OPPORTUNITIES FOR INCLUSIVE BUSINESS
A CASE STUDY OF THE SHRIMP VALUE CHAIN
INTRODUCTION

Advances in aquaculture have enabled an estimated 13% annual increase in global shrimp production since the 1980s but at the same time, the price of shrimp has dropped nearly 30%, transforming this once rare luxury into one of the most popular and affordable seafood products in the world. For developing countries in Asia, this lucrative industry plays an important role in economic development by creating millions of jobs and income generating opportunities. However, shrimp production has also been associated with severe environmental degradation, excessive use of antibiotics and chemicals, low wages, and, more recently, scandals around modern day slavery and human trafficking.

The shrimp industry is under increasing scrutiny from international non-governmental organisations and advocacy groups that are eager to expose malpractices, and connect abuses in local supply chains to multinational corporations. Whilst the complexity and limited transparency of the shrimp value chain may make it difficult for companies to take action, it is clear that ‘business as usual’ is neither sustainable nor consistent with increasing the incomes of poor people involved in shrimp fishing, farming and processing. Given that production and processing is dominated by small enterprises where revenues are low (and in some cases falling), we must look at opportunities to develop much more inclusive value chains that can better involve the poor and increase benefits accruing to them. Businesses, consumers, NGOs, development organisations and local governments can work together to find solutions to problems through examination of new opportunities for inclusive business.

This briefing paper seeks to present an introduction to the key challenges facing the shrimp industry and practices in three of the world’s main producing countries: Thailand, Vietnam and Indonesia. It focuses on small scale fishers, farmers and processors and identifies possible entry points and interventions for inclusive business opportunities. It is based on a range of different research studies as well as in-depth interviews conducted with fishers, farmers and processors in the south of Thailand in 2013 and 2014.

OVERVIEW OF THE SHRIMP INDUSTRY

Shrimp is the most valuable fisheries commodity in the world, accounting for about 15% of the total value of internationally traded fisheries products in 2010. Wild-caught shrimp make up about 45% of the global shrimp supply, and generate incomes for an estimated 900,000 fishers worldwide. The rest is produced on small scale, open air farms, mostly in developing countries where low land and labour costs can support the global appetite for cheap shrimp. Falling shrimp prices have put further pressure on low wages, impacting the poor who are involved in fishing, farming and processing.

China is the world’s largest producer of shrimp, followed by Thailand, Vietnam and Indonesia. While China produces mainly for its own consumption, most of the shrimp produced in Thailand, Vietnam and Indonesia is for export to major consuming countries, including the USA, Japan and the European Union.

2 EJF (2013), The Hidden Cost: Human Rights Abuses in Thailand’s Shrimp Industry, p.10
3 United Nations Food and Agriculture Organisation (FAO) (2012), World review of fisheries and aquaculture, p.77
4 WWF (2011) A Blueprint for moving toward sustainable tropical shrimp trawl fisheries, p.1
The two most commonly farmed species are Pacific White shrimp (also known as Whiteleg shrimp or *L. Vannamei*) and Giant Tiger shrimp (*P. Monodon*). Global production of Pacific White shrimp, the most commonly farmed species, has grown from just 11,000 tonnes in 1981 to approximately 2.8 million tonnes in 2011 and is valued at USD12.2 billion. Although Pacific White shrimp are not native to Asia, their increased prevalence is a result of their perceived resistance to disease.

Global aquaculture trade still relies predominantly on production done by small scale farmers. In the ASEAN region this small scale contribution is estimated at 80%. Power lies higher up in the value chain, but at the same time, larger buyers spend time and money searching for cheaper products.

Farming practices range from extensive to intensive. Extensive farms are based on traditional shrimp farming methods, have large

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pond sizes (up to 1.0 km²), and are usually located by the coast for easy access to wild-caught juvenile shrimp (known as postlarvae). Extensive farms require low levels of input and management, but maximum yields are only 0.5–1.5 tonnes of shrimp per hectare per year⁹. By contrast, intensive farms are smaller (0.02–0.05 km²) but have increased yields of up to 10–100 tonnes per hectare per year¹⁰. Intensive farms require high levels of inputs and investment, more sophisticated technology, and continuous monitoring.

