SAMETI

Training on Domestic Trade and Export of Horticultural Produces

by

Department of Agricultural and Rural Management, CARDS, TNAU, Coimbatore

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BUSINESS STRATEGIES FOR EXPORT OF HORTICULTURAL PRODUCE

Dr. S D Sivakumar and Dr. M Malarkodi

Directorate of Agribusiness Development

Tamil Nadu Agricultural University

Coimbatore-3

Introduction

India is the second largest producer of fruits and vegetables in the world. It is the topmost producer of banana, mangoes, lime, lemon, papaya and okra. According to the Department of Agriculture, Cooperation and Farmers Welfare, India's horticulture production is estimated to be 320.48 million tonnes in 2019-20. In the same year, India exported fruits and vegetables worth around US$ 1,277.09 million. Indian horticulture exports accounts for over 35 percent of the total exports of agricultural commodities, and the exports have increased overtime.

Indian horticulture produce is exported to over 70 countries; primary among them is countries in the Middle East, Southeast and South Asia, the UK, EU member states and the US. By country, India's top three export destinations are UAE (16 percent), Bangladesh (13 percent) and Netherlands (9 percent). More recently exports to African countries have increased. Exports to some markets like the US shows a fluctuating trend.

By product categories, there are differences across export markets. For example, in Middle East, UAE is a major importer of fruits and vegetables like papaya, pineapples, pumpkins and lemon.

International Market Entry Strategies

Mode of entry may be defined as an institutional mechanism by which a firm makes its product or service available to consumers in foreign markets. The mode of entry into international markets varies from low commitment indirect exports to high commitment wholly owned subsidiaries in foreign markets depending upon the ability and willingness of the firm to commit resources; the firm's desire to have a level of control over international operations; the level of risk the firm is willing to take.

The modes of international market entry:

I. Production in Home Country

- **Direct Exports** – production is carried in home country and finished goods are shipped to the overseas market for sale through foreign based agents and distributors
- **Indirect exports** – is a process of selling products to an export intermediary in the company's home country who would inturn sell the products in overseas markets by way of selling to the foreign firm or a buying agent in India and exporting through a merchant intermediary-an export or trading house
- **Complementary Exporting** – the overseas distribution channels of another firm are used by the company to make its product available in the overseas market. Thus, *piggyback* exporting provides immediate access to a well developed distribution channels of another company.
- **Provide offshore services** – A company based in India can provide offshore services to overseas clients with the help of information and telecommunication technology. India enjoys a distinct cost advantage in this regard.

II. Production in a Foreign Country:

Contractual entry modes:

- *International licensing* – A company that possesses a competitive manufacturing process, technical know how, design and marketing expertise may enter into international markets by way of international licensing with minimum involvement of financial resources. In this mode of entry, the domestic company allows foreign company to use its intellectual property such as patents, trademarks, copyright, process technology, design or specific business skills. The royalty in international licensing varies between 1% and 15%.
- *International franchising* – the home company provides an overseas company intellectual property and other assistance over an extended period of time.

Under the franchising agreement, the overseas company acquires the right to market the producer's product and services in a prescribed fashion using the franchiser's brand name, processing and production methods and marketing guidelines.

- *Overseas Turnkey Projects* – Companies with core competencies in setting up composite plants and manufacturing facilities and engineering infrastructure such as dams, bridges can utilize their technical expertise to enter international markets. The various types of turnkey projects are: Built and Transfer (BT), Built, Operate and Transfer (BOT) and Built, Operate and Own (BOO).

- *Management contract* - Under management contracting, the international marketer supplies management know-how for a company in a foreign country, for which the investor of the country in which the company is located provides capital. Kotler remarks that management contracting is a low-risk method of getting into a foreign market, and that it strategy yielding income right from the beginning. The arrangement is especially attractive if the contracting firm is given an option to purchase some shares in the managed company within a stated period. On the other hand, the arrangement is not sensible if the company can put its scarce management talent to better uses, or if there are greater profits to be made by undertaking the whole venture. Management contracting prevents the company from selling up its own operations for a particular period.

- *Strategic Alliance* - Strategic alliance has been becoming more and more popular in international business. Also known by such name as entente and coalition, this strategy seeks to enhance the long-term competitive advantage of the firm by forming alliance with its competitors, existing or potential, in critical areas, instead of competing with each other. A strategic alliance between the U.S. multinational Procter and Gamble (P & G) and the Indian company Godrej Soaps Ltd. Had given birth to joint venture company called P&G Godrej (P&GG) to market the toilet soaps, detergents and cleansing and personal care products of both P and G and Godrej soaps. The alliance provides P and G with the advantage of large access to the Indian market through the well established distribution network of Godrej Soaps. Godrej soaps would benefit from the R and D and technological strength of P and G. P and G can utilise the manufacturing base of Godrej which is equally comparable with those of P and G worldwide to manufacture P & G brands like Camay, Ivory, Zest etc. The alliance also enables both the parties to fight the competition more effectively.

- *Contract manufacturing* - Under contract manufacturing, the company engaged in international marketing contacts with firms in foreign countries to manufacture or assemble its produce while retaining the responsibility of marketing and distribution of products. As Kotler pointed out, contract manufacturing has the drawback of less control over the manufacturing process and the loss of potential profits on manufacturing. On the other hand, it offers a manufacturer a chance to get started faster, with less risk, and with the opportunity to form a partnership or buy the local manufacturer if his facility operates efficiently. Nike the international shoe brand does not own a single production facility and gets its manufacturing done through contract throughout the world.

Investment entry modes:

- **Assembly operations -** Under this set up, the manufacturer exports all or most of his products in completely knocked-down condition to the overseas assembly plant, where the parts are assembled to form the complete product that is then marketed. The main advantage claimed for assembling abroad is the reduction in costs. Further, this method is sometimes made use of to circumvent some of the import and customs regulations of the importing countries.

- **Joint Ventures - J**oint ventures have become very popular. In the widest sense, any form of association, which implies collaboration for more than a very transitory period, is a joint venture. A joint venture involves more than two firms in equity participation, thus, providing complementary competitive advantage for the formation of a new company.

- **Wholly owned foreign subsidiaries** – In order to have a complete control and ownership of international operations, a firm opts for foreign direct investment to own foreign operations.
- **Mergers and Acquisitions -** - Mergers and acquisitions (M & As) have been a very important market entry strategy as well as expansion strategy. It provides instant access to markets, resources of a foreign company and distribution network. As one of the most difficult areas in international marketing is the distribution, this is often a very important consideration for M & As. Another important objective of M and A is to obtain access to new technology or patent right. M & A also has the advantage of reducing the competition.

III. Third country location

Third country location is sometimes used as an entry strategy. When there is no commercial transaction between two nations because of political reasons or when direct transactions between two nations are difficult due to political reasons or the like, a firm in one of these nations which wants to enter the other market will have to operate from a third country base. There are several cases of countries not having direct commercial transactions. For example, it is true that of Israel and Arab countries. In the past, government of India did not permit trade with South Africa and Mauritius. Sometimes commercial reasons encourage third country location. For example, several Japanese companies have established production facilities in developing countries to circumvent the non- tariff barriers (like quotas, voluntary export restraints and orderly marketing arrangement) to imports to countries like the United States and also to avail of the preferential treatment accorded by the developed countries to the imports from the developing countries.

Further, third country location may be resorted to reduce cost of production and there by to increase price competitiveness to facilitate market entry or for improving / maintaining the market position. The incentives offered by governments, particularly of the developing countries, for investment and exports encourage such third country location. The export processing zones are particularly attractive in this respect.

Issues in Indian horticultural Produce Export

Indian horticulture produce is exported to over 70 countries but there are a few issues. First, despite being one of the largest producers, Indian share in global exports is less than 2 percent for horticulture produce. Second, although different varieties of fruits and vegetables are grown in India, only some of these varieties are exported. For example, India is yet to harness the potential of exporting products like onion, genus capsicum, coconut, and banana to the US. Despite being one of the largest producers of beans, India faces issues in exporting it to developed markets like the EU. Third, India primarily exports fresh fruits and vegetables, and value addition and exports of processed produce is low, unlike countries such as Thailand.

In most of the developed markets, tariffs are low but Indian exports face food safety and standards related issues commonly known as sanitary and phytosanitary measures, which includes permissible maximum residue levels, risk assessment of pest and diseases, etc. Fruits flies in fruits like mangoes and pests in products like brinjal and okra has led to rejection of exports in key markets like the EU. In the past, this has also led to temporary bans (for example mangoes in the EU).

Today, Indian exports are mainly to the developing country markets. Of late, India has been facing stiff competition in markets such as the EU from many ASEAN and African countries.

Export business Strategies

Export marketing focuses on marketing the product in other countries instead of selling in domestic country. Although it applies strategies that are similar to domestic marketing, export marketing tends to be more challenging, since there are different cultures, ideals and tastes. Laws and regulations are also different from place to place. Export marketing may entail a greater risk and effort and may require substantial financial resources.

Pricing Strategies

Pricing strategy refers to changes in the prices of products that business owners make to persuade consumers to buy their products. Pricing strategies are useful for export advertising if you do not have many competitors in the target country that offer the same product as you do, or if you are new to that specific market and you want consumers to try your product. Types of pricing strategies include discounts, promotions, membership special pricing and bundle pricing.

Online Marketing

Online marketing is just as crucial today for an export business as it is for a national business, since people in most countries have some level of access to the Internet and its benefits, and online shopping is still a growing trend. Online marketing includes online ads, websites and email marketing.

Facebook and Google ads are some of the most common online marketing strategies, and people in most countries have access to them. You can purchase advertising on specific websites, but most online ads work through keywords. Your ad appears when a user uses words similar to those from your ad in a search, or navigates to similar sites.

Culture-Specific Marketing Plans

Export marketing strategies that pinpoint the target country's cultural differences can increase the bottom line. Research is crucial with these plans, starting with surveys and investigations to find out how consumers in other countries view your products or services. Some multi-national corporations use this strategy to great effect by completely changing branding for every country they sell to. You can pinpoint your promotions this closely or simply change your product to reflect religious views, current trends or different cultural viewpoints from general market areas you want to start selling to.

Traditional Marketing

Traditional marketing strategies can be just as effective in promoting your products in other countries as they are in your own country. Banners, billboards, pamphlets, print advertising, word-of-mouth and business cards are some of the most common forms of traditional marketing. A key difference is that to apply this type of marketing strategy to an export business, you must study the culture of your target market, and tailor your message to the market. Your export marketing strategies are only as effective as they are relevant to your consumers' lives.

Effective Marketing Action Plan

A calculated and aggressive marketing strategy is essential to export marketing. To implement export marketing correctly, you must do it in correct stages to ensure export sales growth. According to Export.gov, it is vital for a company's international business plan to define where it stands relative to potential markets, and to clearly lay out its objectives for them. A strategic action plan focuses marketing targets by collecting and analyzing relevant information, accounting for restrictions, and laying out the steps for an action approach. A company must formulate obtainable objectives, as well as a corresponding timetable to make them reality, and maintain the flexibility to adjust objectives if conditions change.

Strategies to encourage Indian exporters to take up horticulture exports

According to Ministry of Agriculture and Farmers' Welfare, for 2019-20, India's cereals production was around 272.66 million tonnes (rice was 117.94 million tonnes, wheat was 107.18 million tonnes and coarse cereals was 47.54 million tonnes). Comparatively, horticulture production was around 320.48 million tonnes. According to Agricultural & Processed Food Products Export Development Authority (APEDA), in 2019-20, India's exports of cereals was US$ 6611 million and for fruits and vegetables the exports was USD 1277.09 million.

Cereals are exported more than fruits and vegetables because of a variety of reasons which include lack of export-oriented production in case of fruits and vegetables; lack of awareness among farmers about importing country requirements and standards; excessive use of pesticides; infrastructure gaps in terms of capacity of pack houses, cold storages, refer vehicles, etc., for perishable produce; lack of organic and pest/disease free zones; absence of new plant varieties as in case of table grapes; and high costs of air freight for perishable produce. Horticulture export can grow by attracting private players into the sector through right incentives. The government should promote farms for third-party certified organic produce, by supporting them during the conversion of land from conventional to organic farming as is done by countries such as the UK.

There is need for stringent monitoring of fertilizers and pesticides and only the registered pesticides should be allowed to be used. It is important to create organic and pest free zones for fruits and vegetables. There is need to use technology to ensure traceability to farms and technology and training facility should be provided to farmers to improve productivity and for exporters for proper packaging, cold storage and transportation of fresh fruits and vegetables. There is need for investment in development of state-of-the-art cold chain infrastructure and there should be a well-defined quality assurance process. There should be dedicated centers for perishable cargoes with integrated post-harvest handling facilities and green channels at the airports for fast track clearances. Since agriculture is a state subject, there is need to work closely with the state horticulture departments and engage stakeholders at state levels.

HORTICULTURE TRADE – AN OVERVIEW

Dr. N. Venkatesa Palanichamy

Professor and Head

Department of ARM

CARDS, TNAU, Coimbatore

The performance of the Indian horticultural sector in the last decade has provoked dramatically differing assessments. Some have described it as a 'golden revolution', presumably to distinguish it from the earlier 'green revolution' (Banerjee 2005). Others have dismissed these views as a hyperbolic description of a fundamentally stagnant sector. We find that the truth from a trade perspective is more complex. The sector is beginning to come alive but it faces formidable constraints.

India is one of the largest and lowest cost producers of high value agricultural commodities and yet has a minuscule share in global trade. It produces nearly 11 per cent of all vegetables and 15 per cent of all fruits in the world. The unit values of its exports (free on board, FOB) are nearly half the corresponding world unit values. Yet its share in global exports of vegetables is only 1.7 per cent and in fruits a meagre 0.5 per cent. At the same time, its own market is heavily protected. Finding an explanation for this strange conjunction of low costs, low exports, and high protection is vital to any assessment of the competitiveness of Indian agriculture in a liberalized global trading environment.

Many economists and policy makers have, in the past, attributed India's poor export performance to an overvalued real exchange rate and the anti-export bias in its trade policy, the latter being a by-product of the Government of India's (GoI's) broader objective of achieving self-sufficiency and food security in agriculture. The gradual depreciation of the Indian currency since the mid-1980s, the large devaluations in 1991 and 1993, and the subsequent move to a flexible exchange rate regime corrected the overvaluation in the real exchange rate. During the last several years, a number of policies have been initiated to reduce the anti-export bias in India's trade policy. While these reforms have relaxed some of the constraints affecting the horticulture sector, the much anticipated surge in export is yet to materialize. While India's unit value of exports continues to be one of the lowest in the world, its share in global exports in recent years has been less than that in the early 1990s. A complete understanding of India’s competitiveness in high value horticultural commodities has proved elusive because the sector has not been subject to an integrated analysis—from farm to retail. Most studies have examined only a single stage of the supply chain, for example, productivity at the farm, efficiency of agricultural markets, or problems associated with poor infrastructure, in isolation of the rest of the supply chain. The researchers were not in a position to assess how the problems they identified at the single stage of the supply chain compared with the (unidentified) problems in the rest of the chain.

Marketing of Horticultural crops

In horticultural farming, where prices are rarely regulated, financial viability depends as much upon business and marketing skills as on the farmer's technical expertise. It is high-value crops which are often a crucial component of viable small farms.

Important characteristics of horticultural crops are:

- that they are mainly eaten for their contribution to the flavour and interest of food and for the supply of minor but essential nutrients, especially vitamins;
- that they are not basic food commodities; people will put off buying if the price is too high;
- that consumption levels vary, depending on the selling price and the income of the buyer,
- that many of the crops are not traded in large volumes and there is a limited market;
- that the products are perishable, which means there is always a reduction in quality if they are not sold immediately, usually leading to a fall in value;
- that there is a wide range and variety of horticultural products. If one product is too highly priced the consumer will generally buy another;
- that the products are normally traded in a very free market where price is determined by supply and demand.

All these factors contribute to the crucial and reoccurring fact about horticultural crops. Take an extreme example, but one that occurs regularly:

A farmer who has high quality tomatoes to sell when few other crops are available may easily get a price equivalent to many times his growing cost. However, a farmer who is trying to sell tomatoes when the market is oversupplied and his fruit is two days old may not be able to sell his produce at all. Wholesale prices may double or halve in the same day, depending on the skill of the salespeople and on consumer demand.

