

Global shrimp prices will be under pressure in near-term, says ICRA

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In contrast to the assurances made by Mpeda that the Coronavirus pandemic will not impact India's seafood exports, rating agency ICRA has said that global shrimp prices are expected to face pressure over the next few months.

The trade has to adjust to the changing demand dynamics in China, a key importer and consumer of farmed shrimp, the agency said.

According to Pavethra Ponniah, Vice President and sector Head, ICRA Ltd, the unprecedented massive shutdown in China will lead to a contraction in Chinese demand for seafood, leading to a supply glut in the global market. Besides the reduced demand, disruption in China's internal logistics for unloading, storing and further processing will play havoc with all types of seafood, the impact of which will be felt along the entire value chain, leading up to the farmers. Port clearance for seafood contain-



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ers in Chinese ports would be difficult in the current environment, effectively cutting off the supply pipeline temporarily, she said.

On the impact on India, ICRA notes that China largely imports less value-added and block frozen shrimp from India and the demand is serviced by several smaller exporters and few large players. Companies with high concentration in the Chinese market would be impacted immediately, as demand falls. Smaller companies with limited financial flexibility will be impacted most.

The broader impact on India would stem from not only a re-

duction in Chinese demand but a correction in prices as the global supply-demand dynamics are disturbed.

Price correction

ICRA pointed out that Ecuadorian shrimp prices have already started correcting as the demand from China contracted. The impact of fall in global shrimp prices on the Indian exporters would depend on their pricing contracts with their customers. Companies already locked into quarterly to annual price contracts would not feel the immediate impact.

However, the margins of companies selling on spot prices would be impacted. Given the lead time of 3-4 months for cultivation, immediate term supply of shrimp is inelastic. The stocking levels in Indian farms is showing signs of contraction, during the seasonally peak stock month of February. This could reduce

supply over the next few months. China is also a key market for live seafood from India and this limited shelf-life market is already facing the brunt of the heightened Chinese regulations on live markets. Live and chilled seafood accounts for about ₹1,000 crore of exports from India and this includes items like crabs, lobsters, whelks etc.

"India, like all other large exporters, including Ecuador, would have to wait-and-watch for the spread and severity of the pandemic and the impact

on demand in China, post the Chinese lunar holiday in February 2020. While a confluence of factors like the ability to find alternative markets, reduction in supply over the next 3-4

months, early harvesting, and delayed stocking will determine how the dynamics play out, the immediate-term correction in shrimp prices is a given," Ponniah added.

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