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Dealers perception on aqua feed business in Andhra Pradesh, India

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Abstract

The present study was aimed to analyze the profile of aqua dealers and their perception on aqua feed business in Andhra Pradesh. The average age of aqua dealers was 40 years with majority of the dealers have completed graduation (48%). The average initial investment in the aqua feed dealership business was ₹ 1.8 Cr. with an average initial deposit of ₹ 7 Lakh with feed company. The aqua dealers were keeping average target of 5 tonnes/day and 1300 tonnes/year. Majority (71%) of the aqua dealers were engaged in both cash and credit mode of business and maintained an average profit margin of 10% while expecting a minimum of 40% protein in the aqua feeds for better business. The major market competitors for aqua feed business were Avanthi (38%) and CP (31%). The aqua dealers have reported CP (39%) and Avanthi (26%) as best feed brands in Andhra Pradesh. Financial capability (31%) and assets of aqua farmer (23%) were the key factors to involve in the credit mode of business. Credit mode of business (39%) and credit recovery from the farmers (28%) were the potential major risks in the aqua dealership business. The aqua dealers were expecting additional services of credit support (28%) from authorized financial institutions and technical personnel support (24%) from the feed companies for the aqua farmers.

Keywords: Aqua feed dealers, commercial feeds, production risks, financial services

1. Introduction

India's total fish production was recorded 10.02 million tonnes in 2014-15. India is the second largest aquaculture producing country after China and the annual aquaculture production of fish, freshwater prawn and marine shrimp was 6.92 million tonnes in 2014-15 [2]. Due to rapid changes in shrimp and fish farming, production capacities for modern feed have gradually gone up to 2.88 million tonnes [3]. India's brackish-water aquaculture sector produces only Pacific white shrimp, *Litopenaeus vannamei* and smaller proportions of black tiger shrimp, *Penaeus monodon*. Manufactured feeds are used in modified extensive and semi-intensive culture systems. Until 1990 the sector relied solely on farm-made feeds. With the advent of large scale culture of shrimp and prawn in the early 1990s, vast quantities of shrimp feeds were imported from Taiwan, Thailand and other Southeast Asian countries. However, imports have gradually been replaced by domestically produced feeds [3]. Currently, India has a well-established capacity to produce feeds for shrimp and prawn farming.

India is gradually emerging as a significant producer of commercial feeds from traditional conventional feeding comprising rice/wheat bran, ground nut cake, and other agro products. The thriving Indian aquaculture industry is the biggest advantage for aquaculture feed manufacturers. India has around 26 aqua feed mills spread across the country with the current production of 1.25 million tonnes which is only 43.4 percent of the requirement [4]. India imports more than 50% quantity of the aqua feeds from the other countries, so there is huge scope for domestic manufacturing of aqua feed. With the introduction of *L. vannamei*, the cultured shrimp production is growing at 16 percent [4]. The demand from shrimp will drive the growth of the aqua feed industry at five to six percent annually. Cheaper feed ingredients like deoiled rice bran, wheat bran, cottonseed cake and groundnut cake are extensively used in freshwater aquaculture. Both conventional and non-conventional feed ingredients are used in feed formulation for shrimps. Feed ingredients like fishmeal, squid meal, lecithin, cereal flour and other essential and propriety additives and fish oil are also used in prawn and shrimp feed formulations.

Aqua feed Market Forecast of 2015 anticipates the fish feed market to grow at a Compound Annual Growth Rate (CAGR) of around 20 percent and 12 percent for the shrimp feed from 2012-13 to 2014-15. Aqua feed industry has been evolved as an organized sector by using modern and sophisticated methods [1].

The aqua feed dealer is a major link between the feed manufacturers and aqua farmers. However, studies on perception of aqua dealers in feed business and their mode of business are scanty in India and especially in Andhra Pradesh where Aquaculture has grown at a tremendous pace and ranks first in aqua production. Hence a study was planned to map the profile of aqua dealers, nature of their business, their current problems and expectations from the feed manufacturing industry.

2. Materials and Methods

2.1 Study area and Sampling design

The aqua dealers were selected for the study from six districts in Andhra Pradesh such as Nellore, Prakasam, Guntur, Krishna, East Godavari and West Godavari where aquaculture practices have intensified. The personal interview method was employed for collection of primary data from the aqua dealer respondents. A pre-tested survey schedule was used to collect the information from the aqua dealers. The aqua dealers were selected irrespective of their scale of business. The sample size was restricted to 30 representing 5 per each district since the aqua dealers have scattered at different places as well as time and financial constraints to carry out the field survey. The survey data was tabulated into SPSS (IBM 21 ver.) and the frequency and percentage techniques were used to analyze the data.

