

The importance of processed food trade: A case study of the seafood trade in Sri Lanka

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World demand for processed seafood has increased due to the limitation for fine-dining outside the houses with the lockdown situation of the COVID 19 pandemic. Emerging opportunities in the processed seafood market could be a great advantage for Sri Lanka to earn more foreign income. But access to the international seafood market is a tough challenge because that market is severely controlled by Non-Tariff Measures (NTMs). This research intends to quantitatively compare the impact of NTMs between processed and unprocessed seafood, and the research qualitatively explores ground-level barriers to upgrade raw seafood production up to processed seafood production. The international data sources were extracted to prepare a panel dataset that included 107 products in level six of the harmonized system (HS-6) exported to 107 countries between 2001 and 2019. The primary data were collected through face-to-face interviews with 75 of the key players in the seafood value chain by using pre-tested questionnaires during 2019. Significantly high NTMs and tariff rates are enforced on processed seafood (NTMs-24, tariff-17%) than unprocessed seafood (NTMs-19, tariff-9%). Processed food production enhances labour usage of the country because 3.5 human hours are required to produce one kilogram of raw seafood while 5.5 labour hours are required for processed seafood. The revenue from seafood export can be increased 44% through processed seafood export because of the price of processed seafood (USD 26) and the price of raw seafood (USD 18). However, only one percent of the Sri Lankan processed seafood adds value up to the ultra-processed level. This study found that the elasticity values of tariff and non-tariff measures (NTMs) are very much higher for processed seafood than the unprocessed seafood (0.91 and 0.20). The conversion of unprocessed seafood into processed seafood can improve the export revenue but will increase the vulnerability of seafood exports due to the stringent NTMs. It is recommended to improve postharvest quality along the seafood value chain, product diversification, and institutional support to comply with NTMs and multilateral trade agreement with the importing country to shield the negative impacts of NTMs.

Keywords: processed seafood, non-tariff measures, gravity model, export performance, Sri Lanka

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