Semi-intensive farms do not rely on the tide for water exchange, but use pumps and a planned pond layout. They can therefore be built above the high tide line. Artificial feeding using industrially prepared shrimp feeds and fertilizing the pond to stimulate the growth of naturally occurring organisms are commonplace. Annual yields range from 0.5 to 5 tonnes per hectare per year. With densities above 15 animals per square metre aeration is often required to prevent oxygen depletion. Productivity varies with water temperature, consequently shrimp size may also vary seasonally. This system is predominant in places where shrimp aquaculture is focused on exports.

Thailand has the most sophisticated operations of the three biggest exporting countries, using more intensive farming methods that require inputs including feed, chemicals, antibiotics, aeration devices and are stocked by hatchery produced postlarvae. In Vietnam, aquaculture is less intensive with lower productivity, and in Indonesia aquaculture is still mainly small volume extensive farms.

¹⁰ ibid.
**Inputs**
- Intensive farming requires high levels of inputs including feed, antibiotics, pesticides and specialised equipment
- Young shrimp used to stock the ponds, known as postlarvae, are bred in hatcheries from wild-caught broodstock

**Shrimp farms**
- Intensive
- Extensive

**Shrimp markets**
- Harvested shrimp either goes directly to the processing plants or is sold at auction markets to pre-processing factories

**Pre-processing**
- Pre-processing facilities or ‘peeling sheds’ remove the heads, veins and shells of the shrimp. This labour intensive stage is often under-regulated, increasing the risk of labour exploitation and human rights abuses

**Value added processing**
- Additional processing of the peeled shrimp, including packaging and breading, is done at larger, more regulated facilities

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THAILAND (392,616 TONNES IN 2011, 540,000 TONNES IN 2012, 250,000 TONNES IN 2013)\textsuperscript{13/14}

Thailand is the largest exporter of shrimp globally, primarily to the US (46%), Japan (20%) and the European Union (EU) (16%). Around 90% of shrimp produced is farmed, mostly by family-owned enterprises or small businesses with small land holdings of less than two hectares. Shrimp fry production has become highly effective and based around more than 2,000 ‘backyard’ hatcheries, which produce about 90% (80 billion fry) of the country’s requirements annually.

Supply chains are often relatively short, and fishers and farmers can sell directly to processors at centralised shrimp markets, for example at Samut Sakhon, which consolidates 75% of Thailand’s raw shrimp from eastern and southern regions. Most of this shrimp is for export and only 10% is consumed in the domestic market\textsuperscript{15}. However, the prices that producers receive are often less than transparent and small producers in particular, find it difficult to influence the price they receive from large processors.

To gain access to international markets, processors and exporters must be registered with the Thai Frozen Food Association (TFFA), which imposes regulatory controls on health, safety and some aspects of production. Nevertheless, there are estimates that as many as 2,000 unregistered, informal peeling sheds are in operation\textsuperscript{16}. In such sheds, abusive labour conditions can be found including child labour, bonded labour, the employment of vulnerable refugees and poor working conditions. Such labour abuses are partly a result of increasing wealth and low unemployment rates which have often led Thai workers to choose better paid and less labour intensive jobs, creating a labour shortage. Thus 90% of the seafood processing workforce in Thailand comprises low paid migrant workers.

Several recent reports have exposed forced labour and child labour in peeling sheds. Although there are laws to protect migrant workers, they are poorly enforced and corruption results in them often being overlooked. Thailand has been on the US Trafficking in Persons Report Tier 2 Watchlist for four consecutive years, and faces mandatory downgrade to Tier 3 in 2014 if major issues are not adequately addressed\textsuperscript{17}.

In shrimp farms, poor labour practices are also common. Whilst workers may receive the statutory daily minimum wage, they often do so only after working 14-hour days. Many workers live on the farm and many do not have contracts. Nevertheless, many workers can often grow vegetables around the farm to supplement their diets, and child labour and other human rights abuses are far less prevalent in farms.

