

PROFITABILITY AND PRICE PROTECTION OF SHRIMP FARMING IN THE SHRIMP BELT OF SRI LANKA

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ABSTRACT

This paper examines the welfare implications of protectionist policies on the shrimp farming industry in the shrimp belt of Sri Lanka. Distinct versions of profitability have been calculated for this study.

An analysis of comparative advantage using the Domestic Resource Cost (DRC) was carried out taking into account the opportunity costs of input factors, foreign exchange rate and the price of shrimp in the foreign market. Results show that Sri Lankan shrimp producers have a greater comparative advantage in exporting to foreign market.

KEYWORDS: Comparative advantage, Domestic Resource Cost, Opportunity cost, Profitability, Shrimp farming

INTRODUCTION

The global shrimp farming industry expanded rapidly in the 1980's mainly due to technological breakthrough in hatchery techniques, high demands for shrimp, high profit, and public support. Farmed shrimp production was 712,000 Mt in 1995, which accounted for about 27% of the total world shrimp production (Jayasinghe, 1997).

Presently, Asia is the largest shrimp-farming region and produce about 78 % of world production (Ling *et al*; 1999). Since 1991, Thailand has been the leading country in marine shrimp production (FAO, 1996). Shrimp aquaculture is a rapidly expanding industry in the sector, and it contributes about 2% to Gross Domestic Product (GDP) in Sri Lanka (Anon, 1999). According to a survey under taken by National Aquatic Resource Research and Development Agency (NARA) in 1989, shrimp aquaculture plays an important role in the economy of the island by providing full time employment to around 96,000 people and part-time employment to around 10,000 people.

Shrimp farming industry has become a multi-billion business, which has created not only employment but also much needed foreign exchange earnings to Sri Lanka. The excessively high prices and increase demand for shrimp products have been the stimulating factors for commercial scale shrimp farming in Sri Lanka. Now it is a highly profitable industry compared to traditional agriculture, fisheries and animal husbandry (Jayasinghe, 1997).

Shrimp farms in Sri Lanka distributed along a narrow coastal belt of