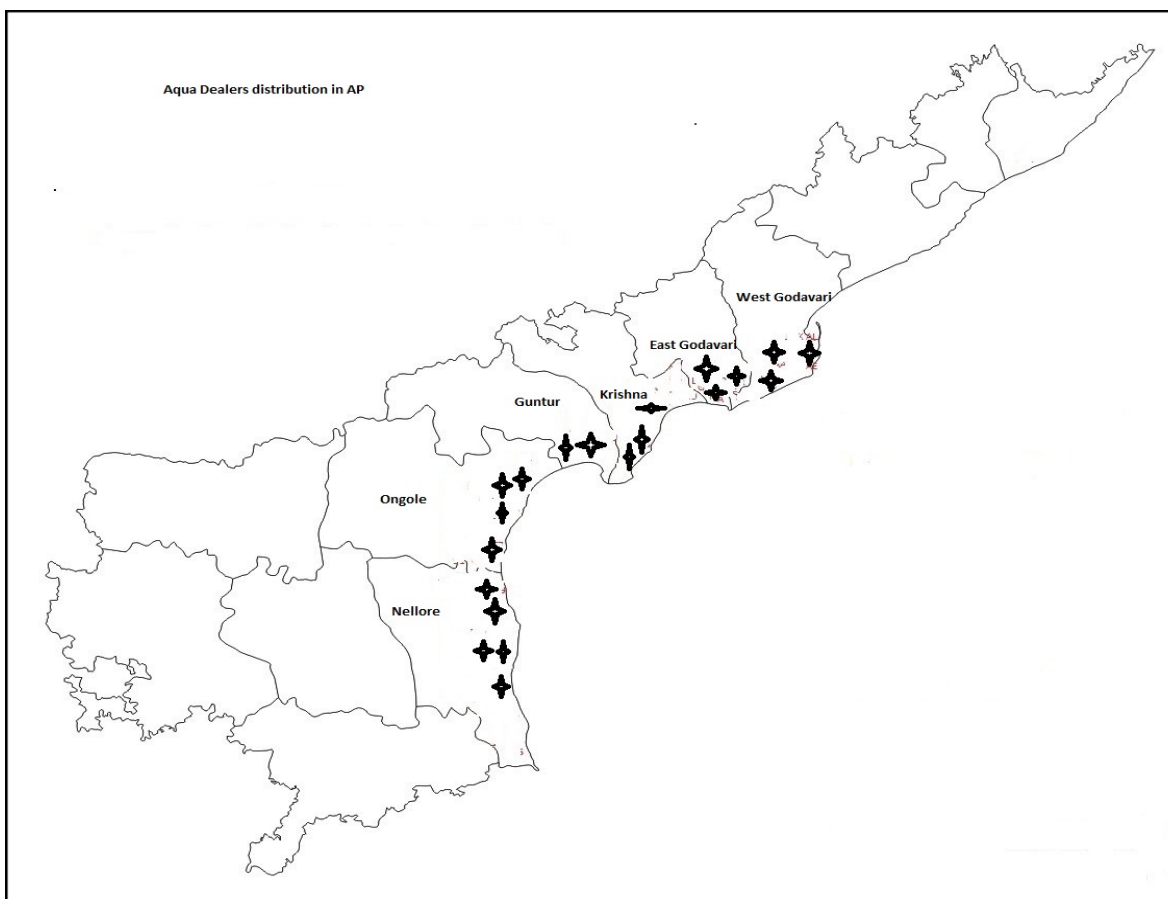


Fig 1: Study areas in Andhra Pradesh

3. Results and Discussions

3.1 Profile of Aqua Dealers

The parameters considered for the profile of aqua dealers are given in Table 1. The average age of aqua dealer respondents was 40 years with a range of 23-75 years and the average dealership experience was about 10 years. Majority of the dealers have completed graduation (48%) followed by Intermediate (28%) and SSC (16%) however only 8% of the dealers were post graduates. The young age group dealers have relatively highest education qualifications and get attracted to the aqua business since the aquaculture sector is showing increasing growth rate. The average initial investment in the aqua dealer business was ₹ 1.8 crores with the average initial deposit in the respective feed company was