In 2013 the industry was hit by a 50% drop in production due to outbreaks of disease representing over USD1 billion losses. This severely affected poor farmers hit by the disease, but conversely benefitted other farmers as prices rose.


\textsuperscript{16} US State Department Trafficking in persons report 2013 country narratives: http://www.state.gov/j/tip/rls/tiprpt/ countries/2013/215633.htm
VIETNAM (530,000 TONNES IN 2011, 488,000 TONNES IN 2012, 548,000 TONNES IN 2013)\textsuperscript{18}

Vietnam became one of the world’s top ten seafood exporters in a little more than ten years. The country’s seafood exports reached over US$ 6 billion in 2011 contributed largely by shrimp. Over 4,000 small scale shrimp hatcheries annually produce 25–30 million postlarvae\textsuperscript{19}. Shrimp production is primarily done by 250,000 small scale family farmers using mainly extensive methods and 80,000 intensive shrimp producers. But, capital shortages have resulted in major production constraints, especially for small scale farmers, unable to upgrade production facilities because of a lack of finances.

Processing plants in Vietnam are commonly integrated with exporting enterprises, and there are 479 government approved seafood processing and exporting enterprises, with the 100 largest representing 99% of the total export value in 2010. Almost 90% of shrimp produced is exported, mainly to the EU and Japan\textsuperscript{20}. Black Tiger shrimp has the largest share of shrimp production, but more farmers are switching to non-native Pacific White shrimp due to perceived disease resistance.

The practice of converting mangrove areas to shrimp ponds essentially stopped almost two decades ago due to strong regulatory and industry pressure\textsuperscript{21}. Due to a poor road infrastructure, large numbers of small scale buyers travel by boat from farm to farm collecting from each location, often in small (10–20kg) quantities. Buyers sell to other collectors, and shrimp changes hands as many as five times before reaching the wholesaler who supplies the shrimp to the processors. Producers find it difficult to assess if they are getting fair prices for their outputs.

INDONESIA (410,000 TONNES IN 2011, 415,703 TONNES IN 2012)\textsuperscript{22}

Indonesia is one of the world’s largest archipelagos and shrimp farming is present almost everywhere in the country, dominated by small scale, low cost production. Pacific White (70%), Black Tiger (20%) and wild (10%) shrimp are exported mostly to the EU, the US and Japan. Production from aquaculture has fluctuates a great deal (partly due to outbreaks in disease), while production from capture remains relatively stable\textsuperscript{23}. Most shrimp farming uses extensive practices due to a lack of capital, technology and infrastructure. There is a severe lack of enforceable environmental controls for new farm developments\textsuperscript{24}.

Increasing demands from international consumer brands for better food safety standards and traceability is a challenge for farmers and processors in Indonesia. The huge geographical distribution of producers, the fragmented nature of many small businesses, the lack of coordination of the industry and poor infrastructure have made it difficult for Indonesia to distinguish itself from other shrimp producing countries such as China and Thailand\textsuperscript{25}.


\textsuperscript{19} The WorldFish Center (2011), Governance of global value chains impacts shrimp producers in Vietnam

\textsuperscript{20} The Fish Site (2013), The Vietnamese Seafood Sector: A Value Chain Analysis

\textsuperscript{21} EJF (2003), Risky Business: Vietnamese Shrimp Aquaculture – Impacts and Improvements

\textsuperscript{22} Accessed on 11 March 2014 via http://www.thefishsite.com/fishnews/21109/indonesias-shrimp-production-expected-to-rise

\textsuperscript{23} Sustainable Fisheries Partnership (2013) East Java Shrimp AIP, Figure 1. The trend in Indonesian shrimp production and export volume from capture fisheries and aquaculture during 2007–2011, accessed on 8 February 2014 via http://www.sustainablefish.org/aquaculture-improvement/east-java-shrimp-aip

\textsuperscript{24} Humanity United (2013), Exploitative Labor Practices in the Global Shrimp Industry

\textsuperscript{25} USAID (2007), A Value Chain Assessment of the Aquaculture Sector in Indonesia, Agribusiness Market and Support Activity
A multitude of serious environmental and social issues are present throughout the shrimp value chain. Farmers in developing countries are often keen to invest in shrimp farming, as it is perceived to be a profitable industry, if successful. But the initial investment is high, and even if they can get access to capital, poor farmers are at risk of losing their investment and plunging into serious debt if the production fails. Although much of the research documenting the environmental and social issues associated with shrimp production focuses on Thailand, similar practices occur in other countries, given the similarities of the value chains and lack of an effective regulatory framework around access to land and water, wages, labour conditions and human rights, in particular26.