Horticultural crop prices can fluctuate widely:

- from year to year;
- from the start of the season to the main supply period;
- from day to day; and
- from market to market.

This extreme variance in price makes horticultural production potentially both very profitable and very risky. Often, success depends on marketing skills and on obtaining good prices rather than on production expertise. Marketing costs will include harvesting, packaging, grading, transport and market commissions.

The techniques which can be used to maximize farmer prices. These include:

- improving the quality and presentation of the produce;
- identifying the highest price buyer,
- negotiating from strength;
- Scheduling production when there is limited competing supply.

Equally important is the extension offficer's role in helping farmers to minimize risks. Generally, risk and profit are related. In other words highly profitable crops are often very risky. We will further explain some of the techniques available to minimize risk, such as:

- selling a proportion of produce at firm contract prices;
- growing a crop range which includes a mix of high and low risk products;
- Investing in technology which increases yield stability and therefore income stability.

The consumer is particularly important. Finding out what the consumer wants and satisfying his demand is the key to successful marketing and, in itself, is a valuable service to society.

Fruit and vegetables are universally considered as vital elements in a healthy diet. Not only do they provide crucial vitamins and proteins, but an increasing weight of medical evidence is demonstrating broader health giving qualities. Some of these are set out below:

- The fibre content of horticultural products is believed to be valuable in preventing heart disease and bowel complaints.
- Vitamin C can help prevent stomach cancer and gum disease.
- Vitamin D, in the vegetable-derived carotene, may reduce the incidence of lung cancer.
- Lack of vitamin A causes children to go blind. Research in Indonesia showed that even well-nourished children who lack Vitamin A had greater risk of illness and even death than undernourished children with an adequate Vitamin A supply. Vitamin A is available from dark green leaf vegetables, tomatoes, carrots, pumpkins, papaya and sweet potatoes.

Generally the amount of fruit and vegetables eaten is relatively low in the developing world. The low consumption levels are normally blamed on high prices. An efficient marketing system which minimizes transport costs and particularly wastage will significantly lower retail prices. It is the challenging task of the extension officer to accelerate the introduction of more efficient marketing processes which will lead to the lowering of consumer prices. As a result of lower prices, consumption will increase, which will offer the potential for expanded production. Profitable production, particularly of high value crops, depends on supplying the customers with what they want. With the increased distances between the area of production and the points of consumption, systems will have to be set up to:

- deliver produce regularly and reliably to the market;
- provide a feed-back of information between the market and the growers so that production can be constantly oriented towards consumer demand.

Off-season vegetable production was achieved with minimal investment in equipment or labour. High prices were obtained by direct sales to supermarkets, hotels and restaurants. Increasingly the farmer could plans his crops to match the requirements of his buyers.

Export of fruit and vegetables also provide a good opportunity to farmers to get a fair price even though initial risk period is to be over comed.

WHAT IMPEDES EXPORTS?

The supply chain analysis indicates that from a purely cost perspective the biggest impediments to the competitiveness of India's horticultural exports lie outside the sector rather than inside it.

Factors within the agriculture sector are found to have a limited bearing on competitiveness from a trade perspective, with the impact on final price seen to be much smaller than the factors outside the sector. For example, the average price at the farm gate for a typical horticulture product is found to be only 12–15 per cent of the price at which the product is retailed in the destination market. This implies that a 20 per cent improvement in yields (which is huge, since yields have increased by only eight percentage points during the last 15 years!) will lead only to a 2.4–3 percentage points reduction in the final price. This is not to understate the importance for Indian farmers of developing better varieties of horticulture products that are internationally more competitive on the quality dimension. Improved agronomics and better technology that can enhance the quality of products in terms of their appearance, size, colour, taste, and shelf-life are of considerable significance if India's horticulture sector is to become competitive both at home and abroad. But since the production related problems in agriculture are well-known and extensively researched, they do not form the major focus of this study.

India's exports face three major impediments. The first is the 'logistical tax' imposed by high delivery costs which significantly erode the production cost advantage enjoyed by Indian farmers. The second is the gap between the high standards required by governments and buyers, especially in richer countries, and the low standards and weak conformity assessment mechanisms in India. The third problem is the trade policy barriers that Indian exporters face in foreign markets. Comparing India to selected countries, across destination markets, modes of transport, and commodities traded indicates that, on average, India’s international transportation costs are 20–30 per cent higher than those faced by other countries. Since transportation costs are found to account for nearly 45 per cent of retail price when air transport is used and 25 per cent in case of maritime transport, Indian products are 5 to 15 per cent more expensive than their foreign counterparts simply on account of high international transportation costs. Logistical cost is affected by two factors: geographical distance which cannot be remedied and logistical inefficiency which can but has not been remedied. Our estimates suggest that an improvement in the efficiency of the transportation and logistics system (both the domestic as well as the international transport costs) by 20 per cent could reduce final price by as much as twelve percentage points (that is, a saving of Rs 8 on a final price of Rs 62).

Poor quality has two dimensions: weak safety and health standards that legitimize prohibitive SPS barriers imposed by foreign governments; inadequate standardization of products that reduces attractiveness for foreign retailers. Our survey of exporters suggests that Indian products are not perceived to be of lower quality by Indian exporters. Furthermore, many Indian exporters have focused on regional markets and so far there have been limited encounters with the demanding standards of the industrial countries—described as a pattern of ‘defensive commercialization’ in a recent World Bank study on the impact of standards on horticultural trade. There is clear evidence that stringent industrial country standards have been a prohibitive barrier for some products such as mangoes. In the case of other products such as grapes, exporters have incurred temporary losses due to the rejection of consignments that do not meet standards. In general, producers who have had to make adjustments in response to higher standards have typically incurred significant consignment-specific or recurrent transactions costs. Meeting increasingly high standards will be a critical challenge in expanding exports to more profitable destinations.

Indian exporters face border protection regimes in foreign markets that are opaque, complex, and deceptively protectionist. Among the most pernicious forms of trade protection in horticulture are the systems of: (i) entry prices which discriminate against efficient delivery; (ii) tariff quotas that subjects imports above specified low levels to harsh tariffs; and (iii) SSGs, which are a source of considerable uncertainty for successful exporters. Furthermore, preferential access schemes and tariff escalation discriminate against, respectively, imports from certain sources and more advanced stages of processing. Subsidies in the form of direct payments to producers in developed countries, which have occupied centre stage in agricultural negotiations are, however, less important in horticulture. Given the other serious problems faced by Indian exporters, it is however difficult to establish how far external trade regimes are today a binding constraint on India’s export expansion although there can be little doubt that these regimes would be a serious impediment if India were to emerge as a major exporter. The three factors, tariffs, logistical costs, and quality, interact with each other and have a combined effect that is greater than the sum of the parts. Logistical costs and foreign tariffs penalize exporters multiplicatively, because the latter are imposed on a price that includes the former. Poor logistics (not just as a direct component of costs but through waste and delay) weaken the incentives for producers to improve quality. Limited standardization makes physical inspection a precondition for transactions, creating the need for cross-hauling from producer to regional hubs to consumers, thus adding further to transport costs. Domestic protection can increase the costs of transport for exporters, because low levels of imports imply that exporters must bear the cost not only of the outward journey, but also the unutilized capacity on the inward journey.

WHY ARE DOMESTIC TARIFFS SO HIGH?

In order to assess the competitiveness of Indian horticulture, we estimated the NPC, which is the ratio of domestic to international prices (appropriately modified to take into account transport and other costs), at the all-India level, both separately and aggregated over all regions and over all months, for the period 1997–2002. Addressing this question reveals the inadequacy of analyses based solely on aggregative data. For example, data limitations preclude effective control for differences in quality and for fine distinctions between varieties between foreign and domestic commodities. Nevertheless, our results support the findings of a number of previous studies that India’s horticulture sector is competitive in terms of prices.

The average NPC has been consistently below one between 1997 and 2002; there is some variation across products. In the case of bananas, domestic prices on average are consistently less than half the price of imports when they arrive in local markets. Grapes and oranges have slightly higher NPCs, but both appear to be becoming more competitive over time. Apples and mangoes, however, appear to be borderline competitive. For mangoes, the NPC was significantly higher than one only in 1998, though it has been fluctuating close to that level. All vegetables are also competitive except for potatoes in some years. Why then does India have such high tariffs for even the horticulture products that are clearly competitive? There could be several explanations for this. One is that the tariffs are purely precautionary, and meant to deal with circumstances where foreign suppliers benefit from a sudden reduction in costs, thanks to an act of God or government. However, we find that international unit prices of horticultural products have not displayed much variability, and governments have been remarkably restrained in subsidizing such produce. Another explanation is that the market for a product is not homogeneous but differentiated, either horizontally (that is, foreign and domestic products are different varieties) or vertically (that is, foreign and domestic products are of different quality), in which case the tariff can serve a protectionist purpose. While this explanation cannot be ruled out, our survey of exporters does not suggest that Indian products are significantly inferior to foreign products. We attach greatest credence to a combination of two explanations: tariffs are intended to protect domestic produce in all regions and all seasons regardless of the variations in prices across space and time; and that the level of tariffs is not always sensitive to the specific current circumstances of individual products, but is set at roughly similar, sometimes historically determined levels for a wide range of products—a form of policy hysteresis.

A better understanding of the aggregate numbers can be obtained by looking at the evidence across regions and over time. First of all, we find large regional variations in prices. This is a consequence of the vastness of India, where distances between growing and consuming regions are often quite large. These large distances become even more of an issue because of high domestic transportation costs, and high wastage when commodities are moved, due in large part to poor infrastructure and the lack of cold storage infrastructure. Consider the case of apples. The major apple producing areas of the country are located in the north and northeastern parts of India, and most apple trade happens through Delhi. Domestically grown apples are much cheaper than foreign apples in markets located near these regions. However the high cost of transporting and marketing these in the southern and western regions leads to very high prices in these markets, rendering domestic production uncompetitive. Apple prices in Chennai are almost 70 per cent higher than those in Delhi. Similarly, the largest potato growing states are Uttar Pradesh and West Bengal, together accounting for more than 70 per cent of production. There is a 40 per cent price differential between Kolkata in the east and Chennai in the south. This margin makes imported potatoes relatively more expensive in the north and east, but relatively cheaper in the western and southern regions.

There are also large variations in prices and availability across time because production of many horticultural commodities is seasonal in nature. In India, seasonality effects are further accentuated as storage facilities are both expensive and rare. Still, many of the products considered in our study were found to be competitive, were available throughout the year domestically and not imported at all, and would probably not be imported in large amounts even if tariffs on them were brought down to zero. These include products such as bananas, onions, and tomatoes. But in the case of some products, there were seasons in which prices soared above international levels or availability declined drastically. In Delhi, for example, potato prices ranged from Rs 2.91 per kg to Rs 9.53 per kg in a single year (2002). Regions also differ widely from each other in terms of availability. Apples are available almost throughout the year in Delhi, but are missing from Chennai markets for four months of the year. Grapes are available for eight months of the year in Delhi, but for only five months in Kolkata. In general, availability of fruits and vegetables tends to be better in the north, and worse in the south. It would clearly be efficient to allow consumers in all regions and at all times to buy from the cheapest domestic or foreign source. Current high tariffs, however, penalize consumers in regions located far from production sources and in seasons far from the harvest season. While the net costs of protection are well understood, it is notable that tariffs restrict imports in places and during times which domestic products find difficult to reach. The existence of tariffs in such circumstances creates an incentive for inefficient transport and inefficient storage. The result is that tariffs hurt consumers, and they subsidize an inefficient distribution and storage system more than they subsidize producers. Therefore, the net welfare loss they create is even larger than usual.

To conclude this overview, the high costs of product delivery are today probably as big an impediment to exports as foreign protection and demanding standards, and could well be a bigger impediment than inefficient domestic farming. They also increase the cost of supplying the domestic market and are probably an important reason for the high protection that is granted to an otherwise competitive sector. A large part of the high costs is attributable to weaknesses in the transport, storage, and marketing infrastructure that only significant public and private investment can remedy. However, costs are also kept unnecessarily high by policy restrictions, particularly those that impede competitive supply of transport and distribution services. Remedying the acute inefficiencies of supporting service sectors will greatly strengthen both the political case and economic gains from further liberalization of Indian agriculture.

AGRI EXPORT POLICY

K.Uma & T.Nivethitha
Professor & Research Scholar
Department of Agricultural and Rural Management
TNAU, Coimbatore

India, with a large and diverse agriculture, is among the world's leading producer of cereals, milk, sugar, fruits and vegetables, spices, eggs and seafood products. Indian agriculture continues to be the backbone of our society and it provides livelihood to nearly 50 per cent of our population.India is currently ranked tenth amongst the major exporters globally as per WTO trade data for 2016.India's agriculture exports during 2020-21 have registered an increase of 17.37% as compared to exports during 2019-20.To promote agricultural exports, the Government has introduced a comprehensive Agriculture Export Policy (AEP) to harness the export potential of Indian agriculture and raise farmers' income(APEDA,2019).

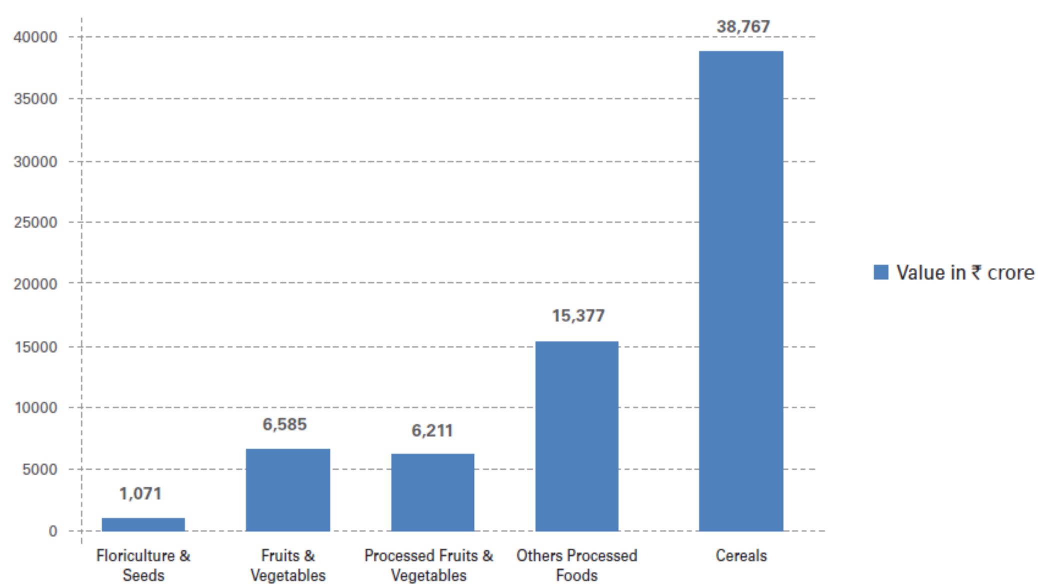
Objectives of the export Policy

- To double agricultural exports from present US$ 30+ Billion to US$ 60+ Billion by 2022 and reach US$ 100 Billion in the next few years thereafter, with a stable trade policy regime.
- To diversify the export basket, destinations and boost high value and value-added agricultural exports including a focus on perishables.
- To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
- To provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues.
- Enable farmers to get the benefit of export opportunities in the overseas market.

Need For Export Policy

- The policy can address challenges to exporting agricultural products from India like low farm productivity, poor infrastructure, global price volatility to market access.
- India's share in global exports of agriculture products was merely 2.2 % in 2016.
- India has remained at the lower end of the global agriculture export value chain given that the majority of its exports are low value, semi-processed and marketed in bulk.
- The share of India's high value and value-added agriculture produce in its agri-export basket is less than 15% compared to 25% in the US and 49% in China.
- The vision of doubling farmers income by 2022 will require a series of interventions to improve production and productivity along with economizing the cost of production. This would also require India to augment its exports to the global market. Hence, it is necessary to have an agriculture export policy in place.

