes were aimed at dissemination of information, such as Seminar on Exim Policies and WTO-Issues, Translation and printing of selected WTO publications in vernacular language etc. The first quarter of the half-year (10/06 to 12/06) focused on dissemination programs and the second quarter was rather on fundamental issues with intent to prepare Indian marine Industry to compete in the international market in the days of globalization and also to fight the tariff barriers poised before the Indian shrimp exporters. These included certification/eco- labeling of Indian marine industry and also fighting the anti-dumping barrier imposed by US department of commerce.

The project is ongoing and the major ongoing activities taken up as part of the project are enlisted below.

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- 5.1: **SIFFS-MPEDA-SEAI fish market intelligence system-** This project was implemented to avoid middlemen in the seafood business. This was intended to ensure direct deal between the fishermen and exporters which would entail better benefit to both the groups. SIFFS has already made an initial foray into price information collection and has a price data for 7 years on two to three markets in southern Kerala. The price information is being collected from 5 whole sale markets in south India and this information is already available in SIFFS website. The software for this purpose is expected to be launched by November 2008.
- 5.2: **A study on 'capacity building requirements'** in the ornamental fish sector in India with an aim to enhance exports was undertaken as a part of the project. Ornamental fishing has been identified to be a new area for commercial venture. It is ecologically more safe and sustainable and opens a totally new area for commerce so far as export business is concerned. The objectives of this project includes survey the breeders, domestic traders and the exporters in the ornamental fish sector in India, to estimate the species and quantity produced, Analysis of domestic trade in terms of quantity and value, Identify constraints in production technology, finance and marketing and to cluster the stakeholders based on experience, expertise and infrastructure and to carry out a SWOT analysis of the ornamental fish breeding sector in India. Interim report in this connection has been obtained.
- 5.3: **Standardization of PCR methods for Diagnosing Viral Diseases in Ornamental Fishes as Part of Bio security Programme-** This project is to be implemented at National Center for Aquatic Animal Health, Cochin University of Science and Technology. The objective of this proposal is to standardize PCR/ RT-PCR/ nested PCR techniques for the OIE notifiable viral diseases of ornamental fishes to be incorporated for screening fishes during quarantine.
- 5.4: **Field level training programs on compliance with standards in foreign markets-** Personnel employed in the industry need to be kept abreast of the changing trends in development and updated techniques. This will help in improvement of checks in systems, identification and rectification of defects. This will in turn help in the growth of the seafood industry and will entail better revenue streams for the seafood industry by minimizing defects and rejects. This will benefit the country and its export immensely. The Standards and the major portion requirement for compliance in foreign markets has been collected and is being edited and rephrased for use in the hand book. All details will be completed as originally scheduled.
- 5.5: **Development of software for cost calculation of export of Indian shrimps to USA.** This is intended to determine the correct margin of anti-dumping duty on Indian shrimp exports to US. It was decided to develop software for determining anti-dumping margins on shrimp export to US. It was a principle necessity of the Indian seafood exporting community since the anti-dumping measures by the US DOC

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had resulted in a steep fall of the quantity of shrimp that was exported from India to US. M/s Lakshmi Kumaran and Sreedharan, New Delhi has been appointed to develop the software in this regard. The software has been developed and is in the stage of implementation. Trial run is expected in the month of October 2008.

- 5.6: **PIABA Project**- Proposed by OFD Department of **MPEDA**- Project **PIABA** is a community based interdisciplinary project established to understand the ecological and socio-cultural systems of the middle Rio Negro basin, Amazonas, Brazil, in order to conserve and maintain the live ornamental fishery and other renewable resources at commercially feasible and ecologically sustainable levels. The project started in 1989 and is still continuing. The internationally renowned project links the ornamental fish collector to the exporter and provides large-scale employment. This project is very similar to MSC Certification of fisheries, but operates in the field of ornamental fisheries. Prof. Labbish Chao , Brazil had conducted a preliminary visit to India during Feb 2008. He had visited collection sites of wild caught ornamental fish in Kerala and Karnataka and a Stakeholder consultation meeting conducted at Cochin. Based on this preliminary visit the programme for the workshop was formulated and technical experts and importers from abroad were identified. A core group of experts from India & Abroad were identified and requested to share their idea on 'Green certification of ornamental fish' which is the subject of the workshop.