about ₹ 7 lakhs. Hence the aqua dealership business is only possible if a person has sound financial background and knowledge about the farmers. Since the shrimp farming includes daily feeding activity, the feed requirement was more during the culture period. Hence the aqua dealers were keeping average daily target of 5 tonnes and average annual target of 1300 tonnes. Majority of the aqua dealers have involved in both cash and credit mode of business (71%) and 25% of the dealers doing only credit business but only 4% of the dealers were opted cash business. The average net profit margin of aqua dealers was 10% and they were expressing a minimum of 40% protein requirements in the aqua feeds for ease of doing business. The aqua dealers reported the major competitors in the feed business were Avanthi (38%), CP

(31%), both Avanthi and CP together (19%) and competition given by the other companies such as Growel, Cargill, Godrej and Waterbase (12%).

Table 1: Profile of Aqua Dealers in Andhra Pradesh

S No.	Parameters	Values
1	Age(Range)-Years	40 (23-75)
2	Qualification (%)	
	Senior School Certificate (SSC)	16
	Intermediate	28
	Graduation	48
	Post Graduation	8
3	Experience(Years)	10
4	Company Deposits (Lakh ₹)	7
5	Initial Investment (Cr.₹)	1.8
6	Feed Target (Tonnes/Year)	1300
7	Feed Sold (Tonnes/Day)	5
8	Mode of Business (%)	
	Cash	4
	Credit	25
	Both cash and credit	71
9	Average net profit margin (%)	10
10	Average expected protein in feeds (%)	40
11	Major competitors	
	Avanthi	38
	CP	31
	Avanthi& CP	19
	Other companies	12

3.2 Best commercial aqua feeds in Andhra Pradesh

Although there are several feed companies giving stiff competition, only few companies have sustained the market competition due to their product quality, fair price and effective inventory management. The best feed brands in Andhra Pradesh as per the dealer respondents were CP (39%), Avanthi (26%), Cargill (8%), Waterbase (8%) and other companies together (17%) such as Growel, Cargill, Godrej and Waterbase (Fig.2). The CP feed was popularized for its easy availability, Avanthi feed for its best quality and Cargill feed for its cheaper price.

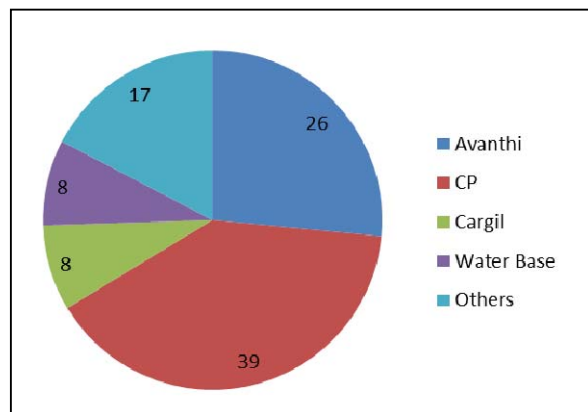


Fig 2: Best feed brands in AP (%)

3.3 Factors for identifying the right farmer

The aqua dealers were felt many factors to be considered as most important for identifying a right farmer (Fig. 3). The majority of the aqua dealers (31%) reported that the financial capability of a farmer was an important attribute for doing successful aqua business. In addition, the assets of aqua farmer (23%), Better Management Practices (BMPs) and the farming success rate (15%) of a farmer were also considered

as major factors. However the aqua dealers have expressed few factors such as farmer reference from a known person (7%), experience of a farmer (7%), confidence and trust on the farmer (7%) and culture knowledge (7%) were also equally important while identifying a right farmer.

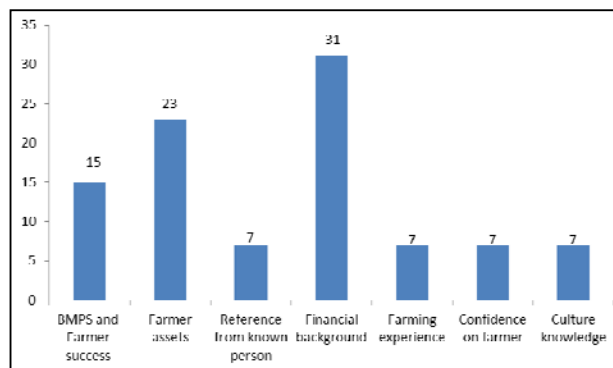


Fig 3: Factors for identifying the right farmer (%)