Export of Agricultural and Processed Food Products, 2018-19 (Apr-Dec)



Key Recommendations of Agricultural Export Policy

Strategic	1. Policy Measures
	2. Infrastructure and Logistics Boost
	3. Whole Government Approach to boost exports
	4. Greater involvement of State Governments in Agri Exports
Operational	5. Focus on Clusters
	6. Promoting Value-added exports
	7. Marketing and promotion of "Produce of India"
	8. Infrastructure and Logistics to support agricultural exports
	9. Establishment of Strong Quality Regimen
	10. Self-sufficiency and export-centric production
	11. Research & Development
	12. Miscellaneous

I. Policy Measures

- Stable Trade Policy Measures to ensure recommends providing an assurance that the processed agricultural products and all kinds of organic products will not be brought under the ambit of any kind of export restriction.
- The Model Agricultural Produce Market Committee (APMC) act must be adopted by all states and E-NAM must be established.
- Discussions with public and private stakeholders across the agricultural value chain highlighted certain structural changes that were required to boost agricultural exports.

- These comprise of both general and commodity specific measures that may be urgently taken and at little to no financial cost. The subsequent gains, however, are aplenty.
- Liberalizing Land Leasing Norms and adoption of the Model Contract Farming Act by state governments in order to promote agricultural exports.
- Contract farming is expected to bring in large-scale private investments in agriculture thus leading to large-scale mechanization. This will further produce surplus volumes of the standardized, exportable quality of agricultural products.

II. Infrastructure and Logistics Boost

- Infrastructure and Logistics Boost by identifying ports for the export of agricultural products. Development in port infrastructure like dedicated perishable berths.
- Presence of robust infrastructure is critical component of a strong agricultural value chain. This involves pre-harvest and post-harvest handling facilities, storage & distribution, processing facilities, roads and world class exit point infrastructure at ports facilitating swift trade.
- Mega Food Parks, state-of-the-art testing laboratories and Integrated Cold Chains are the fundamentals on which India can increase its agricultural exports. Given the perishable nature and stringent import standards for most of the food products, efficient and time-sensitive handling is extremely vital to agricultural commodities

III. Whole Government Approach to boost exports

- Whole Government approach which will ensure all government department and ministries like Ministry of Agriculture, Ministry of Food Processing Industries, Ministry of Shipping & Transport, Ministry of Railways and Ministry of Consumer Affairs involved in agricultural production, processing, transportation and export should work together to address bottlenecks at every level.

- Holistic approach to boost exports - Agricultural exports are determined by supply side factors, food security, processing facilities, infrastructure bottlenecks and several regulations. This involves multiple ministries and state departments. Strategic and operational synergy across ministries will be key to boosting productivity and quality.

IV. Greater involvement of State Governments in Agri Exports

- As Agriculture is a state subject it is necessary to bring on board the state governments for positive agricultural reforms. Each state has its own agricultural nuances, like one state may be experiencing a drought while another may be dealing with floods. Thus it is necessary to align state agricultural policies with the nation's overarching goals.
- State governments must identify the government department for the promotion of the agricultural export. The states must include agriculture export in state export policy and build infrastructure and logistics to facilitate agricultural export.

V. Focus on Clusters

- Focus on Export centric Clusters for pre- and post-harvest management of the production as well as in upgrading the supply chain to attain much higher levels of export from those clusters.
- There is a need to evolve and put in place institutional mechanism for effective involvement and engagement of small and medium farmers for entire value chain as group enterprise(s) within cluster of villages at the block level for select produce(s). This will help to realize actual benefit and empowerment of farming community to double their income through entire value chain.
- Post-harvest infrastructure in clusters
- b. Capacity building
- c. Grant towards PPP-IAD
- d. Laboratories

- e. New technology / new machinery introduction
- GAP implementation
- The focus in clusters is on developing export oriented infrastructure in the identified cluster areas where integratedpost-harvest, processing facilities, laboratories etc. by providing assistance under this scheme

VI. Promoting Value Added Exports of indigenous and tribal products.

- ✓ Through the National Programme on Organic Production (NPOP), organic food parks and by the uniform quality and packaging standards India can tap the potential for increasing organic exports.
- ✓ Promotion of Research & Development (R&D) activities, promoting "produce in India" through the constitution of separate funds dedicated to organic, value-added, ethnic, GI and branded products.
    - Promoting value added exports
    - Product development for indigenous commodities and value addition
    - Promote value added organic exports
    - Promotion of R&D activities for new product Development for the upcoming markets
    - Skill development
    - Developing packaging, market research, shelf life increase, research on improving production efficiency / decrease in production cost

Post-Harvest Infrastructure that can support the smooth logistical movement of agri-produce exports. This will have a direct co-relationship in increasing export volumes, assuring quality & ensuring better price realization per unit.

Digitization of land records, geo-mapping of lands, registration of farmers and farm producer organizations (FPOs) is critical to smooth agricultural exports.

VII. Marketing and promotion of “Produce of India”

- Digitization of land records, geo-mapping of lands, registration of farmers and farm producer organizations (FPOs) is critical to smooth agricultural exports.
- Marketing of our best products as “Make of India”, by stepping up of advertising and investing in GI of our unique products would sharply increase our exports.
- In Malaysia all farmers can apply to be certified although, initially, most certified farmers are contracted to the Federal Agricultural Marketing Authority (FAMA) for delivery to supermarkets. Similar campaign for Indian bananas, mangoes, pineapple, pomegranate, litchi, Indian tea and coffee, Indian spices could be initiated with joint efforts of exporters, autonomous bodies and IBEF

VIII. Establishment of Strong Quality Regimen

- The role of FSSAI, EIC, plant and animal quarantine and different Commodity Boards in setting standards, enforcing such standards and a robust accreditation and certification arrangement to identify export worthy establishments will be facilitating further exports.
- Establishment of Strong Quality Regimen with the focus on strong R&D, new varieties, state of the art lab and a lab networking process for effective accreditation and monitoring.
- An institutional mechanism should be provided that would pursue market access, tackle barriers and deal with sanitary and phytosanitary issues against India’s agricultural exports that come up from time to time.

IX. Attract private investments in export oriented activities and infrastructure.

Post-Harvest Infrastructure supports smooth logistical movement of agri produce. This will have a direct co-relationship in increasing export volumes, assuring quality &ensuring better price realization per unit with the benefits of 1. Better quality compliance, 2.Facilitates smooth logistic handling and 3. Expansion to distant markets.

Infrastructure proposed to support agriculture exports from the Focus Statesincludes:

9.1 Packhouse

- Will help increase marketable surplus by assuring quality through grading &primary processing of produce.
- Will provide the ability to cater to large volumes of produce for exports in shorterpost- harvest windows.

9.2 Processing infrastructure:

- Value addition to raw produce will help ensure consistent quality, longer shelf life, and better price realization.
- Will also provide the ability to expand to newer markets and capture new consumer segments in current markets, thereby increasing export sales.

9.3 Cold storage:

- Low temperatures decrease microbial & enzymatic activity, it will increase the shelf life of produce by providing a constant low temperature environment and willincrease marketable surplus for exports.
- Will also provide ability to capture off-season/complimentary-season markets.

9.4 Exit Point Infrastructure:

- Facilitates maintenance of uninterrupted ambient temperature chain (coolchain/cold chain) at the maximum distance possible.
- Provision of Perishable Cargo center, Cargo Freight Stations for container stuffing, Reefer Containers, reefer plugs, scanners, facility to hold containers in vicinity of the port area etc. ensure this from exit points to consumer gate.

9.5 Air cargo:

- Highly valued agriculture products, Fresh and perishables are shipped by Air cargo. Infrastructure such as Centre for Perishable Cargo, loaders, vacuum cooling facility, work floors, moving truck docs, designated and sufficient Perishables' / Animalhandling / quarantine areas, Pallet container handling system, Automatic storage retrieval system at International & Domestic Airports would increase efficiency /cost effectiveness of export through air cargo.

- Possibility of developing new Greenfield Airports for cargo purposes may offload the traffic from airports at Mumbai, Delhi etc.

9.6 Infrastructure abroad

- Essential infrastructure facilities for various agriculture products in the importing countries where India is a major exporter of agricultural products would provideedge over competitors. It would help exporters to provide consistent supplies, maintain inventory and reduce distribution costs.
- The autonomous bodies and export promotion councils under the Ministry of Commerce will work with line ministries, State governments and exporters for identification and bridging of some of the missing gaps pertaining to infrastructure facilitating agricultural exports.

X. Research and Development

- Research and Development led by private industry along with higher infrastructure spend by the government will be the key to boosting agricultural exports.
- Along with this, innovations in packaging, improving the shelf life of products and greater R & D in developing products to suit the palates of importing countries should be a priority.
- Assistance for matching fund for importing germplasm and seed varieties of identified exportable focus crops from breeders across the world will be provided. The assistance may be used for royalty payment, field trials, multiplication centres, capacity building etc.

XI. Miscellaneous

A - Creation of Agri-start-up fund: Entrepreneurs are to be supported to starts new venture in Agri products exports during their initial period of establishment. Astart-up in the Agri export sector, which is going to work on a new concept / product/ project may submit its proposals. All such proposals would be referred to the fundmanager for its evaluation and provide funding for the deserving proposals which are going to aid in increasing agricultural exports from the country. For e.g. use of IT in the agriculture value chain including precision farming, plant health monitoring, use of drones for precision agriculture, packaging, tracking of produce in transit may be supported by the Fund.

Expected role of state government

1. Thrust on **Agri exports** and its inclusion in the **State agriculture policy**. **Approve Draft Export Action Plan** shared by APEDA. Vetted action plan has been received from Maharashtra and Uttar Pradesh (current status of state-wise exports).
2. Identification of **suitable Nodal agency** responsible **for Agri Export** from the State.
3. **Identification of clusters** for sufficient production of quality produce and their processing.
4. Set up a **State level export monitoring committee** Chaired by Chief Secretary.
5. Set up **cluster facilitation cell** under Nodal collector/Director-Agriculture/ Horticulture
6. **Organize FPOs** in Clusters.
7. Identification of **infrastructure and logistic gaps** and work together with Central Govt. to fill up such gaps.
8. State government need to **depute Plant Quarantine Officers** in identified clusters/approved packhouses.
9. Introduction of **Good Agricultural Practices** for quality production with International standards in respect export worthy products.
10. To ensure **control of excessive use of pesticides** by farmers and Sale of unauthorized pesticides & chemicals for meeting stringent norms of importing countries.
11. **Abolish Mandi Tax**.
12. To **register Farmers** in the **Traceability system** developed by APEDA.

Conclusion

India is unable to export its vast horticultural produce due to lack of uniformity in quality, standardization and its inability to curtail losses across the value chain. Given the globalization of value chains, it is imperative that the country make concerted efforts to boost exports of high margin, value-added and branded processed products. Agriculture export, if properly supported by infrastructure, institutional back up, packaging, freight transport and connected to the internal production system backed by market access will be in a position to transform the agricultural economy.

EXPORT TRADE AND PRICE FORECASTING FOR HORTICULTURAL PRODUCTS

Dr.A.Rohini

Professor (ARM)

India's diverse climate ensures availability of all varieties of fresh fruits & vegetables. It ranks second in fruits and vegetables production in the world, after China. As per National Horticulture Database (Second Advance Estimates) published by National Horticulture Board, during 2019-20, India produced 99.07 million metric tonnes of fruits and 191.77 million metric tonnes of vegetables. The area under cultivation of fruits stood at 6.66 million hectares while vegetables were cultivated at 10.35 million hectares.

According to FAO (2019), India is the largest producer of ginger and okra amongst vegetables and ranks second in production of potatoes, onions, cauliflowers, brinjal, Cabbages, etc. Amongst fruits, the country ranks first in production of Bananas (26.08%), Papayas (44.05%) and Mangoes (including mangosteens and guavas) (45.89%).

The vast production base offers India tremendous opportunities for export. During 2020-21, India exported fruits and vegetables worth Rs. 9,940.95 crores/ 1,342.14 USD Millions which comprised of fruits worth Rs. 4,971.22 crores/ 674.53 USD Millions and vegetables worth Rs. 4,969.73 crores/ 667.61 USD Millions. Grapes, Pomegranates, Mangoes, Bananas, Oranges account for larger portion of fruits exported from the country while Onions, Mixed Vegetables, Potatoes, Tomatoes, and Green Chilly contribute largely to the vegetable export basket. India is the major producer of Processed Vegetables Like Preserved Onions, Cucumber & Gherkins, provisionally preserved, Mushrooms of the gensusagaricus, Other mushrooms and truffles, Green Pepper in Brine, Dried Truffles, Asparagus Dried, Dehydrated Garlic Powder, Dehydrated Garlic Flakes, Garlic Dried, Potatoes Dried, Grams, Grams Dal, Onion Prepared/Preserved etc. Many non-traditional vegetables mainly processed cucumber and gherkins and other vegetables produced like asparagus, celery, bell pepper, sweet corn, green and lime beans and organically grown vegetables are also being increasingly exported.The major destinations for Indian fruits and vegetables are Bangladesh, UAE, Netherland, Nepal, Malaysia, UK, Sri Lanka, Oman and Qatar.

Though India's share in the global market is still nearly 2% only, there is increasing acceptance of horticulture produce from the country. This has occurred due to concurrent developments in the areas of state-of-the-art cold chain infrastructure and quality assurance measures. Apart from large investment pumped in by the private sector, public sector has also taken initiatives and with APEDA's assistance several Centers for Perishable Cargoes and integrated post harvest handling facilities have been set up in the country. Capacity building initiatives at the farmers, processors and exporters' levels has also contributed towards this effort.

Need for Agricultural Market Intelligence

Indian agriculture has undergone tremendous changes in the last two decades after the formation of World Trade Organization. Cropping pattern around the world has changed in a big way due to the unfavorable climatic conditions, market opportunities and input costs. To cope up with these changes, our farmers turned heavily towards market oriented agriculture for balancing with the market economy. Monsoon and market risks are the two major impediments for the agricultural system as a whole, having a strong impact on the farm economy. Asymmetry in market information is another phenomenon which deprives our Indian farmers most of the times to be clueless about the commodity price dynamics. With all these conditions, providing market information / market intelligence is very crucial to stabilize the livelihood of Indian farmers. Hence, appropriate market intelligence is required for the empowerment of farmers to have better bargaining power in order to sustain the farming activity and also to ensure reasonable farm income.

The availability of predicted reliable market information can assist farmers in optimizing their resources to reduce the risks associated with production and marketing. Therefore, prediction of reliable market intelligence especially short run and long run forecast of prices of agricultural commodities is the prerequisite for the overall development of the farming community so that the farmers can maximize the farm income when the market signals are positive and at the same time, they can minimize the price risk at the event of negative market signals.

Role of Agricultural Market Intelligence

The role of Agricultural Market Intelligence is to generate market advisories and disseminate the same well in advance prior to sowing / harvest to the farmers so that they can take well informed decisions for taking up sowing, selling or stocking to maximize their farm income. Periodical forecast of prices of major agricultural commodities of the State throughout the year at crucial crop seasons on a continuous basis besides giving market intelligence such as the quality parameters for different crops for fetch better prices would be the objectives of market intelligence. The market advisories generated are disseminated through both print and electronic media.

Role of DEMIC

Market information /intelligence is essential for not only farmers but also to the commodity value chain participants. Tamil Nadu Agricultural University had convened Buyers-Sellers Meetings on major Agricultural Commodities at regular intervals since 2001. All the farmers, traders and other stakeholders insisted that price forecast before season, before harvest, intelligence on whether to sell immediately or store, in which market to sell etc., should be made available to them in appropriate time for major crops so as to get remunerative prices. They were insisting that both sowing and marketing decisions could be taken on a scientific basis if price forecasts are provided well in time. Having this in mind, the Domestic and Export Market Intelligence Cell (DEMIC) has started functioning in the Directorate of Centre for Agricultural and Rural Development Studies (CARDS), Tamil Nadu Agricultural University, Coimbatore since 2004.