The UNCTAD MPEDA SEAI project 'Strategies and preparedness for trade and globalization in India' technically comes to an end by October 2008. Various activities undertaken as part of the project are in the final stages of completion. Much has already been done and scenario has been set for future progress.

Future out look

1. Conservation of Sea catch, MSC Certification and Dolphin Safe Certificate and need for a strong local Market for Seafood products.

Indian seafood exports are less than the global average, with about 12 % of its total fish production (wet weight equivalent) entering world trade. As a share of the marine fish production it is about 25 % of the total marine fish production. India has a coastal population of 370 million people or 36 % of the country's total population, and about 6.7 million people depend on fisheries for their livelihood. This includes roughly 725, 000 full-time, and an equal number of part-time, fishermen engaged in fishing operations and over one mln. people engaged in pre and post-harvest activities. While 48 % of full-time fishermen are on the East Coast of India, 35 % are on the West Coast, and the remaining 17 % are spread over other states and union territories. There are also about 300,000 people employed directly in the shrimp aquaculture sector and about 700,000 people in ancillary units. India is currently the fourth largest fish producer in the world after China, Peru and Japan. Marine products export from India enjoys a major share of exports among agricultural products.

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Sea catch is depleting year by year. It is very essential for the country as whole that there should be a programme for conservation of Sea catch.

2. Implications of Eco-labeling for India:

There are several concerns about eco-labeling in developing countries and specifically India. Firstly, there is fear of losing access to market if eco-labeled fish and fish products gain greater preference in import markets. Secondly, there is worry about the affordability of costs associated with adjusting fisheries to comply with eco-labeling standards, and about costs of certification and chain of custody and whether or not the market, if they go for certification, can adequately compensate their higher costs. Thirdly, there is apprehension that fishers in the small-scale artisanal sector would lose their autonomy if they have to comply with standards that are developed and applied by external agencies to their fish exports without taking into account the specific aspects of our fisheries. Fourthly, there are doubts about the practicability of eco-labeling in multi-species, multi-gear fisheries since the unit of certification is the fishery in its entirety. Apart from the above, several concerns about the implications of voluntary eco-labeling for the artisanal and small-scale fisheries in developing countries have been expressed, particularly in the context of the eco-labeling programme in fisheries, viz., the MSC, which was established in 1997, ICSF (1998). In the history of MSC from 1997 to 2002, for example, there are no fisheries from developing countries that have been certified, although there are potential candidates for MSC certification from developing countries including a couple of village-specific crab, mackerel and sardine fisheries from Tuticorin in Tamilnadu and Tuna from east and west and for Black tiger from east coast.

3. Local marketing of fish and fishery product

Till now Indian Seafood Industry is looking at International market for sale of its products. No efforts have been taken to bring our products in the internal market even though there is vast potential.

4. Agriculture Status of Aquaculture activities at Central level:

Aquaculture activity needs to be declared as agricultural activity immediately. The Coastal Aquaculture Authority has returned number of applications submitted for license on the ground of land conversion even the farms who were earlier issued licenses by erstwhile Aquaculture Authority of India have not been given renewal. Different States are following different policies creating an ambiguous situation. In Orissa poultry and dairy activities have been declared as agricultural activity where as it is yet to declare aquaculture as agriculture. We have been making lot of efforts to get it done, but it is yet to be accepted at the highest level. Unless a policy decision is taken at the national level, this type of confusion shall continue. If agriculture status is given, then the shrimp farmers shall be entitled to power connection, Concessional power tariff, crop insurance, banking facilities which shall have a bearing on the cost of production.