3.4 Potential risks in aqua dealership business

The aqua production is being subjected to various production risks and market risks. Hence the stakeholders of the aqua industry are prone to face the challenges which were depicted in the Fig.4. Subsequently the aqua dealers were also subjected to face many challenges/risks during their business. The aqua dealers (39%) have reported that credit recovery from the farmers was a major risk followed by credit mode of sale (28%), low quality and less stability products offered by the firms (17%), high priced structure by the firms (11%) and delayed supplies/poor inventory management by the feed companies (5%). In order to minimize the aqua dealer business risks, they should identify a right farmer by assessing his culture capabilities or keeping the farmer in cash mode of business. The aqua farmers must be facilitated to attach with the authorized financial institutions instead of extending credit/loans.

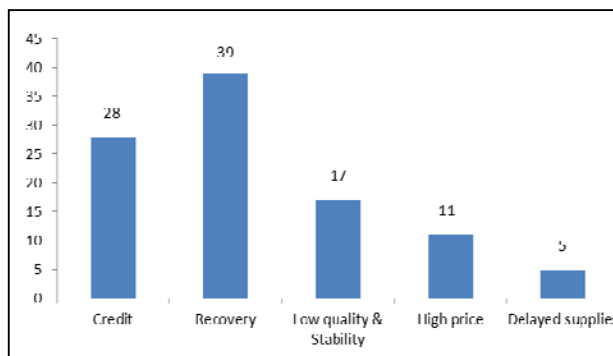


Fig 4: Potential risks in dealership business (%)

3.5 Expected services by aqua dealers

The aqua farmers incurring more input costs for seed, feed and medicines and hence they were subjected to credit crunch and eventually depends on the aqua dealers for credit support (Fig. 5). Hence the aqua dealers were expecting the credit support (28%) followed by technical team support (24%), laboratory facilities (8%), turnover discounts (8%) and target discounts (4%). Therefore the interference of financial institutions was very much required for solving the credit problems of the aqua farmers as well as the dealers. However the present credit support was limited from the authorized

financial institutions and involved lot of official procedures and hence the aqua farmers were looking for easy way of getting credit though they incur elevated interest rates with the private lenders. As aquaculture is a technical skill-oriented practice, the aqua dealers must be looking for the companies which provide regular technical support for the farmers.

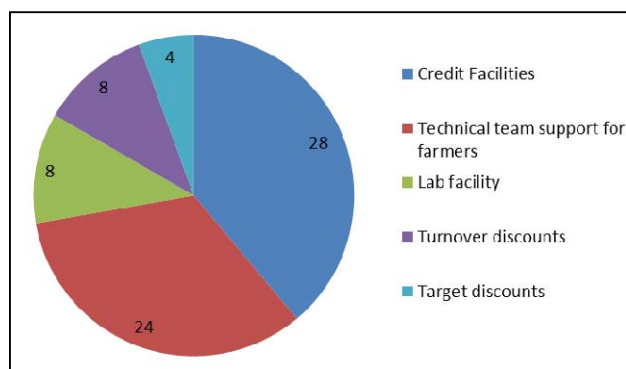


Fig 5: Expected Services by Aqua Dealers (%)

4. Conclusion

The young aqua dealers had higher education and get attracted to the aqua dealership business since the aquaculture sector has seen a phenomenal growth rate. However, only the experienced dealers are successful and sustained in the aqua dealership business. A sound financial background coupled with scientific knowledge on aqua farming is very important to enter and sustain in the aqua dealership business. Only few companies have popularized and sustained the market competition as best feed companies because of their product quality, technical support, market offerings and better inventory management. The aqua production is susceptible to production and market risks which affects the aqua stakeholders. Therefore, the dealers should be capable of identifying an experienced and successful farmer for aqua business. The credit recovery and credit mode of business are the potential risks for aqua dealership business in the state. The aqua dealers were expecting the credit support from the authorized financial institutions and technical personnel support from the feed companies for their sustainability in the business. Since the shrimp farmers incur huge recurring costs, they would be subjected to credit crunch if the production and market risks prevail. Hence the farmers are forced to opt for credit mode of business and thereby the aqua dealers are vulnerable to the risk of recovering the credit from farmers.

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