**TEN KEY CHALLENGES FACING THE INDUSTRY**

1 **Overfishing**
About 85% of the world’s marine stocks are either fully exploited or overfished27. Wild-caught adult shrimp still make up a substantial proportion of global shrimp supply, and are also used as broodstock in hatcheries. The fishmeal and fish oil in shrimp feed are also produced from wild-caught fish, and it takes almost three pounds of wild fish to produce one pound of farmed shrimp. Research is being done into alternative food sources, including phytoplankton and zooplankton. Fish provide a valuable source of nutrition and protein for developing countries, accounting for as much as 50% of the protein intake in developing island nations such as Indonesia28, but declining fish stocks are resulting in increased food security risks for many poor communities.

2 **Fishing practices**
Trawling for tropical shrimp has the highest rates of incidental bycatch of non-target species, which can be as high as 80% according to the United Nations Food and Agriculture Organisation29. Critically endangered species of sea turtle and albatross are often caught and killed in shrimp trawl nets. Heavy fishing pressure from trawlers that work in shallow water and sometimes in estuaries, harm breeding populations and contribute to overfishing but their catches may be falling putting downward pressure on fishing incomes.

3 **Mangrove destruction**
It is estimated that half of the world’s mangrove forests have been destroyed to make way for aquaculture, primarily for extensive shrimp farming30. Mangrove forests are among the most productive ecosystems in the world, and play an important role in providing nurseries for fish, helping reduce the impact of storms and floods, filtering out many pollutants before they reach the sea, and providing an important source of food and livelihood for coastal communities. Mangroves are excellent ecosystems to store carbon, whereas the exposure of mangrove soils (due to shrimp pond excavation and cleaning) releases a lot of carbon to the air. That said, the practice of converting mangrove areas into shrimp ponds has been hugely reduced because of strong regulatory and industry pressure.

4 **Pollution**
The World Resources Institute estimates that building a shrimp farm generates USD 8,000 per hectare but can destroy natural resources worth USD 35,000 per hectare31. Intensive shrimp farming systems require a variety

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26 Humanity United (2013), Exploitative Labor Practices in the Global Shrimp Industry
27 Oceana (2008), Too Few Fish: A Regional Assessment of the World’s Fisheries
28 FAO (2004), Status and potential of fisheries and aquaculture in Asia and the Pacific, accessed on 8 February 2014 via http://www.fao.org/docrep/007/ad514e/ad514e04.htm
29 FAO (1997) A study of the options for utilization of bycatch and discards from marine capture fisheries
30 Earth Policy Institute (2013), Farmed Fish Production Overtakes Beef, accessed on 8 February 2014 via
31 Food and Water Watch (2009), Suspicious Shrimp, accessed on 18 February 2014 via http://www.foodandwaterwatch.org/reports/suspicious-shrimp/
of chemical inputs including disinfectants, antibiotics, fertilizers and pesticides. Effluent from the shrimp ponds containing these chemicals and nutrient-rich organic matter pollutes the surrounding land and water, and causes eutrophication of algae which disrupts ecosystems.

On average, intensive shrimp farms are abandoned after seven years due to pollution and antibiotics-resistant pathogens that render the pond unable to sustain shrimp. Salt water runoff from shrimp farms may increase the salinity of the surrounding area, affecting arable land and destroying crops. This impacts local food production and affects the food security and livelihoods of local farmers. In Thailand, our interviews identified many community conflicts arising as a result of environmental degradation.