The DEMIC is forecasting prices of major agricultural / horticultural commodities on a continuous basis besides giving market intelligence such as high priced markets, consumer preferences and quality parameters for various crops. To generate price forecast and market intelligence advisories 24 major agricultural and horticultural crops of the States have been chosen. Time series data on prices of the mandatory crops are collected from the regulated markets / Farmers Shandies. The data are analysed using statistical and econometric software packages. The price forecasts generated are validated by conducting market survey, referring global commodity outlooks as well as watching commodity futures markets. After validation, the generated forecasts with minimum standard error are once again verified with the inputs of commodity market survey and finally disseminated by both print and electronic media. DEMIC price forecasts are done before sowing season and before harvesting.

Price Forecast Schedule for Horticultural Crops

Crops	Forecast months
 Banana	January, April, July, October
 Tomato	January, April, July, October
 Brinjal	January, April, July, October
 Bhendi	January, April, July, October
 Red chillies	February, October
 Small onion	January, April, June, August
 Coconut & Copra	January, April, July, October

The commodity price forecasts are disseminated through e-mails, SMS, T.V., Radio, Newspapers in English and Tamil (Regional Language), Agricultural magazines, Regulated markets, KVKs, Agricultural Department officials etc.,

Methodology adopted

Time series data on the commodity prices of the mandatory crops would be collected from the representative regulated markets and farmers' shandies. The data would be subjected to statistical and econometric analysis using appropriate software packages. Price forecasting models such as Moving Averages, Seasonal Indices, Single Exponential Smoothing, Double Exponential Smoothing, Co-integration analysis and models like ARIMA, ANN, SARIMA, ARFIMA, ARCH, GARCH to the real time market data are used. The price forecasts generated would be validated by interacting with traders, farmers, and other commodity specific websites and also in futures platform.

The price forecasts generated would be validated by conducting market survey, referring global commodity outlooks and comparing commodity futures market. After validation, the generated forecasts with minimum standard error are once again verified with the inputs of commodity market survey and finally disseminated by both print and electronic media. DEMIC price forecasts are done before sowing season / before harvest and disseminated through e-mails, SMS, mobile apps, T.V., Radio, Newspapers in English and Tamil (Regional Language), Agricultural magazines, Regulated markets, KVKs, Agricultural Department officials etc.,

In addition to the price forecast generation and dissemination (price intelligence), place and product intelligence would also be provided. Hence, collectively market intelligence will be given for the select six crops. While preparing commodity outlooks, the crop fundamentals viz., demand, supply, trade and buffer stock, market integration, price volatility price transmission, supply response function, etc., would be incorporated and circulated among the commodity chain participants to have better access to markets.

Periodical commodity survey would be conducted among the sample respondents to analyze the impact of price forecasts in terms of income, employment generation, transaction cost, backward and forward linkages, value added along the commodity chain etc., to measure the potential outcome of this research project. Since 2004, DEMIC has involved in generating and disseminating price forecasts by seeking financial assistance from various state / national / international agencies like State Planning Commission, State Agricultural Marketing Board, Government of India (GOI) sponsored National Agriculture Development Programme (NADP) and the World Bank sponsored National Agricultural Innovation Project (NAIP) etc., More than 400 price forecasts are developed by DEMIC since inception.

Dissemination of Price Forecasts

Sources	2020-21
e-mails	**7431**
Newspapers	**65**
Web portal	**12**
Uzhavan App	**12**

Newspaper clippings & e-News of Vegetables Price Forecast

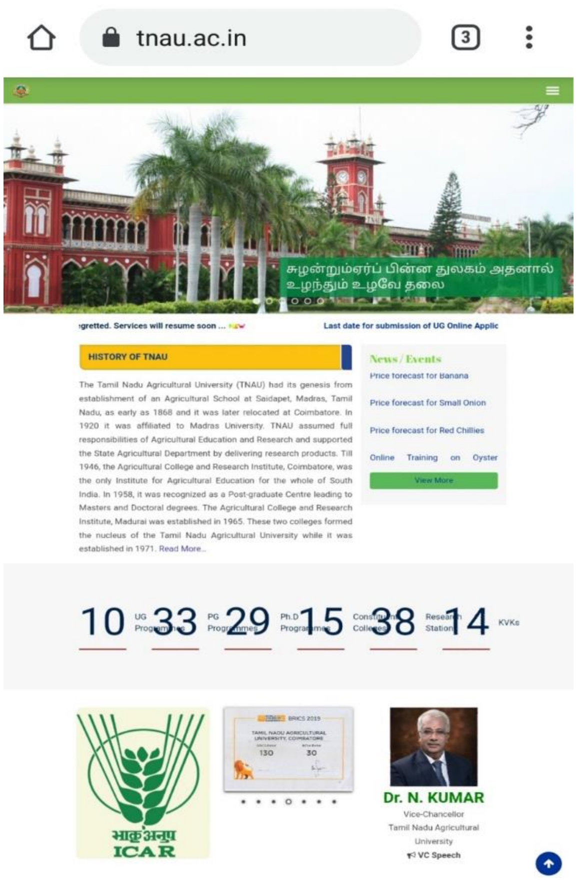

COIMBATORE

TNAU predicts fall in maize price as output spikes

Banana prices to remain between ₹12 and ₹27: TNAU

Falling maize price has farmers worried

TNAU website **Uzhavan App**



Way Ahead

India is a country blessed with different agro-climatic conditions favoring cultivation of wide range crops. With horticultural sector having linkages with manufacturing and services sectors of the country, the role of market intelligence would be very vital for making better management decisions by various stakeholders of the commodity value chain for both domestic and export purposes. Confidence gained in generating market intelligence and very high validity for such advisories would enable the DEMIC to upscale its operations as well as expanding the domain for accommodating newer crops which have reliable historic time series for the reference markets and also to use hybrid price forecasting models for effective generation and dissemination of market advisories to billions of commodity stakeholders to overcome markets risk at the same time realizing better income in the future.

EXPORT TRENDS AND PROCEDURE FOR EXPORT OF HORTICULTURAL PRODUCTS

Dr.C.Velavan

Professor (ARM)

Directorate Planning and Monitoring

Tamil Nadu Agricultural University

Coimbatore – 641 003

Export of Agricultural Products

India ranks the second position in the production of cereals, oilseeds, fruits and vegetables in the world. However, the export of agricultural products is limited due to high domestic demand and quality constraints. India's share in the world agricultural exports is only 2.5 per cent. Further, the share of agriculture and allied products export is only 12 per cent of the total export of the country. Marine products, rice, spices, sugar and molasses, cotton, fruits, vegetables, pulses, tea, coffee, cashew and tobacco are the major products exported from India. Principal agricultural products including rice, wheat, sugar, cotton, fruits and vegetables are 'free' to export without any quantitative restrictions. Export of pulses (excluding Kabuli channa) and edible oil in bulk (excluding coconut oil and rice bran oil) is restricted to export. Similarly, import of most of the agricultural commodities is "free" without any quantitative restriction.

Table 1. Major agricultural products exported from India

S.No	Commodities	Quantity (tonnes)	Value (in Crore rupees)
1.	Marine Products	1437444	47620
2.	Basmati Rice	4415085	32805
3.	Buffalo Meat	1233378	25091
4.	Spices	1091104	23117
5.	Non-Basmati Rice	7534205	20903
6.	Cotton Raw Incl. Waste	1143111	14627
7.	Oil Meals	4425134	10437

S.No	Commodities	Quantity (tonnes)	Value (in Crore rupees)
8.	Sugar	3986742	9518
9.	Castor Oil	619355	6169
10.	Tea	270273	5828
11.	Coffee	282872	5721
12.	Fresh Vegetables	2915109	5311
13.	Fresh Fruits	736946	5304

Major products exported from Tamil Nadu

Rice, mango, banana, cashew, grapes, cutflowers, coirproducts, onion, groundnut, tea, coffee, medicinal plants, molasses, cotton, jasmine and pulses are the major products exported from Tamil Nadu.

Major importing countries

Agricultural products may be exported to all the demanded countriesby meeting the sanitary and phytosanitary standards. However, most of the agricultural products are exported to the middle east and southeast Asian countries from India.

Categories of exporters

Exportersare classified into two types as manufacturer exporter and merchant exporter. Manufacturer exportersare those whomay either produce or process the product. There is more profit as well as more risk in this type of export. Most of the exporters are manufacturer exporters. They have to manage the production of the product, marketing, receiving the order and money. The merchant exporters are exporting the product by sourcing product from another producer in their brand name or his own brand name.

Types of exports

Exports are classified into consignment export, warehouse export, deemed export, project export, services exportand merchant export.

a. Consignment exports

In this type of export, the products are sent to the agent of the exporter in the importing country with the assurance of getting back the products if it is not sold in the market. The agent sells the products and settles the money to the importer. This type of export is highly suitable for perishable agricultural products like fruits, vegetables, tea, pepper etc.

b. Warehouse exports

In this type of exports, exporters send the products to their warehouses in the importing country and sell the products.

c. Deemed Exports

In this type of exports, products are supplied to the agencies, projects, organisation or contract specified by the government. Products supplied to the projects of World Bank, Asian Development Bank, United Nations and other international organisations with in the country are classified in this export. Further, product supplied to the exported oriented organisation though the contract or subcontract has also come under this category.

d. Project exports

Product supplied to the turnkey project executed in other countriesis called project exports. The projects are executed by exporting products from the home country. Products supplied to the construction of factories, power plants, ports, airports etc., will come under this type of export.

e. Services Export

Works of a country are exported to another country is called services exports. Development of software and attending customer calls of the companies of other countries have come under this category. Further, preparation of project reports, designs and engineering services also come under services export.

e. Merchant export

The products are originated from producing country and sent to the importing country without reaching the merchant country. This type of merchant export takes place through Dubai and Singapore.

Starting export-oriented firm

Export may either started as a sole proprietorship or partnership firm or company. Sole proprietorship firm is easy to start when compared to other forms of organisation. In this form of organisation, decision making is easy, less investment required to start, maintenance of secrecy is also possible. Two to twenty members may come together to start a partnership firm. An agreement may be executed among partners and registered. In this form of organisation, more resources can be mobilised and the expertise of all partners may be used.

Opening Bank account

Opening bank account in a bank which may have expertise in export trade is important for receiving money from the importer. The bank may also give trade advises to the exporter.

Importer Exporter Code (IE Code)

A person who wants to be an exporter has to register himself/ his firm in the Director-General of Foreign Trade (DGFT) and receive a unique code is called IE Code. This can be applied online by providing PAN No. e-mail address, phone no., bank account details, company name, date of start, address proof, a certificate from the bank and declaration.

HS Code

Each product is called in different names in different countries. To avoid confusion among importers and exporters, HS code has been established. It is a unique code for each product and its by-products. HS codes are available in all international trade portals. Exporters and importers have to know the HS code of the traded products and mentioned in all EXIM documents.

Export promotion council member

The exporter has to become a member of the export promotion council or organisation based on the nature product. Membership in export promotion organisation is helpful to get trade promotion schemes. The exporter has to apply through filling the application form with prescribed membership fees.

Exporters of agricultural products can become members of the following export promotion council and commodity boards

1. Agricultural and Processed Food Products Export Development Authority (APEDA)
2. Marine Products Export Development Authority (MPEDA)
3. Cashew Export Promotion Council
4. Spices Board
5. Tea Board
6. Coffee Board
7. Tobacco Board
8. Rubber board

Price fixation for export commodities

Price is one of the important strategies to get an export order. Price can be fixed not only based on the cost of the product but also consider expected price fluctuation of the commodities, cost of packing, cost of transportation and insurance. Price of the export commodities should not be quoted as so high or so low. Because the importer has also good contact as well as quotes from other exporters. Hence, the price has to be quoted appropriately to get an export order as well as to get profit. There are different methods of quoting prices of export commodities. They are called Incoterms.

Incoterms

1. Ex-Works method

In this method, an exporter has to handover the product in the premises of the company or warehouse or office to the importer or an authorised agent of the importer. In this type of export, there are no documentation and transportation charges for exporters.

2. Free Carrier method

In this method, an exporter has to supply the products from exporting country to the authorised agent or transport firm or place mention by the importer. The importer will meet insurance and transportation charges.

3. Carriage paid to method

In this method, an exporter has to supply the products at the authorised place of the importer after meeting local transportation charges. The importer has to bear the risk after receiving the product.

4. Carriage and Insurance paid to (CIP) Method

In this method, an exporter has to supply the products at the specified place of importer after meeting insurance and transportation cost. The importer has to bear the insurance and transportation cost after receiving the product.

5. Delivered at place (DAP) method

In this method, an exporter has to supply the product at the specified place of the importer in the importing country. Exporter incurs all the expenses up to the delivery of the product. However, exporters need not pay the duties of the importing country.

6. Delivered Duty paid(DDP) method

In this method, an exporter has to supply the product at the place specified by the importer after paying transport, insurance and duty charges. He has to bear the all risk and losses of the product until it handed-over to importer.

Receiving Export order

Exporters have to provide information about their firm on the dedicated website or in the trade portals. They may provide information on products and quantity handled by them, possible countries of export and contact details. It enables the importer to access the details of the firm and contact the exporter. Further, exporters can also participate in the trade fair in the national and international level and get export order. The agricultural product exporters can also give their offers in APEDA Agri-Exchange portal. Exporters may also contact the potential importers from the website of the trade association of importing country. Further, exporters can also contact the friends and relatives in the importing countries to get the potential importer.

Export Contract

Exporter has to enter into an agreement with the importer after getting export orders. They can give the details of the product, quantity, price, quality specifications, money settlement, dispute settlement and enclosed documents. The export contract would give more commitment to both exporter and importer.

Trade Settlement

The exporter can receive money from importer directly from their account. To reduce risk in receiving the money directly, they can raise a letter of credit from the bank of the exporter. Bank of exporter will contact the importer bank and release the product based on the money settled by the importer in their bank.

Sanitary and phytosanitary regulations

Sanitary and phytosanitary measures are an important regulation that has to be followed by the exporter to export agricultural products. The sanitary and phytosanitary measures vary from country to country. Further, the exporter has to follow the standard operating procedure specified for each product. The exporter has to follow the notification issued by APEDA with respect to export.

Packing

Scientific packing method has to be followed by the exporters to export agricultural commodities. They have also to be followed by the specification given by the importers.

Insurance

Insurance is helpful to the products to safeguard themselves from the risk of losses and non-payment bills by the importer. Export Credit Guarantee Corporation (ECGC) is providing insurance to the exporters from the default of importers.

The following documents are commonly used in export; may be used depends on the requirements of both exporting country government and the government of the importing country.

1. Commercial invoice
2. Bill of lading
3. Consular invoice
4. Certificate of origin
5. Inspection certification
6. Dock receipt and warehouse receipt
7. Destination control statement
8. Insurance certificate
9. Export license
10. Export packing list

QUALITY STANDARD REQUIREMENTS FOR HORTICULTURAL PRODUCTS FOR EXPORT

Dr.M.Chandrakumar

Associate Professor (ARM), Tamil Nadu Agricultural University, Coimbatore

Quality standard

Quality is a measure of the degree of excellence (or) degree of acceptability by the consumer. The quality standards of fresh and processed fruit (or) vegetable products vary with their intended use. For marketing purposes, Size, attractiveness, maturity organoleptic quality, and freedom from defects are to be considered. While for processing, physio-chemical attributes of raw material such as presence of soluble solids, development of uniform colour, flavor, juiciness, uniform maturity, tenderness in some vegetables etc are taken for consideration. During processing of fruits (or) vegetables in to value added products; colour, flavor and texture etc. are also become important.

Objectives of quality standards

The standards define the quality requirements for produce at the dispatching stage after preparation and packaging. These standards should:

“Serve as a basis for measuring quality and should introduce a common language and understanding at all stages of the marketing chain

“bring about a level of discipline that assists in establishing a controlled sales system

"assist in settling trade disputes between the buyers, sellers and handling agents, particularly where there has been a reduction in quality through delays occurring between supply points and markets.

Moreover, with the expansion of international trade, quality standards have accelerated transactions and assisted in the adjustment of supply and demand. This is particularly the case when there is an oversupply of produce and where inferior quality produce has a depressive effect on the market.

The standards

Grade standards are agreed trade principals that carefully describe quality requirements for each distinct grade of a commodity. The highest grade may represent the quality that is most desired by the trade. However, it may represent a quality for which a premium price may be paid although volume requirements may be lower than those of an inferior grade. Lower grades generally represent quality levels that are desirable but are of good value and marketable under normal market conditions. The lowest grade may be one that is only permitted for international transactions in times of shortages.