5. Crop Insurance:

The effects of global warming also have a bearing on the aquaculture. The farmers are also getting discouraged on account of losses due to natural calamities. Where other agriculture products are covered by crop insurance,

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the insurance of shrimp culture activities are not undertaken by insurance companies. MPEDA should give top priority on this issue and take up at the national level for insurance of prawn culture by providing a corpus fund for the same. They can also persuade NFDB to provide grant in aid for the same.

H. Management Committee Members' statements in Terms of Section 217(2AA) of the Companies Act 1956

The Managing Committee Members hereby confirm:

1. that in the preparation of Annual Accounts, the applicable accounting standards have been followed, **even under the changed system of cash basis accounting from the current year and onwards.**
2. that the Managing Committee members have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year, **subject that during the current year the system of accounting is changed from mercantile to cash basis and to this extent the consistency may be affected.**
3. that the Managing Committee members have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities:
4. that the Managing Committee Members have prepared the annual accounts on a "going concern basis"

ACKNOWLEDGEMENT

In conclusion, on behalf of the Seafood Exporters Association of India, we wish to take this opportunity to express our deep appreciation to Shri Kamalnath, the Hon'ble Minister of Commerce & Industry , Shri.Jairam Ramesh, Hon'ble Minister of State for Commerce and Industry, Mr.G.K.Pillai, Secretary- MOC, O.P.Arya, Additional Secretary and Chairman EIC Joint Secretary Ms. B.S.Sihag and the entire Team of Directors and other officers, who have dealt effectively with the issues of our sector.

Mr. R.S.Gujaral, Director General of Foreign Trade, and his entire team, deserve a special mention of gratitude, by the industry, for having extended their full support to the Industry.

The entire team of officials in the Ministry of Commerce, Agriculture, Food Processing, Revenue, Banking and Finance and all other ministries, have always been helpful to the seafood industry. We record our sincere thanks to these Officials.

We would also like to thank Mr.G. Mohan Kumar IAS, Chairman MPEDA, Mr. Kuruvilla Thomas IFS and V.Vishnu Bhat Directors of MPEDA and the entire team of MPEDA officials for their wholehearted support extended to the trade.

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We would like to thank the Director, Export Inspection Council of India, and his entire team for their support and assistance rendered to the industry. We also thank all the Export Inspection Agency officials throughout the country.

We also would like to place on record our thanks for the assistance received from Port Trusts, Customs Departments, Shipping Companies, Financial Institutions and the various Central and State Authorities, Research Institutions like CIFT, CMFRI, CIFNET, FSI, IFP and the State Fisheries Departments.

We are particularly obliged to the Press and the various media for their service and support and we look forward for their continued patronage to our Association.

We also like to express our deep gratitude to all the individuals and institutions that have either directly or indirectly contributed to the welfare of the Association. We also wish to thank all our members for their wholehearted support and contribution.

We thank all the Regional Presidents and all the office bearers of the regions for their effective participation and support in the activities of the Association.

Finally, we would like to thank the Secretariat and Staff of the Association for their sincere commitments and hard work in discharging their duties.

To be able to stand tall amidst adversity, to live your convictions and know that your actions and beliefs have transformed the lives of millions is at once a humbling and enriching experience. Your Association is indeed privileged to be able to make a difference, and be recognized for the contribution it makes. Our abiding Vision, the strength of our outstanding human capital, and our commitment to creating enduring value continue to inspire us as we strive to achieve even greater success in future.

In this occasion of SEAI's 38th AGM, We would like to once again thank all of you-our valued members- for your unstinted support in our shared journey to create one of India's most valuable Associations. In this journey, we look to you, as always, to your continued support and encouragement.

For and on behalf of the Managing Committee.

**ANWAR HASHIM
PRESIDENT**