5 Ecosystem disruption from introduction of non-native species
In 2003, Pacific White shrimp were introduced to Asian farmers as they were thought to be less disease-prone than the native Giant Tiger shrimp species, which was suffering from White Spot Disease. In recent years, this new species has actually proven vulnerable to disease as well. The introduction of non-native species of shrimp can create disruption in local ecosystems if they escape from ponds, which can occur accidentally if ponds overflow or flood. Non-native species can disrupt the food chain or introduce disease into native populations.

6 Disease
Shrimp production saw a 15% decrease in 2013 compared with 2011, largely due to the outbreak of Early Mortality Syndrome (EMS) in Asia and Mexico. EMS affects the two most commonly produced shrimp species (Pacific White and Giant Tiger shrimp) with large scale mortality beginning 30 days after pond contamination. While EMS has not been found to pose a risk to human health, the overuse of antibiotics in shrimp farming can lead to antibiotic-resistant bacteria, which could threaten the health of both humans and animals in the wider ecosystem32. Disease is one of the most significant determinants of shrimp prices. Outbreaks of disease can push prices up, but if a small producer’s production is hit by disease then incomes are drastically reduced.

7 Consumer health and food safety
The negative effects of eating industrially produced shrimp may include neurological damage from ingesting chemicals such as endosulfans, an allergic response to penicillin residues or infection by an antibiotic-resistant pathogen such as E. coli33. Oxytetracycline and ciprofloxacin, both of which are used to treat human infections, are two of the most common drugs used in shrimp farming. The use of chloramphenicol, penicillin and other antibiotics pose serious health risks to consumers, such as susceptibility to antibiotic-resistant bacteria, to consumers if residues of the drugs remain in the shrimp34.

8 Human rights
In recent years, serious violations of human rights have been documented both on shrimp fishing boats and in shrimp processing factories. On fishing boats, victims have described witnessing murder and being subjected to terrible beatings, being drugged and being forced to work long hours. As wild shrimp populations are depleted, fishing boats must travel further out to sea where enforcement of regulations is more difficult. Fishing boats transfer their catch to cargo ships whilst at sea (known as transhipment), allowing them to spend longer periods of time without having to return to land, and thus increasing their ability to hide the poor treatment of workers and at the same time reducing chances of detection. There have been claims that some of the largest exporting companies are using shrimp produced

32 ibid.
33 ibid.
34 ibid.
under exploitative, abusive and even violent conditions in Thailand. The informal nature of the work, which is often sub-contracted to smaller operations or even to home working operations, and is highly labour intensive, means it is often the least regulated aspect of the value chain. The labour intensive pre-processing stage is susceptible to labour exploitation. In Thailand, the extremely low unemployment rate means that Thai citizens are turning away from this type of work, and workers from the neighbouring countries of Myanmar, Laos and Cambodia make up 90% of the workforce in the seafood processing industry.\(^3^5\)

Complicated worker registration processes have led to many migrants seeking help from recruitment agencies and brokers, fuelling trafficking.

**9 Child labour**
The ILO estimates that 10,000 migrant children aged 13-15 work in the pre-processing facilities in Thailand’s biggest shrimp processing district, Samut Sakhon.\(^3^6\) The minimum legal age at which a person can work is 15 years old, but employment of workers under the age of 18 must be reported to the labour inspector within 15 days of employment. Workers under the age of 18 are prohibited from working in dangerous and hazardous jobs, and from working overtime, on holidays and between the hours of 10:00pm and 6:00am. Pre-processors often get around this by requiring underage and undocumented workers to work the night shift to avoid detection, and through outsourcing activities.