The quality criteria imposed by the industry concentrate on external appearances, often influenced by varietal characteristics, cultivation techniques and growing conditions. Other criteria may be associated with size, colour, firmness of harvested product and freedom from pests and diseases. Bureau of Standards Specifications for perishable fruits, vegetables and cut flowers include:

- Minimum requirements: maturity, whole, sound, clean, free of pest damage, free of external foreign moisture and free of foreign taste or smell.
- Classification: Extra class (top quality); Class I (good commercial quality), Class II (reasonably good commercial quality) and Class III (fit for consumption). These classes are separated by quality factors such as uniformity, colour, degree of damage, shape and maturity.
- Sizing: Weight, diameter, length, etc.
- Tolerance: Quality, size, units, etc.
- Uniformity: Size, maturity, colour.
- Packaging and Presentation: Layers, individual compartments etc.
- Marking: Count identification, size and grade.
- Identification: Name and address of exporter; name and address of importer and Produce of Kenya.
- Nature of produce: Name of product, variety, e.g. French beans, mangos, etc.
- Official control mark.

Quality control for export produce and penalties

Once a country concentrates on exporting its produce, the importance of quality control is intensified. Most markets in importing countries are amply supplied with prime quality produce of all kinds. That is why every exporter should decide right from the start to export only very high quality produce. In most cases, this cannot be left to individual exporters because a single consignment of inferior quality produce may suffice to jeopardize country's good name, or in the case of new market outlets, give the produce a bad reputation from the beginning. The present fresh produce inspection service is empowered to restrict the export of produce that does not comply with established standards. Appeals against rejection for export are possible, but in view of the perishable nature of the produce, they are rarely made.

The present quality specifications for fresh horticultural produce were very clearly described so that all parties concerned clearly understand the requirements export produce must meet. In addition, the phytosanitary regulations that are in force in importing countries must be observed. The produce inspectors responsible for enforcing grade and quality standards should therefore strictly enforce those standards established by both exporting and importing countries.

Without prejudice to any other penalties imposed by the control authorities, produce failing to conform to the requirements laid down in national and international standards should be rejected.

The details of the quality standard requirements for the products from horticulture based industries are explained below;

Horticultural by products

1) Jam

- Prepared from fruits – singly / in combination.
- It has the flavor of original fruits, free from burnt / objectionable flavours and crystallization
- It shall meet the following requirement

- Total soluble solids – Not less than 65.0% (m/m)
- The product shall be manufactured from
- Not less than 45% by weight except strawberry which shall contain
- Not less than 25% percent fruit

2) Fruit jelly

- Prepared by boiling fruit juice with / without water
- Product shall not be syrupy/ sticky / gummy & shall be clear, sparking and transparent
- It shall meet the following requirement TSS (m/m) not less than 65%
- The product shall be manufactured from not less than 45% by weight

3) Pickles

Onion, garlic, ginger, sugar jiggery, edible vegetable oil, green / red chillies, spices, spice extracts / oil, lime juice, vinegar lacetic acid, citric acid, dry fruits &hots – are used in the pickle

Free from – copper, mineral acid, alum, synthetic colours and shall show no sign of fermentation.

a) Pickles in citrus juice / Brine

Drained weight – Not less than 60%

Sodium chloride Content when packed in brine - Not less than 12%

Acidity as citrus acid when packed in citrus juice - Not less than 12%

b) Pickles in oils

Drained weight - Not less than 60%

c) Pickles in Vinegar

Drained weight - Not less than 60%

Acidity of Vinegar as acetic acid - Not less than 12%

4) Raisins

Grapes (*Vitisvinifera* L.)

May be Bleached with sulphur Dioxide

i) Moisture (m/m)	-	Not more than 15%
ii) Damaged Raisins (m/m)	-	Not more than 2%
iii) Sugared Raisins (m/m)	-	Not more than 15%

5) Pistachio Nuts

Product obtained by drying sound, clean fruits of proper maturity belonging to *Phoenix dactylifera*

i) Moisture (m/m)	-	Not more than 30%
ii) Ash in soluble in dil:HCL	-	Not more than 0.1%
iii) Blemished / Damaged Units	-	Not more than 5%
iv) Extraheous matter	-	Not more than 1%

6) Soup powder

Fruits & Vegetables

i) Moisture (m/m)	-	Not more than 5%
ii) TSS (m/m)	-	Not more than 5 %

7) Fruit Bar / Toffee

i) Moisture (m/m)	-	Not more than 20%
ii) TSS (m/m)	-	Not more than 75%
iii) Fruit content (m/m)	-	Not more than 25 %

8) Squashes, crushes, fruit syrup / fruit sharbats : Squash ; Crush ; Fruit Syrup

i) Min (%) of fruit juice / puree in final product – 25%, 25%, 25%

ii) Total soluble solids min (%) – 40%, 55%, 35%

iii) Acidity expressed as citric acid max (%) – 3.5%, 65%, 3.5%

9) Tomato Ketchup & Tomato Sauce

i) TSS (m/m) salt free basis - Not less than 25 %

ii) Acidity as acetic acid - Not less than 1 %

- Product shall occupy not less than 90% of the water capacity of the container
- The water capacity of the container is the volume of distilled water at 20°C

10) Culinary pastes / Fruits and vegetable sauces

Name of the product	TSS (m/m) (Salt free basis)	Acidity % (as acetic acid)
Chilli sauce	Not less than 8 %	Not less than 1 %
Fruits / vegetable sauces	Not less than 15 %	Not less than 1.2 %
Culinary paste / sauce	Not less than 8 %	Not less than 1 %
Ginger paste	Not less than 3 %	Not less than 1 %
Soybean sauce	Not less than 25 %	Not less than 0.6 %

LINKING FARMERS TO MARKETS

P Balaji * and N.Venkatesa Palanichamy**

* Assistant Professor, Dept. of ARM, TNAU, Coimbatore

** Professor and Head, Dept. of ARM, TNAU, Coimbatore

Introduction

Even though India is an agricultural country, still its agricultural marketing has been defective. The Indian farmers are unable to get reasonable prices for the products even after their hard work and are fully exploited by the middlemen. The main defect of Indian Agricultural marketing is the presence of too many middlemen and the exploitation of farmers by them. On one hand, these middlemen exploit the farmers by purchasing the produce at lower prices, and on the other hand, they exploit the customers by demanding higher prices from them.

Lack of unity among farmers also causes their exploitation. Some financial facilities, like, instalment on loans for pumping-set, tractor, thrasher, etc. have to be paid on a monthly or quarterly basis due to which they have to sell the product as soon as possible which results in inappropriate product price. Agricultural marketing is also very defective in India because here organized marketing is not in vogue, like, cooperative societies, government marketing activities, regular markets, etc. As a result, the farmer remains entangled in exploitation.

An important deficiency of Indian agricultural marketing is the lack of storehouses. Due to lack of this facility, the farmer is unable to keep his product safely until it can fetch a fair price, and he is forced to sell his product at a low price. Lack of standardization and grading is clearly visible in the Indian Agricultural marketing, due to which fixing a deal in relation to these products becomes difficult.

Linking farmers and farmer groups by guiding them to understand the demand, requirement of food safety, network of market, and market intelligence to take informed decision is prerequisite to strengthen the linkages with markets. To bring this transformation, marketing as a function of management knees to guide the flow of produce from farm to fork through the flow of information, so as to fulfil the demand in a way that results is optimization of cost and maximization of value realization. The goal in linking farmers to market is to invest in ways that enable farmers or group of farmers to access market that match their capacities, production, investment and risk profiles.

"Linking farmers to markets" can embrace a whole range of activities, from the very small and localized to the very large. The concept does, however, assume the development of long-term business relationships rather than support for ad hoc sales. This mirrors trends in developed country markets, where there has been a rapid shift from sales through open markets to direct sales that involve linkages and alliances from production to consumption. At the simplest level agricultural extension workers in developing countries can link farmers to buyers by identifying traders and arranging for them to meet with the farmers, or small-scale traders themselves can seek out new suppliers or can work with existing suppliers to develop new or improved products.

There are strong potential benefits of closer links between farmers and produce buyers but, as will be discussed, also some possible costs. The recent resurgence in contract farming and in donor-led activities to link farmers to markets suggests that the balance is considered to be in favour of improved linkages, although much will depend on particular economic, social, financial, organizational and environmental circumstances and on the enabling environment that governments are able to provide.

Higher transaction costs for small and marginal producers are due to low economies of scale, low bargaining power, poor connectivity to markets and information asymmetry resulting from poor price and quality knowledge. The exchange relations in agricultural markets, therefore, are not uniform or equal, nor are they set only in price terms. Transaction costs are household-specific, farm-specific, location-specific and crop-specific. Social categorization such as caste and gender can play an inclusive and exclusionary role concerning access to land, credit and markets. These household-specific transaction costs can in different situations lead to differences in prices charged/paid for services received or goods sold in market transactions.

Farm and location-specific factors also determine the cost of market access and participations. These costs can be attributed to reduced economies of scale. Smallholders with limited marketable surplus may not sell directly in the markets owing to geographical constraints, distance to market and poor connectivity. In such situations, they sell their produce to traders or village merchants at the farm gate. The primary function of these intermediaries is consolidating produce at the village level before selling to traders, retailers or processors at the APMC, an average of four to six transactions take place before the produce reaches the final consumer. In the wake of social, scale and geographic disadvantages, intermediaries play an essential role in providing for missing services, although the price realized at the farm level is the lowest competitive price.

Marketing costs to farms are also crop-specific and vary with commodities and high-value products. Higher value perishable crops have more stringent quality requirement making market connectivity, information and infrastructure such as storage important. Initial costs of creating value chains may also be high mainly due to asset specificity. highlights the various characteristics that influence marketing conditions of agricultural goods. In the wake of higher costs, smallholders may find it hard to diversify from commodities to high-value products. Addressing these market-level costs is central to enable diversification through price incentives to farmers growing them.

Types of Linkage

- Farmer to domestic trader
- Farmer to retailer
- Linkages through a leading farmer
- Linkages through cooperatives
- Farmer to agroprocessor
- Farmer to exporter
- Contract farming.

Table 1: Types of farmer-market linkage

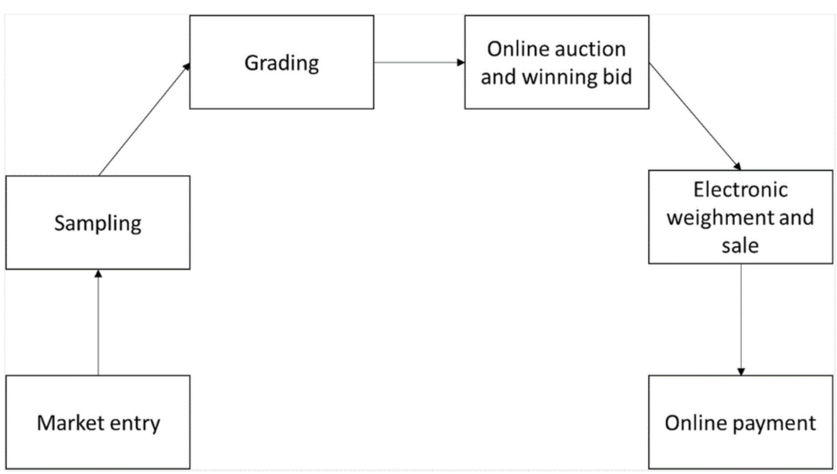
Type of linkage	Collective activity	Advantages for farmers	Disadvantages for farmers
Direct between farmers and traders	➢ Farmers usually act on a one-to-one basis with traders; ➢ May work together informally to bulk-up produce to reduce costs and attract larger traders.	➢ Requires high level of trust but such trust likely to ensure long-term sustainability; ➢ Formal farmer organizations not usually needed; ➢ Traders may (rarely) provide training in production and handling.	➢ May need to accept short-term deferred payment; ➢ Limited access to high-value markets.
Direct between farmers and retailers (including restaurant chains) or their wholesalers	➢ May require formal group structure, particularly when buyer does not want to deal with farmers individually.	➢ Reliable market at agreed price.	➢ Must meet variety, quality and safety specifications; ➢ Must be able to supply agreed quantities at all times. This may place farmers in conflict with social obligations; ➢ May have to accept deferred payment of up to 90 days.
Farmer to exporter	➢ Often involves grouping of farmers. External technical assistance may be required.	➢ Potential high returns if quality can be achieved; ➢ Inputs, technical assistance, etc. may be supplied on credit; ➢ Exporter often provides transport and packaging.	➢ Export markets are inherently risky; ➢ Compliance with standards (e.g. organic; quality and traceability; fair trade) can be problematic, even with technical assistance.
Direct between farmers and agroprocessors	➢ Farmer groups can bulk-up produce for collection by processor; ➢ Groups can facilitate supply of inputs and provision of technical assistance.	➢ May provide secure market at agreed price; ➢ Offers additional market in addition to fresh market; ➢ Inputs, technical assistance, etc. may be supplied on credit; ➢ Processor often provides transport; ➢ Potential for farmers to sell larger volumes.	➢ There may be an inadequate market for the processed products, thus jeopardizing sustainability; ➢ Must meet variety, quality and safety specifications; ➢ Open market price may be higher than that agreed with processor; ➢ Risk of delayed payments.

Type of linkage	Collective activity	Advantages for farmers	Disadvantages for farmers
Formal large-scale contract farming	➢ Company may prefer to group farmers, formally or informally, for input and output marketing and extension; ➢ External assistance may be needed to support farmer groups.	➢ Inputs, technical assistance, etc. may be supplied on credit. In the case of long-gestation crops, such as oil palm, tree crops or sugar, credit is essential and may also be provided to meet subsistence expenses; ➢ Crop marketing organized by company.	➢ Companies often require external agency (e.g. bank) to finance credit provision; ➢ Frequent mistrust between farmers and companies and their employees; ➢ Contracted price lower than market price may lead to sales outside of the contract; ➢ Difficulties may be experienced if NGO withdraws.
Linkage promoted by leading farmer	➢ Farmers usually function as informal group, coordinated by one or a few leading farmers.	➢ Farmers have output, and sometimes, input marketing taken care of; ➢ Greater negotiation power with larger quantities.	➢ Leading farmer may pull out of the venture; ➢ Payment may be deferred if buyers defer payment to leading farmer.
Linkages through cooperatives	➢ Farmers may link directly with the cooperative or through groups.	➢ Inputs, technical assistance, etc. may be supplied on credit; ➢ Crop marketing, packaging, grading and storage and, sometimes, processing organized by cooperative; ➢ Potential for farmers to sell larger volumes.	➢ Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and assistance run out.

Alternative Marketing Platforms—eMarkets, Future Markets and Warehousing

The Planning Commission (2011) working group on agricultural marketing stated that the significant challenges for markets were the large number of intermediaries, inadequate infrastructure for storage and grading, poor price setting mechanisms and poor competence of market staff. Agricultural markets and their functioning differ from state to state, as market reforms and governance are state subjects or under the jurisdiction of individual states rather than the centre. Although suggestions for making agricultural markets a centre or a concurrent subject to bring uniformity in the transaction have met with many challenges, the electronic portal for agricultural marketing has been operationalized.

eNAM is an online trading platform formed in 2016 that intends to link APMCs to create a unified market. The platform has connected 585 APMCs (9% of markets) in 14 states. The electronic portal aims to help price discovery across markets in India enable a harmonized grading and standards system for a transparent transaction, bypassing intermediaries. The schematics of the functioning of an e-portal depicting the entry, sampling and grading of agricultural produce before being put on an electronic platform. Here traders from across the country can bid for the produce and when the bids are finalized, they are weighed and stored for collection. The payment is then made electronically to the farmer are shown below



Although in principle a unified market is essential for price discovery, standardizing practices and reducing transaction costs, the uptake and integration to a virtual platform have been slow. The challenges are poor infrastructure and systems in the market. The lack of testing machines and technicians for grades and standards determination, poor internet connectivity, poor storage facilities, low stakeholder participation and malpractices in the form of misreporting physical auction as online auctions. Online marketing platforms are not without success and the eNAM model is based on Karnataka's RashtriyaeMarkets Services Pvt. Ltd., (ReMS). This joint venture between the Karnataka government and the National Commodity & Derivatives Exchange (NCDEX) eMarkets Limited. Currently, 157 of the 162 APMCs in Karnataka come under this unified platform. The success of this platform can be seen in increased market bids in auctions, reduced collusion among traders and cartels, increased transparency in transactions and reduced delays in payments compared to non-eMarkets. Effective functioning of online marketing platforms can also encourage increased private sector participation, and low potential areas that do not have the advantage for vertical coordination can greatly benefit from such models.

