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Shrimpers in rough waters

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Revenue from Thai shrimp exported to the United States dipped because of the baht appreciation in the first quarter, and the outlook for the remainder of the year is further complicated by new US supermarket requirements. Declines in the US, however, are being offset by gains in other markets, and industry executives predict that worldwide shrimp exports will rise by 10% this year.

Leading supermarkets in the United States are now demanding that non-government organisations (NGOs) help to certify shrimp supplies from Thailand.

HEALTHY GROWTH				
Thailand's shrimp exports in Q1 2006 and % change from Q1 2005 (volume: tonnes; value US\$ million)				
	Volume	Chg	Value	Chg
Frozen	32,414	18	199.08	17
Processed	28,966	42	201.26	40
Total	61,380	28	400.34	27
Source: Thai Frozen Foods Association POSTgraphics				

"Purchases from the United States started falling in the first quarter due to baht appreciation. We have already lost our share of the US shrimp market to Vietnam and Indonesia," said Poj Aramwattananont, the president of the Thai Frozen Foods Association.

Although most of Asia's currencies have strengthened against the US dollar over the last three months, the baht has appreciated the most, by 8%. The stronger baht lowers the competitiveness of Thai exports when compared with exports from rival Asian countries.

An appropriate exchange rate is 40 baht per dollar for Thai exports, said Mr Poj.

"The situation is getting more worrying in the second quarter as the baht now averages 38 against the dollar, and US clients such as Wal-Mart now require the Aquaculture Certification Council (ACC), a US NGO, to certify all foreign shrimp suppliers, including Thailand."

The ACC was established four years ago to certify social, environmental and food-safety standards at aquaculture facilities throughout the world.

It offers a primary "process" rather than "product" certification, with an orientation toward seafood buyers.

The ACC currently certifies only shrimp hatcheries, farms and processing plants. In the future, feed mills and analytical laboratories will be incorporated into the certification programme. Once certification is fully established for shrimp, other groups will also be included.

Mr Poj said the requirement would add costs to local operators while also resulting in redundancy

as the Thai Fisheries Department already has a good certification process.

Such practices might be seen as an excuse for private organisations from the European Union and Japan to follow suit.

"The certification process from a single unit should be enough," said Mr Poj. "We will have to spend several hundred dollars [for each shipment] if more certification processes from foreign bodies are introduced," he added.

According to Niwat Sutemechaikul, the deputy director-general of the Fisheries Department, his officials would visit the US next month to seek clarification from the US Food and Drug Administration and Wal-Mart on the new requirement.

Thai shrimp exporters are already subject to US anti-dumping duties averaging 5.95% on top of normal tariffs, as well as a requirement to place a cash bonds equal to the anti-dumping duty. The bond is not refundable until the penalty duties expire next year.

According to Mr Poj, although Thai shrimp exports to the US market increased year-on-year in the first quarter, the rate was relatively lower than the growth rate of products from Thailand's rivals.

In the first quarter, Thai shrimp exports to the US rose 8.1% year-on-year to 34,150 tonnes, but Indonesia had growth of 32.8% to 17,100 tonnes. Ecuador exported 32.9% more shrimp, for a total of 15,940 tonnes, with China up 28.7% to 9,920 tonnes, Malaysia up 53% to 4,400 tonnes, and Bangladesh up 70.7% to 3,350 tonnes.

Thai shrimp, particularly black tiger prawns, used to control a one-third share of the US market. The figure is now about 25%, in part because of anti-dumping duties but mainly because rivals have become more competitive.

According to industry experts, Thailand is expected to ship about 100,000 tonnes of shrimp to the US this year, down from 150,000 tonnes in 2005.

However, shrimp exports overall remain strong, boosted by sales in Europe and emerging markets, with a projection of 10% growth from 278,088 tonnes in 2005.

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