**10 Land grabs**
Many of the shrimp farms in Asia have been established in areas that did not previously have clear land and property rights. These coastal areas were legally claimed by the state but were inhabited by indigenous communities that, in some cases, had existed there for centuries. The prospect of building shrimp farms gave the land economic value that it had never been thought to possess, leading governments to sell it to investors. They then moved in to expropriate and enclose the land and dispossess communities.\(^3^7\)

Historically, the development of shrimp ponds typically occurred on or close to the seashore. The former mangroves, wetlands and salt marshes were (and often still are) common property or state owned lands. Governments saw no immediate harm in providing ownership titles to those who wished to develop shrimp ponds. However, in doing so the traditional, subsistence use of these lands was taken away from marginalised, rural poor people. People were displaced, communities up-rooted, land for cattle grazing and mangroves for seafood gathering and artisanal fisheries was closed off.\(^3^8\)

Land ownership has also been manipulated through shrimp aquaculture development. Case studies from Bangladesh, Thailand and Vietnam reveal how opportunities for subsidies and soft loans available to the elite gave these people an opportunity to acquire land ownership in coastal areas.\(^3^9\) As a result, land prices went up and poor farming families were bought out or even forced out without an alternative means to make a living. Those rural poor who did own land could often not apply for publicly available credit facilities due to administrative difficulty in proving their land ownership.

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35 Human Rights Watch (2010), From the Tiger to the Crocodile
36 EJF (2013), The Hidden Cost: Human Rights Abuses in Thailand’s Shrimp Industry
37 Food and Water Watch (2009), Suspicious Shrimp
There are significant risks to multinational businesses involved in the shrimp value chain.

1 Reputational risks
Some campaigners are calling for a boycott of Thai shrimp imports in the EU and US in response to high profile reports of human rights abuses and trafficking. Though a lack of transparency is common in the industry, grassroots organisations on the ground have a history of actively investigating environmental, health and human rights issues. Current international standards for the shrimp industry do not adequately consider labour issues, providing guidance on health and safety but relying on national laws to address labour issues. The Solidarity Centre identified nine US supermarkets that sell shrimp processed in Thai factories with substandard working conditions: Costco, Cub Foods, Giant, Giant Eagle, Harris Teeter, IGA, Tops Markets, Trader Joe and Walmart.

2 Sustainability of supply and food security
After more than a decade of growth, worldwide shrimp production dropped from its peak of nearly 4 million metric tonnes in 2011. Supply fell 5.7% in 2011-12 and another 9.6% in 2012-13. The nature of intensive shrimp farming makes the industry particularly vulnerable to disease, whilst small scale farmers are not well equipped to respond to outbreaks, which can severely reduce their incomes. Because wild stocks of shrimp are now overfished, increases in production volume to meet demand will need to come from farming.

3 Government embargoes and tariffs
In September 2012, the US government banned all Federal agencies from purchasing shrimp from Thailand, which accounted for an 8% decrease in exports during the final quarter of 2012. Thai shrimp is also scheduled to lose its preferential tariff for exporting to the EU under the Generalised System of Preferences (GSP) in 2014, increasing tariffs from 7% to 12%. Exporters of shrimp and retailers in large markets are coming under increasing pressure from regulatory agencies and trade agreements to ensure that their supplies are more sustainable, safer and do not result in labour abuses.

4 Price and quality volatility
In the late 1990s White spot disease ravaged farms in Ecuador, causing a spike in shrimp prices. Those high prices then fell drastically when countries in Southeast Asia (in particular Thailand and Vietnam) ramped up production just as demand dropped after the global economic slowdown. The price of shell-on white shrimp, for example, went from USD6.75 per pound in August of 2000 to USD3.70 per pound in October 2001, severely impacting poor producers. Price volatility linked to outbreaks of disease is still a major risk for large businesses. This makes companies behave very short term and very hesitant to enter into long term deals with shrimp farmers. Moreover, large buyers continue to respond by maintaining downwards price pressure on their suppliers in order to sustain low-priced shrimp in consumer markets. This has been detrimental to small producers in particular.

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41 Solidarity Center (2008), The True Cost of Shrimp, p.18
43 EJF (2013), The Hidden Cost: Human Rights Abuses in Thailand’s Shrimp Industry
45 Food and Water Watch (2009), Suspicious Shrimp, accessed on 18 February 2014 via http://www.foodandwaterwatch.org/reports/suspicious-shrimp/
**5 Worker protests**  
In 2013, around 500 migrants from Myanmar went on strike at a factory in Rayong belonging to CP, Thailand’s largest food manufacturer, which also exports shrimp to some of the UK’s largest retailers. The workers were protesting against exploitative conditions, including expensive and hidden agents’ fees and having their passports confiscated. A rise in worker unrest and an increasing willingness of the media to report on abusive labour practices is creating brand risks for many large distributors and retailers.