Efficient Price Discovery for Farmers: Linking farmers with futures market can be mutually beneficial to both. Farmers, when linked with a consistent, liquid and deep futures market will be able to reap the benefits of efficient price discovery.

More Liquidity to Market: Higher farmer participation will provide more liquidity to the market, helping it achieve its objective of price discovery.

Removing Middlemen: The trading in futures market will help farmers make their cropping decisions based on next year's prices rather than last year's rates, as well as break the crippling hold of middlemen and traders and ultimately boost income for agricultural families.

Way Forward

Learning from the example of China, where the state has helped small land holding farmers by providing customised products and reducing price distortions, the Government of India should have limited intervention in prices and procurement of commodities. The government needs to identify production centres and build warehouses and delivery centres around them in order to encourage futures trading in these areas. Warehousing systems are essential instruments for agricultural marketing especially in the wake of high price volatility in agricultural commodities. Even when market prices are low, farmers sell their produce due to cash constraints. In principle, under the warehouse receipt system, farmers can store their produce in warehouses when the prices are low and sell in the markets when prices pick up. When storing their produce, they are issued with a warehouse receipt, which functions as a derivative, which can be traded or put up as collateral with banks for immediate cash needs. The advantages of warehousing are reduced handling costs, higher price realization and the ability to buy and sell without physical transfer. Warehouses can be public such as Food Corporation of India, Central Warehousing Corporation, State Warehousing Corporation and State Civil Supplies, cooperative or private.

Alternative markets are spaces where there is increased private sector participation. A majority of the commodity futures platforms are private sector driven, the successful ReMS model in Karnataka is a public-private partnership and both public and private warehousing systems issue the warehouse receipts. Companies such as ITC ABD one of the largest non-state procurers of wheat in India uses futures platforms to buy and sell wheat and soybean. The private sector players also provide essential services to spot markets. For example, NCDEX works with state procurement agencies such as National Agricultural Cooperative Marketing Federation of India Limited (NAFED) and Small Farmers' Agribusiness Consortium (SFAC) to provide grading and testing services before transactions. The significant challenges for smallholder participation in these platforms are infrastructure based and related to scale. Access and connectivity to warehouses and collection points is a concern for producers in low potential areas. Public goods such as roads and storage infrastructures are needed for improved participation. Low volumes of produce is again a concern as agricultural output is highly differentiated and in small quantities. This often means the crops produced may not be of the accepted variety or grades and standards. Additional fixed costs for grading, weighing and storage insurance further dissuade smallholder participation in these platforms.

The scope of different forms of marketing is limited to the type of crops, location and the levels of risks associated with production. In high potential areas with irrigation and good access to markets, the scope for producing high-value crops is strong. In these scenarios, the favourability of vertical coordination emerging is strong. In lower potential areas where there are higher production risks and locational advantages are weak, the effective functioning of APMCs remains crucial. In these locations, the scope of eMarkets, commodity futures and warehousing are also high. Also, with non-perishable agricultural commodities, the development of these alternative markets can help remedy some of the potential challenges of the APMCs such as intermediaries, lack of grades and standards and better price discovery and realization. However, for the emergence of newer forms of value chain linkages, there is still a need to remedy the issue of economies of scale, access to capital for both producers and value chain actors and effective governance of value chains and markets. For this, effective institutions and policy to enable farm-market linkages are necessary Chains and the Systems.

Linking smallholders to markets is essential for commercialization, to improve household level incomes and provide the incentive for diversification. Well-functioning value chains are also critical to improving the efficiency of bringing food from farm to table by minimizing food loss and waste, thus improving access and availability of food. With changing demand, we see newer channels and platforms of marketing emerging to cater to the changing need. However, for small producers to connect to markets through these requires policy support, interventions like aggregation models, infrastructural development and reform of existing marketing practices that have led to increasing transaction costs in the market. These measures are essential for making value chains sustainable and improving welfare

Market Reforms and Infrastructure

Although vertical coordination and alternative markets are essential platforms and strategies for improving market access in small farm-based economies, enabling efficient access to agricultural spot markets is also necessary. Agricultural markets are fragmented with a large number of intermediaries functioning in them. These intermediaries, however, perform important aggregation roles when agricultural markets are thin and standardization roles in the absence of established grades and standards. Better access to markets would require infrastructure to improve connectivity through roads to enable better transportation of goods, cold chains and goods storage facilities to reduce wastage and proper communication channels through which price and quality information can be transferred. These changes will also allow for better functioning of alternative marketing platforms, especially eMarkets and warehousing. The role of public sector investment is essential to create public goods in this sector. Effective infrastructural development is also vital to elicit a private sector investment response in the value chain. Despite policy mandating the creation of backend infrastructure in organized retail, this has not been the case due to uncertainty about policy regarding FDI in organized retail. Introduction of grades and standards along with infrastructure and methods to determine this at markets is essential to bring about objective grade-based price determination. Policy to enable market reforms, institutions for the enforcement of enacted policy and infrastructure to improve physical access to markets are therefore critical for sustainable value chains.

Ethics in value chains is essential for sustainable development of the agricultural sector. This involves elements of livelihood rights, food and environmental safety, reduction of ecological externalities and human and animal rights. Therefore, ethical supply chains essentially comprise three significant components: profitability, local development and the environment. Profitability takes into consideration how revenue and profits are shared within a value chain, where every stakeholder stands to benefit. Local development considers public and consumer health, welfare and labour standards while environment ascertains the environmental impact of the value chain from farm to fork. Another aspect associated with sustainable value chains is the issue of food loss. Reduction of food loss in the value chain will ease production pressures when economical, improving access and availability and reducing environmental externalities from the need to produce more. Compared to developed economies where a significant portion of food loss happens at the retail and household levels, in emerging economies, food loss often takes place at the post-harvest stages of storage and transportation. This is usually due to inadequate information regarding best practices or poor or inadequate infrastructure. Food loss often means loss of macronutrients such as fat, calories or proteins, or micronutrient loss such as vitamins and minerals. Reducing wastage and loss are crucial for food security through nutrition-sensitive food systems and sustainability as this would help reduce the strain of population increase and environmental degradation.

Conclusion

Smallholder linkages to commodity markets are essential for agricultural development and commercialization. These linkages help improve household level welfare through income growth when commodity prices are realized in the market. However, the ability of smallholders to access markets that are characterized by changing demand for higher value and quality goods is problematic due to farm and market level challenges. The primary farm level challenge has been rectifying economies of scale problems, while the main market level problem has been high transaction costs resulting from poor infrastructure and institutions to regulate and stipulate exchange (commodities price being determined by non-price factors and lack of enforced grades and standards-based transactions is a good example). Aiding smallholders to address these problems will help improve market linkages and incentivize production corresponding to changing demand.

Vertical coordination, alternative private markets such as commodity futures markets and warehousing and private-public venture markets have emerged to rectify what traditional spot markets have had limited success in addressing. Vertical coordination has improved market access in perishables such as fruits and vegetables, while alternative markets have helped in the marketing of non-perishables such as oilseeds, cereals, pulses, spices and plantation crops. While these linkages play an essential role, effective functioning of spot markets remains crucial. Reducing transaction costs through improved connectivity, development of market infrastructure, reducing the influence of intermediaries will be central to this. Aggregation models to rectify scale disadvantages will enable better participation of smallholders in different marketing arrangements. The emergence of different marketing platforms is essential as they can address various kinds of institutional, access and marketing problems. Formulating policy to better link smallholders to these platforms will prove critical. All produce - every grain; every ounce; every drop - from agriculture sector must find gainful end-use. Demand-driven production of agricultural produce, rather than production-propelled marketing, is the need of the day now.India is one of the largest markets for agricultural produce and markets need to function as a unified platform to make all consumers accessible to all the farmers in the country.

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HUMAN CAPITAL REQUIREMENT

Dr.S.Hemalatha

Associate Professor

Department of ARM, TNAU, Coimbatore

Introduction

Human capital is a term given by Nobel laureates Becker and Huselid. What is human capital? and how it differs from human resource .This basic understanding is important to know the requirement of human capital for any business activity. Human resource refers to manpower/ employees who work for an organisation. This term replaced personnel which has its origin from the first industrial revolution. The end of second world war resulted in drastic changes in the world leading to second industrial revolution. Loss of human lives, destruction of livelihood due to second world war led the human race in a new path of growth and rejuvenation. New range of industries emerged to satisfy the growing needs of people.The requirement of personnel both in terms of quality and quantity also increased for different work needs of a business organisation. Globalisation during 1991 opened the gates for new business in India from the outside world. Entry of new set of firms resulted in more challenges, leading to increased requirement of new talents. More competition in business absorbed more personnel and each firm started struggling to retain their personnel. In this scenario the perspective of the business firms about their personnel also changed. Previously they used to conceive the workers as machines who have to respond at their command. But from the year 1990s the era human resource replaced personnel to refer the manpower of a business firm.

Human Resource refers to the employees of any organization/ firm. The term human resource indicates the importance of employees for a firm/organization. It indirectly conveys that the human resource should be considered as a valuable asset and care should be taken to make them happy and comfortable.

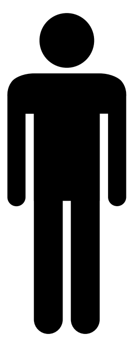
Human Resource Management

For any business activity, a system or organisation is essential, when the size of business increases. In the initial stage, one or a few human resource is enough, but in due course need for more human resource increases. Then getting the required human resource will be a special task for any organisation, as individual small business has grown to a business firm/ organisation. For any business firm/ organisation, after its growth human resource management will become a main function in line with marketing, finance, etc.

Human Resource management involves five main activities as follows

- Planning human resource
- Acquiring human resource
- Developing human resource
- Evaluating human resource
- Maintaining human resource

Human Capital **Human Resource**



Personal

Fig 1Transformation from Personnel to human capital

Planning refers to identifying the required number of human resource for various job positions. Acquiring refers to searching and selecting the required human resource. Developing refers to training the human resource for better performance. Evaluating human resource refers to appraising the human resource and maintaining refers to protecting the human resource. These activities are done by human resource experts who are specialised in human resource management.Human resource refers to employees and human capital refers to the stock of knowledge, skill and ability/attitude of all the employees. Human capital is an intangible asset which helps an organisation to perform. Hence for a developing organisation it is wise to assess the requirement of human capital instead of the number of human resource.

Human capital Requirement

What knowledge, skill, experience is needed to achieve the objectives?

The answer for the above question should be the basis for a business firm when it starts searching for candidates. Planning helps to know the answer for the above question and procuring helps in getting human resource with the required knowledge, skill and ability/attitude (KSA).Hence planning and procuring human resource are the important activities which will result in best human capital. Based on the level of the job in an organisation, the percentage of knowledge, skill and ability/attitude can be determined.

While screening the candidates for a job differentiate them into three types *Viz*; performer, potential, neither potential nor performer.

Performer: Performer candidate is like ready to eat food. They can immediately start working after joining a firm. They need only orientation to have an understanding about the firm and the job. They can kick start their job within few days . But they are costly as. their package will be high. But they will become star performers and add value to the existing human capital.

Potential : Potential candidates are like good soil, when trained properly will become performers. Such candidates when given correct training and mentoring definitely will add value to the existing human capital of a firm.

Neither potential nor performer: Last category are neither potential no performer. They are not fit and can be rejected. If such candidates are selected, they will just follow the words and work . They are mere followers and can be selected if the job does not need a potential or performer.

The basic understanding of the candidates will help in judging into the above mentioned three types.Educational qualification and the institute / college will convey the basic knowledge level of a candidate. Similarly experience in the field is another criteria for judging the knowledge level of the candidate. Attitude refers to the evaluation style of a candidate about a person, event, product, etc. Knowledge, skill and attitude/ability requirements for a job can be clearly defined based on the industry.

Domestic Trade and Export

In case of trade and export related activities Knowledge and skill are important as it needs networking of people . Knowledge on export procedures, standards of different countries are needed to excel in export business. Besides quality parameters of different horticultural produces vary with different countries. Fresh fruits and vegetables, processed fruits and juices, processed fruits, vegetable seeds, floriculture, etc are some of the horticultural products exported from India. Networking with producers of quality produce and buyers is the prime activity for export business. This implies that human resource who can establish contact with suppliers and buyers by connecting with them can be potential candidates. Performers should not be selected as they will learn the business quickly and may quit and start their own in due coarse. Hence for small export business, the candidates should be neither potential no performer. But for large export firms, human resource with export knowledge and interpersonal skill are eligible candidates.

Table 1 KSA requirements for export business

Knowledge	Skill	Ability/Attitude
Horticultural products	Critical thinking Analysing and differentiating what is right and wrong	Positive attitude Convert challenges to opportunities
Export procedures	Negotiation Connecting with others, dealing with difference of opinion smoothly and closing a deal successfully	
Quality parameters of different countries	Social perceptiveness Knowing others behaviour and understand why they behave.	
	Time management Balancing the time	

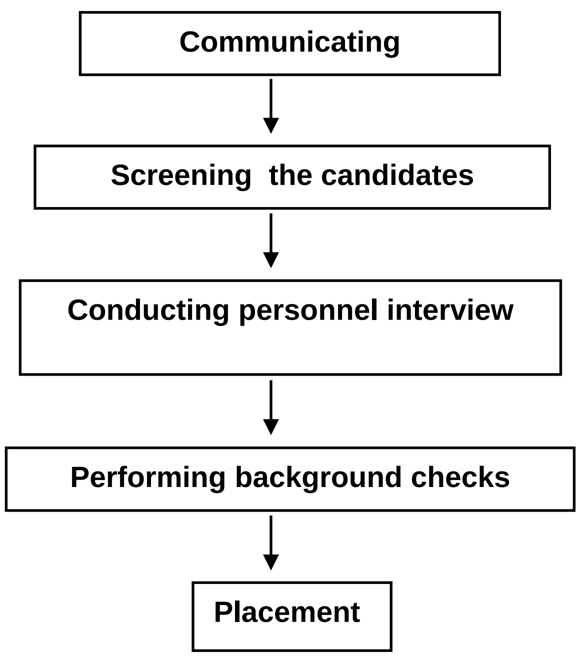


Fig 2. Procuring human resource

Procuring human resource involves the steps indicated in fig 2. Communicating is the first step in procuring which intimates the vacancy to the eligible candidates. Screening helps in understanding the candidate's educational qualification, experience, special skills from the bio-data. Proper screening eliminates unfit candidates. Personal interview helps in testing the candidates attitude, skill and knowledge. Background checks should be conducted if the candidate found to be suitable for the job. Back ground checks help in knowing the candidates personal background. Finally if found fit, placement can be confirmed. Planning and procuring plays a vital role in adding the human capital of an organisation. These two steps serve as a foundation for enriching the human capital. Hence the above mentioned facts may be adopted for getting best human resource for an export business.

INCOTERMS FOR EXPORTING HORTICULTURAL PRODUCTS

Dr. M.Malarkodi

Assistant Professor (HRM),
Directorate of Agribusiness Development
TNAU, Coimbatore-3.
e-mail: malarkodi.m@tnau.ac.in

The word "Incoterms" is an abbreviation of International commercial terms, and the chosen Incoterms rule is a term of the contract of sale (N.B. not of the contract of carriage). Although the Incoterms rules are primarily intended for international sales they can be applied to domestic contracts by reference. Trade terms are, in fact, key elements of international contracts of sale, since they tell the parties what to do with respect to

- carriage of the goods from seller to buyer; and
- export, import and security-related clearance.

They also explain the division of costs and risks between the parties.

Merchants tend to use short abbreviations – such as FOB and CIF – to clarify the distribution of functions, costs and risks relating to the transfer of goods from seller to buyer. But misunderstandings frequently arise concerning the proper interpretation of these and similar expressions.

For this reason, it was considered important to develop rules for the interpretation of the trade terms that the parties to a contract of sale could agree to apply. The Incoterms rules, first published by the International Chamber of Commerce in 1936, constitute such rules of interpretation.

Why are as many as 11 Incoterms rules required?

The purpose of the Incoterms rules is to reflect contemporary commercial practice and to offer the parties the choice among

- the seller's minimum obligation only to make the goods available for the buyer at the seller's premises (EXW);
- the seller's extended obligation to hand over the goods for carriage either to a carrier nominated by the buyer (FCA, FAS, FOB), or to a carrier chosen and paid for by the seller (CFR, CPT) together with insurance against risks in transit (CIF, CIP);
- the seller's maximum obligation to deliver the goods at destination (DAT, DAP, DDP).

The Incoterms rules are sometimes criticized for offering an abundance of different terms. Would it not be possible to restrict the number of terms so that the parties would be invited either to choose delivery at the seller's place or at the buyer's place? The answer is that commercial practice involves different trading patterns for different types of cargo. With respect to commodities, such as oil, iron, ore and grain, the goods are frequently carried in chartered ships accepting the cargo as a full load. In this type of trade, the ultimate buyer may not be known, since the goods may be sold in transit. This, in turn, explains the need for a negotiable transport document, the bill of lading. Moreover, even if the ultimate buyer is known, he is usually not prepared to accept costs and risks which occur in the seller's country. This explains the need for the maritime terms, which are still used for the largest volume of world trade.

With respect to manufactured cargo, however, maritime terms are inappropriate. Here, in most cases, the parties are well advised to use one of the Incoterms rules appropriate for delivery at the seller's place (EXW or possibly FCA) or delivery at the buyer's place, i.e., the destination terms, DAT, DAP and DDP. In many cases, carriage of manufactured goods is entrusted to logistics service providers, which should preferably be able to communicate continuously with their original contracting party. It is therefore impracticable to use terms such as CPT or CIP, where the seller makes the contract and leaves the rest to the buyer.

With respect to insurance, it is only when the goods are intended to be sold in transit that it is appropriate to let the seller undertake an insurance obligation to the buyer. In other cases, the buyer should preferably arrange his own insurance so that the insurance cover can be adapted to his particular needs. However, this is not possible when sale of goods in transit is contemplated, as the ultimate buyer is not yet known. This explains the frequent use of CIF in such cases.

Which Incoterms rule should be chosen?

Commercial practice and the type of goods will dictate whether

- the seller should refrain from undertaking any additional obligation;
- the seller is prepared to do more than to make the goods available to the buyer at the seller's premises;
- the buyer's bargaining position allows him to require the seller to undertake extended obligations;
- the seller is able to undertake additional obligations and, in particular, to quote a more competitive price by extending his obligations;
- it is necessary to use the maritime terms FAS, FOB, CFR or CIF when the goods are intended to be resold by the buyer before they reach the destination.

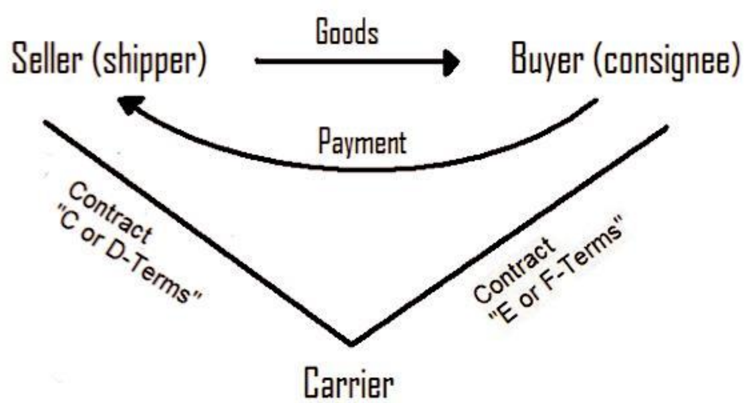
The Incoterms rules and the contract of carriage

The relation between the Incoterms rules and the contract of carriage creates particular problems, because

- some of the Incoterms rules can be used only when the goods are intended to be carried by sea (FAS, FOB, CFR, CIF);
- the same terms are often used in both contracts of sale and contracts of carriage;
- commercial practice under contracts of carriage changes from time to time and varies in different places, ports and regions;
- the contract of sale is sometimes difficult to match with the contract of carriage;

- under contracts of sale and the applicable law, such as CISG, the seller has to tender goods or documents representing them and the buyer has to pay for them;
- unless otherwise agreed, goods should be exchanged for money simultaneously; this principle also applies when a carrier is used by the parties and acts on behalf of the seller or the buyer, depending upon the chosen Incoterms rule;
- the parties may continue to use a traditional Incoterms rule when it has become inappropriate because of changed commercial practice (for example, they may continue to use FOB instead of FCA when there is delivery not to the ship, but to a carrier's terminal in or outside the port area);
- the seller under the C-terms enters into the contract of carriage with the buyer as beneficiary; this makes it necessary to give the buyer the possibility of claiming the goods from the carrier, even though the buyer did not make the contract with him;
- the parties do not understand the exceptions from, and limitations of, the carrier's liability (particularly with respect to carriage of goods by sea).

Additional Contracts



An international trade transaction requires not only a contract of sale but also additional contracts. In the first place, the goods will have to be moved from the seller's location to the location selected by the buyer. Therefore, it is necessary to arrange and pay for their transport. This means that three parties are now involved: the seller, the buyer and the carrier. This can lead to complications. One of the main purposes of the Incoterms rules is to define the different roles of the parties in relation to the contract of carriage.

Under the terms starting with the letter C or D, it is for the seller to conclude the contract with the carrier. In contrast, under the terms starting with the letter E or F, it is for the buyer to do so. When the seller contracts for carriage, it is important to ensure that the buyer is able to receive the goods from the carrier at destination. This is particularly important with respect to shipment contracts. The buyer must then receive a document from the seller – such as a bill of lading – that will enable him to receive the goods from the carrier by tendering an original of the document in return for the goods. If the seller has concluded a contract of carriage under one of the D terms, he must be in control of the goods during the entire transit to the place where they are to be delivered to the buyer. It is the seller's obligation to ensure that the goods can be delivered to the buyer at the indicated place of destination. If something goes wrong during the carriage, the seller bears the risk. This is different in situations involving terms starting with the letter C, where the seller merely has to arrange and pay for the carriage. If something goes wrong during the carriage, the risk is on the buyer.

It is common for the seller to want to escape the risk of loss of or damage to the goods while they are in transit, even in cases where he undertakes to deliver the goods at destination. This is not only a matter of insurance. The fact that the seller may be protected by insurance in the case of loss of or damage to the goods in transit does not relieve him of his obligation under the contract of sale to deliver the goods to the buyer. If the goods have been lost, it is for the seller to provide substitute goods wherever possible.

There is an important distinction between the delivered-terms ("D-terms") and the other trade terms with respect to determining the critical point when the seller has performed his delivery obligation. Only with the D-terms (DAT, DAP and DDP) is the seller's delivery obligation extended to the country of destination. Under the other trade terms he fulfils the delivery obligation usually in his own country, either by placing the goods at the disposal of the buyer at his (the seller's) premises (EXW), or by handing over the goods to the carrier for shipment (FCA, FAS, FOB, CFR, CIF, CPT and CIP).

To make the important distinction between this fundamentally different nature of the "groups" of trade terms, contracts of sale are often classified accordingly, as, for example, when the D-terms would turn the contract of sale into arrival contracts. Contracts using F-terms or C-terms would fall into the category of shipment contracts.

It is important to note that the seller's obligation to arrange and pay for the carriage does not in itself extend his delivery obligation up to the point of destination. On the contrary, the risk of loss of or damage to the goods will pass at the point of delivery, and the insurance which the seller has to take out under the trade terms CIF and CIP will be for the benefit of the buyer, who has to assume the risk after the delivery point.

The C-terms, by extending the seller's obligation with respect to costs of carriage and insurance respectively to the destination, make it necessary to consider not one but two critical points: one for the division of risks and another for the division of costs. Because this is not always easily understood, the C-terms are frequently misunderstood by merchants, who believe them to be more or less equivalent to D-terms. This, of course, is completely incorrect.

A seller having sold his goods on C-terms is considered to have fulfilled his delivery obligation even if something happens to the goods after the point of shipment, while a seller having sold the goods on D-terms has not fulfilled his obligation in similar circumstances.

Consequently, if the goods are lost or accidentally become damaged after shipment but before the goods have arrived at the agreed destination point, a seller having sold the goods upon D-terms has not fulfilled his contract and can therefore be held liable for breach of contract. He will normally have to provide substitute goods in place of those lost or damaged, or make other agreed restitution.

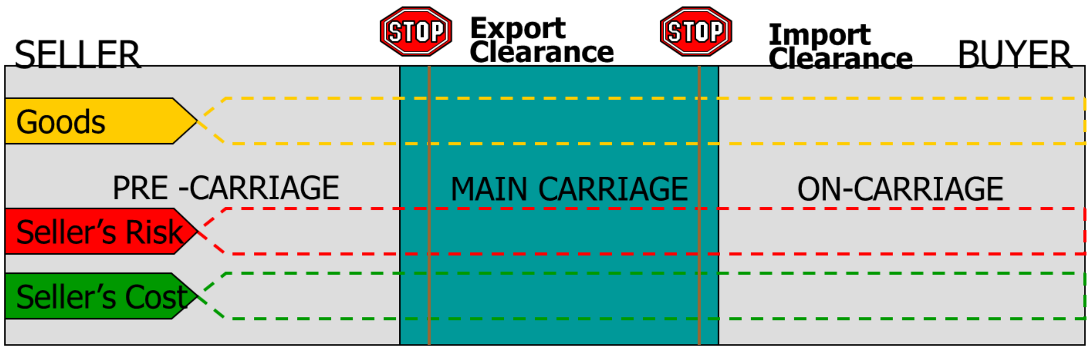
In this respect, the interrelation between the trade term and the other terms of the contract of sale is vital, since the risk falling upon the seller may be eliminated, or at least modified, by various so-called relief clauses or force majeure clauses in the contract of sale.

The basic distinction between C- and D-terms becomes crucial when goods are damaged in transit. With C-terms, the seller has already fulfilled his delivery obligations, while with D-terms the seller may be liable for breach of contract.

Gategory E		
Departure	EXW	Ex Works
Gategory F	FCA	Free Carrier
Main carriage	FAS	Free Alongside Ship
Unpaid	FOB	Free On Board
Gategory C		
Main carriage	CPT	Carriage Paid To
Paid	CIP	Carriage and Insurance Paid To
	CFR	Cost and Freight
	CIF	Cost, Insurance and Freight
Gategory D		
	DAT	Delivered at Terminal
	DAP	Delivered at Place
	DDP	Delivered Duty Paid

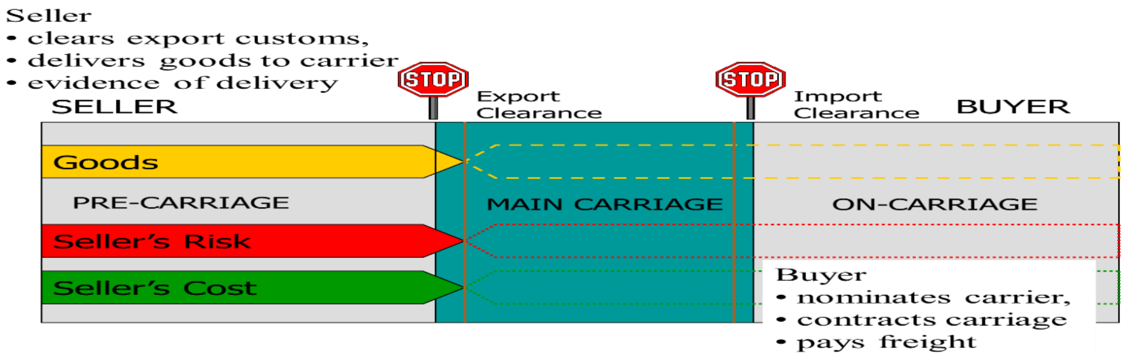
EXW (Ex Works)

Ex Works (EXW) is the Incoterms® 2020 rule used to describe the delivery of goods by the seller at their place of business, normally in their factory, offices or warehouse. The seller does not need to then load items onto a truck or ship, and the remainder of the shipment is the responsibility of the buyer (e.g. overseas shipment and customs duty). EXW is therefore more favourable to the seller as they do not need to worry about the freight once it has left their premises. However it is vital to note that once the seller has informed the buyer that the goods for the contract are identified and set aside, the delivery has been made, the buyer bears the risk from that moment and is obliged to pay, even though the goods are still in the possession and physical control of the seller.



FCA

The FCA (Free Carrier) rule requires the seller to deliver the goods to the buyer or its carrier either at the seller's premises loaded onto the collecting vehicle or delivered to another premises (typically a forwarder's warehouse, airport or container terminal) not unloaded from the seller's vehicle. The seller must carry out any export formalities and the buyer carries out any import formalities. From this it can be seen as a step up from the largely unworkable EXW in that the seller is now responsible for physically handing the goods over with risk transferring to the buyer only when delivery has been made, This rule works well for land transport within the Europe/Central Asia landmass, because often the truck collecting the goods will be the one transporting the goods to the destination.

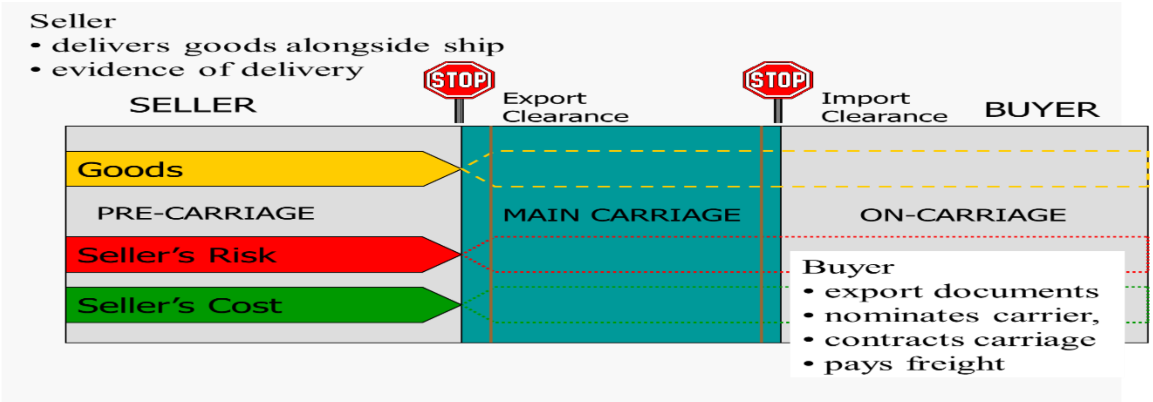


FAS (Free Alongside Ship)

The FAS (Free Alongside Ship) rule goes back to the days of sailing ships, and requires the seller to place the goods alongside the vessel nominated by the buyer. FAS terms state that the exporter is responsible for ensuring the goods clear customs and delivering shipments to the point of origin. FAS applies only to sea or inland waterway ports, and like EXW, the shipper is solely responsible for the goods until they arrive at the port.

Seller drops it off but doesn't take care of loading. It's your responsibility to get it over the rail, on the boat or mode of transport.It's important to note that while the seller is responsible for delivering the buyer's goods and preparing customs documentation, the buyer is responsible for loading the items onto the vessel and everything that happens after that point.

The shipper is not responsible for transport, insurance, or delivery. While there is no apparent benefit for buyers to take on the task of loading the ship, it might be a good option for buyers who wish to have more control over the costs and responsibilities associated with the shipment.