**6 Ineffective implementation of industry standards**  
Recent events have raised questions about the effectiveness of the shrimp industry’s certifications and standards. The main international standards include the Global Aquaculture Alliance’s Best Aquaculture Practices (BAP), the GlobalGAP and the new Aquaculture Stewardship Council (ASC) certification, but according to WWF there are over 30 different aquaculture certification schemes promoted by industry organisations and NGOs, which has led to confusion, inconsistencies and gaps in coverage. Small scale operators are interested in getting help to increase quality and apply international standards, but are often unable to sufficiently upgrade their technical, quality and food safety measures to meet such standards. The problem is exacerbated by the lack of transparency, and prevalence of unregistered, and therefore unregulated, pre-processing factories that are allowed to operate outside the scrutiny of the rest of the industry.

**OPPORTUNITIES FOR INCLUSIVE BUSINESS**

Inclusive business is a sustainable business model that includes the poor in commercial value chains as producers, suppliers, distributors, employees, business owners and customers in ways that enhance the competitiveness of a company while simultaneously improving economic, environmental and social conditions in the communities in which it operates. Inclusive business can contribute to poverty alleviation by increasing incomes, creating jobs, adding value to products, creating new products and expanding markets.

Studies have shown that customers are willing to pay more for sustainable, responsible and organic products, and this approach has been successful with many sustainably sourced or fair trade products. Some companies are already implementing this including Contessa Just Harvested Sustainably Raised Shrimp, certified by the Marine Stewardship Council and raised in natural mangroves on a feed of natural plankton. However, whilst many large businesses are implementing stricter policies, this can actually marginalise poor farmers and processors who cannot afford to get certified or who cannot meet the requirements because of lack of technology and know-how.

There are many small scale, unregulated and informal operations in the shrimp industry, including backyard processing, unregistered fishing boats and poorly run farms. This has led to increased risks associated with illegal activities, human rights abuses and unsustainable production. Lead companies in the shrimp value chain can help to increase the incomes of small producers and workers at the same time as modernising the industry, ensuring improved labour practices, integrating sustainability factors and improving the traceability of products.

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46 EJF (2013), The Hidden Cost: Human Rights Abuses in Thailand’s Shrimp Industry
47 Accessed on 6 February via Contessa Just Harvested Sustainably Raised Shrimp
However, large players in the industry are most worried about risks associated with disease and the consequent impacts on security of supply, as these have a direct impact on ability to be in business in the long term. Some large shrimp buyers are offering help to small businesses to increase productivity, reduce disease and help them meet global standards.

Clustering farmers into cooperatives can also improve livelihoods of the poor, by driving efficiency and product quality initiatives, reducing environmental damage, thus creating more secure supply. Working directly with smallholder farmers will also help to improve traceability in the shrimp value chain. Partnerships with government can help in driving greater transparency and traceability through improved regulation and enforcement.

In the shrimp industry, inclusive business strategies require a package of interventions, including access to finance and capacity building for small fishers, farmers and processors. Targeted and coordinated interventions have the potential to provide a sustainable contribution to poverty alleviation and the protection of human rights in the industry. Table 1 focuses on possible entry points for interventions in the value chain.
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<th>ENTRY POINT</th>
<th>ISSUES TO CONSIDER</th>
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| LEAD COMPANIES              | • Commitment to inclusive business in supply chains  
• Help with productivity improvements  
• New market entry strategies  
• Local or ethical sourcing strategies  
• Application of standards  
• Corporate social responsibility objectives  
• Informing the consumer about challenges  
• Entering into longer term contract arrangements with farmers |
| GOVERNMENT                  | • Capacity development for small businesses  
• Policy dialogue and reform opportunities  
• Legal and regulatory reform supporting inclusive business  
• Support for standards  
• Tax incentives  
• Food and safety controls at source |
| PRODUCERS                   | • Capacity development and education  
• Increasing productivity through technology and know-how  
• Small business development and entrepreneurship support  
  Building and strengthening cooperatives and producer associations  
• Access to finance, markets, technology, information  
• Opportunities for diversification and secondary incomes  
• Longer term contracts with farmers to better share risks  
• Traceability mechanisms |
| DISTRIBUTORS                | • New inclusive ways of distributing goods  
• Channels for distribution to the poor |
| CONSUMERS                   | • Capacity development and education around poverty  
• Building consumer associations that support inclusive business |
| CIVIL SOCIETY ORGANISATIONS | • Capacity development  
• Social business opportunities  
• Cooperation with other stakeholders |
Working with stakeholders across the shrimp value chain will allow lead businesses to identify a package of complimentary interventions led by the private sector that can help to develop capacity, improve business services and increase access to technology and finance. The private sector can create engagement activities that can create partnerships and cooperation on initiatives to improve the incomes of farmers, create new standards (see box) and drive infrastructure improvements. This is likely also to include advocacy and research on designing enabling environments for inclusive business in the value chain, creating partnership platforms and multi-stakeholder engagement initiatives.

In particular, lead companies can help in upgrading the technology of small businesses and thereby increasing productivity, reducing costs and increasing incomes of producers and their workforce. Leveraging access to sources of capital will be a very important aspect of helping with new technology enhancements. In many parts of the shrimp value chain, working with local governments and business associations will be important in investing in and developing new infrastructure.

As part of any drive to increase productivity, it will be important to consider the role of education, training and capacity building for small producers, giving them the skills to consider productivity enhancements and reduce key risks associated with disease. There may also be opportunities for some producers and processors to add value to products, through an increase in the processing done or by differentiating products as sustainable, fair trade or free of labour abuses. Value added products can lead to new business opportunities for small businesses and if linked to other businesses (e.g. tourism) provide a secondary income.

Developing and enforcing regulations in the countries studied here is also important. The informal nature of much of the shrimp value chain means that illegal and abusive activities often go unchecked. But at the same time lead companies must recognise that downward pressure on shrimp prices has driven legal workers out of the industry to be replaced by migrant workers who, in Thailand in particular, are sometimes children or vulnerable refugees. Changing consumer behaviour is an intervention at the other end of the value chain that can create positive impacts for small producers and processors. In particular, standards, certification and labelling can create a demand for new ethical, sustainable or fair trade shrimp products that will translate a premium paid by consumers into increased incomes for poor people. Lead businesses need to have interesting “stories” to tell consumers and make them aware of the key issues in the shrimp value chain.

Whatever interventions are most suited to the shrimp industry, in whatever country, it is likely that multi-stakeholder initiatives will be needed to bring together the various dispersed actors in this value chain. This will require partnerships between stakeholders with the aim of generating new ideas, building a vision for the future, identifying sustainable solutions to key challenges and driving innovation and creativity.
POSSIBLE INTERVENTIONS: THE POWER OF CERTIFICATION IN INDONESIA

Naturland, an industry label maintained by the German Association for Organic Agriculture, introduced its certification scheme in Tarakan Indonesia in 2007. In collaboration with Borneo University, the association trained a group of farmers to comply with the standard and certified the first farmers in 2010. At the end of 2011, some farmers showed better performance: healthier shrimp, better meat quality and more meat per shrimp for which they were able to get a premium price. Naturland will initially pay for the certification cost until there are enough certified farms and the process has proven successful.

More than 70% of total shrimp supply exported to the EU is now GlobalGAP certified. In Indonesia, the government has assigned local field officers to support farmers with certification requirements. Since the ASC standard explicitly requires that producers comply with national legislation, the government considers the ASC Standard as a potential ally that can help enforce national laws in those areas where the government is short of enforcement capacity. The ASC also helps engage the business sector in enforcing existing government legislation to protect mangroves. ASC is now embarking on a dialogue to create a separate standard on aquaculture feed.

This paper was written by CSR Asia as part of its partnership with Oxfam on inclusive agricultural value chains.

48 Internal draft report to Oxfam from The Partnership Resource Centre p.23