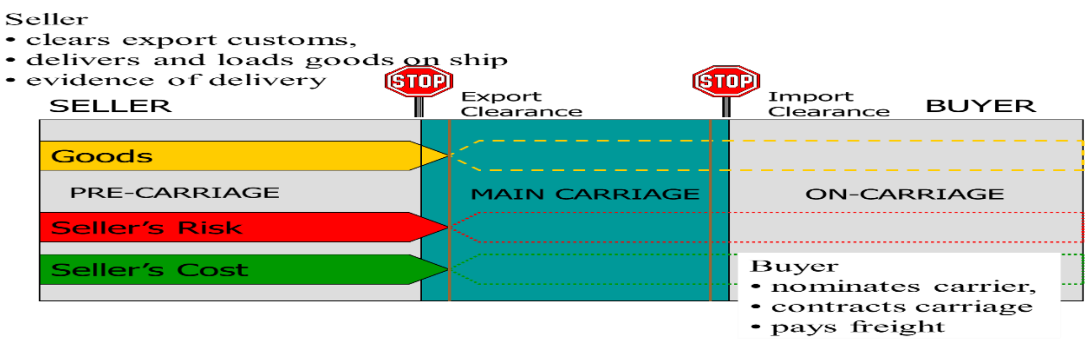
FOB (Free On Board)

FOB (Free on Board) is the most commonly-used trade term but in practice it is used without reference to any version of the Incoterms® rules. In such cases it is then up to the seller and buyer to agree in their contract on what they mean when they use these three letters.

FOB is a term that lays out the price of goods, including freight, at the seller's expense. The location of delivery is where responsibility transfers from seller to buyer. The buyer is responsible for assuming any additional shipping costs—for example, if the freight needs to be shipped to another location like a warehouse or retail store.

Buyers benefit from using FOB, as the seller is liable for any damage that happens during transit, as well as coordinating things like customs documents.

The downside for buyers is considering shipping terms along with their inventory costs. Buyers using FOB terms need to be strategic about placing an order—the more shipments procurement brings in, the more they'll spend on insurance and shipping. As such, it's best to use FOB if you're able to consolidate shipments.



CPT (Carriage Paid To)

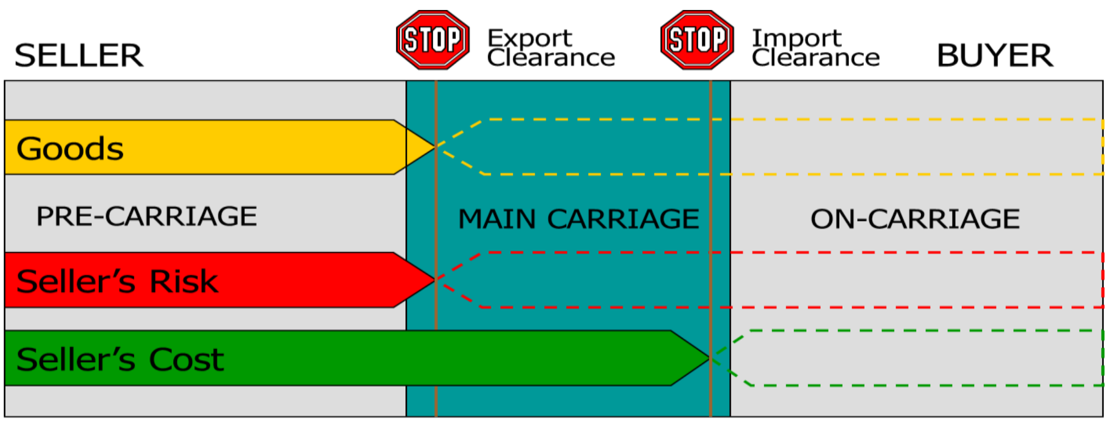
The CPT (Carriage Paid To) rule requires the seller to deliver the goods to its carrier but does not indicate whether that is either at the seller's premises loaded onto the collecting vehicle or delivered to another premises not unloaded from the seller's vehicle. The seller must carry out any export formalities and the buyer carries out any import formalities. It is the seller's responsibility to contract for carriage and of course the cost of that will be built into the selling price. Like FCA, the risk transfers to the buyer immediately when delivery has been made, This rule works well for land transport within the Europe/Central Asia landmass, because often the truck collecting the goods will be the one transporting the goods to the destination.

CIP (Carriage and Insurance Paid)

The CIP rule is similar to CPT with one very important difference. This rule requires the seller to take out maximum insurance cover under Institute Cargo Clauses (A) or (Air) or similar, for the buyer's risk. The seller must give the buyer any insurance document the buyer will need in case it must claim under that insurance.

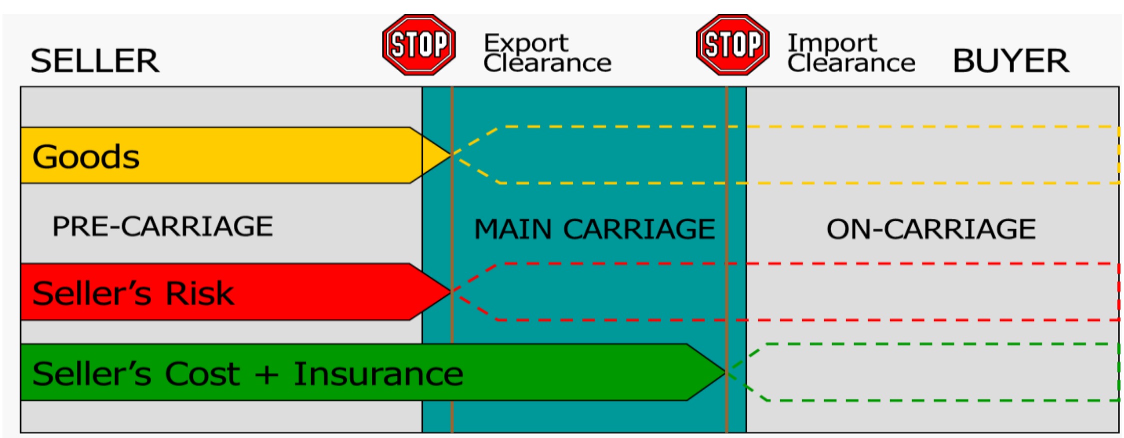
CFR (Cost and Freight)

CFR (Cost and Freight) is one of the most commonly-used trade terms after FOB but in practice it is used without reference to any version of the Incoterms® rules. In such cases it is then up to the seller and buyer to agree in their contract on what they mean when they use these three letters.



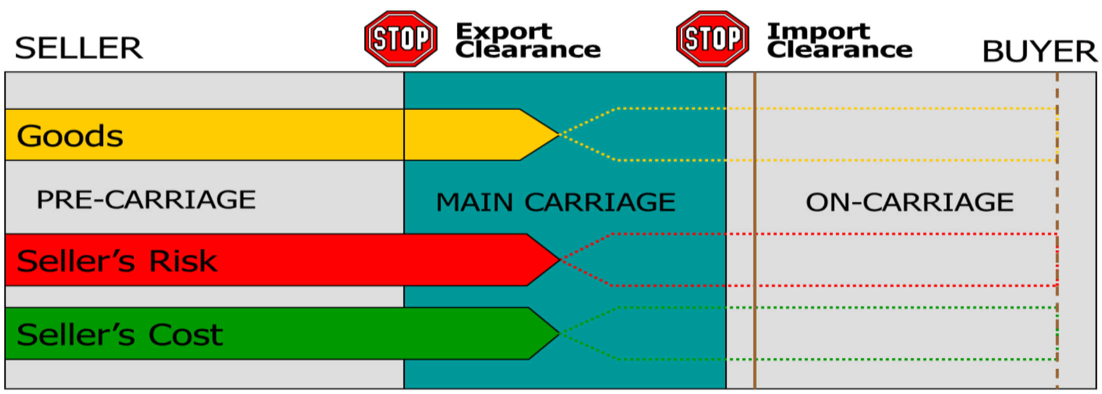
CIF (Cost Insurance and Freight)

The CIF rule is identical to CFR except in one aspect. Even though the risk transfers to the seller upon loading the goods on board the vessel, in CIF the seller is obliged to take out the minimum level of insurance cover for the buyer's risk.



DAP (Delivered At Place)

DAP requires the seller to deliver to a place named by a buyer, typically the buyer's premises. The buyer is responsible for unloading the means of transport. The seller has to carry out any export formalities and the buyer has to carry out any import formalities. Like with CPT and CIP the seller contracts for carriage and risk transfers only upon delivery which now is at the buyer's premises. The seller has no obligation to the buyer to insure for its risk. This rule works well for transport of goods by land within the Europe/Central Asia landmass but strikes potential problems once there is a change in mode of transport along the way.



DPU (Delivered at Place Unloaded) / DAT

This is a new rule for 2020. While it is often stated as simply being a change of name from the previous DAT (Delivered At Terminal) it is in fact just that little bit more. DAT itself was introduced 2010 as an expansion of DEQ (Delivered Ex Quay) to cover any mode of transport. The implication in DAT was that the seller delivered the goods, unloaded, into a terminal whether that be an open area of land such as a container yard or a covered warehouse such as at an airport. Regrettably that explanation was not clear in the wording of DAT though its location before DAP in the order of the 2010 rules tends to reinforce that. The difference now between DPU and DAP is that it means any place including the buyer's premises and therefore is shown now after DAP.

DDP (Delivered Duty Paid)

DDP functions much like DAP with one most important exception. It is the seller’s obligation to import clear the goods in the buyer’s country and pay any duties and VAT/GST. This rule should be used with great care as the seller might need to be a registered entity both for import and VAT/GST in the buyer’s country, a fairly unlikely scenario. If the seller finds itself unable to be the importer or to be able to recover any VAT/GST paid then the parties should instead contract on DAP terms.

EXPORT FINANCE

Dr.N.Deepa

Assistant Professor (ARM),

Dept. of ARM, CARDS, TNAU, Coimbatore

Export Finance

Export finance refers to financial assistance extended by banks and other financial institutions to businesses for the shipping of products outside a country or region.

It is a cash flow solution for exporters. It allows the businesses that sell products to another country to get access to working capital before their clients pay for the products purchased.

Export Finance in India

Though banks are providing different types of loans to customers, export finance is a kind of advance by which not only the customer is benefited but also the country itself as it brings valuable foreign exchange earnings. Hence, government has given more importance to export finance and has simplified various procedures involved in obtaining finance. Reserve Bank of India has also given instructions to commercial banks that they should give top priority in the sanctioning of export finance.

Need for Export Finance

It is no exaggeration to say that finance is the lifeblood of any business. As an exporter, funds received through financing channels may be used in the preliminary stage while incurring capital expenditures. Business firms need funds for day-to-day working capital requirements or to meet unforeseen contingencies.

There are different sources of export finance for exporters to meet their requirements for capital. It is up to exporter to select a source of finance suitable for their business needs, ensuring that it fits the long-term strategy for financing the export business.

Before deciding on how to source export finance, one must identify why exactly they need the funds. There are various reasons why the business people may need investments:

To set up a new Export Business

For building a new export business, you will require financial support. Whether you plan to acquire existing businesses like manufacturing units, renovate and modernize your business units, or expand/improve your plants and equipment so that you are ready to target the international **marketing**, financing requirements will always be a consideration.

For Business Expansion

At other times, the growth of your export business may require you to tap additional funds, for which you may have to arrange for large-scale finance. For example, say you decide to expand into a new export market, or set up additional offices to cater to new export lines.

For Working Capital

Often, business development and daily operations will constitute biggest requirements for finance, also known as working capital. To accept new business, you need funds to accommodate the buyer's credit period, accessible through loan products like pre shipment finance. There may also be a working capital requirement to arrange for inventory at times. Having enough cash enables you to compete in the market and muster the financial clout to take up new ventures.

Different Types of Export finance

An exporter need finance at various stages of business cycle. There are basically five types of export finance.

1. Pre-shipment export finance
2. Post shipment export finance
3. Export finance against collection of bills.
4. Deferred export finance
5. Export finance against allowances and subsidies.

1. Pre-shipment export finance/ Packing Credit

Packing credit or Pre-Shipment Credit is a type of finance provided for the purchase of raw materials and processing them into finished products but this finance can be provided only when the exporter has firm order from the importer and the importer has also given an anticipatory Letter of Credit from importers bank. So, against the export order received from the importer, the exporter is given finance by his bank which is called pre-shipment export finance. They can borrow the amount, meet their capital needs and return it with interest once the buyer makes the full payment, which would take around 150-180 days.

Obtaining a packing credit means that all the costs related to manufacturing like working capital, raw materials, labor and machinery costs, transportation, etc. are taken care of.

By availing of Packing Credit, exporters can fulfill their working capital requirements. This equips them to handle the biggest of export orders.

Eligibility Criteria for Export Packing Credit: An exporter who has received a confirmed export order from a buyer or an *<u>irrevocable Letter of Credit (LC)</u>* can apply for a packing credit loan from any registered bank in the country.

2. Post shipment export finance

After dispatching the goods to the importer, the exporter draws a bill, against which the importer will make payment. But this may take a minimum period of 3 to 6 months and this time gap will affect the exporter in his continuation of production. For this purpose after exporting, the *<u>export bill</u>* will be presented by the exporter to his bank. The bank will prefer to purchase the bill or collect the bill or even discount the bill, which depend on the economic status of the importing country.

Examples for Post shipment export finance

<u>Example: 1</u>, if the export is made to *<u>USA against the Letter of Credit</u>* of the importer, the exporter's bank will purchase the bill and pay the *<u>full value to the exporter</u>*. Here, the bank gains as the value of currency is bound to go up since it belongs to a developed country. The entire risk of the bill is borne by the bank.

Example: 2 if the export is made to *Egypt or Philippines*, the bill will be discounted for *60 or 70% of the value* as they both belong to developing countries.

Example: 3 If the export is made to countries in *Africa, such as Namibia, Rwanda, Somalia*, etc., the *bill will be collected and paid to the exporter* after 3 or 6 months, since the importing country happens to be a poor country.

3. Export finance against collection of bills

When export is made to different countries, loan can be obtained from the bank against the bills sent for collection. As there are institutions such as Export Credit Guarantee Corporation, banks will come forward to provide finance to exporters. In case of a default, the guaranteeing company will indemnify at least 80% of defaulted amount. While financing against the export bills, the banker will take into account the FOB invoice and not CIF invoice (FOB — Free on Board invoice — Price includes all expenses incurred until the goods are kept on board the ship. CIF invoice includes costs, insurance and freight and so this type of an invoice will not be taken by the banker for financing).

4. Deferred export finance

To enable the importer to purchase valuable goods, hire purchase financing or lease finance may be arranged. There are two types of **deferred export finance**.

1. Supplier's finance; and
2. Buyer's finance.

(i) Supplier's finance in exporting

In the supplier's finance, exporter's bank will finance the exporter so that he will sell the goods on installment basis to the importer. The exporter will receive the full value and the payment made in installments by the importer will be received by the exporter's bank.

(ii) Buyer's Finance in exporting

In buyer's finance, the buyer is given credit under line of credit by the exporter's bank and the exporter will be made to export.

5. Export finance against allowances and subsidies

Exporters are given subsidies by the government so that they can sell the goods on reduced price to importer. For example, cash compensatory support is a subsidy given to the exporter by the government whenever there is an increase in expenditure, due to reasons beyond the control of the exporter, such as increase in transport cost or wage of the laborers.

There are also allowances given for increasing exports. Example for this is duty drawback. Here, when a product is imported duty is paid. After processing, it is exported at a higher value. The duty paid at the time of import is refunded which is called duty drawback. Gold is imported and duty is paid. It is converted into jewel and exported at a higher value and the import duty is refunded. It may take some time to receive the refund but the bank will finance against the refund of duty.

When the exporter is faced with a sudden increase in expenditure due to reasons beyond his control, the government comes forward to provide cash compensatory support which is a percentage of costs of his finished product. Example: Deviation in the shipping route due to war.

There is also export finance given to deemed exports i.e., in free trade zones at Mumbai, Chennai, Calcutta, Delhi, Cochin and Vizag, the suppliers of goods to foreign exporters are given finance. In these free trade zones, the value of the goods exported should be not less than 50% from the domestic market. Hence, the suppliers are provided finance under deemed export finance.

In the year 2000, the government has come forward to start economic zones in Gujarat and Tamilnadu for the purpose of increasing exports. There is also a pass book facility available to the exporter for continuous finance from the banks.

- Advance authorization scheme: waives import duty if the goods are used as inputs for export products;
- Duty drawback schemes: It refund duties and taxes paid for inputs to exporters;
- Zero-duty export promotion capital goods scheme: It is available for electronic products, on the import of capital goods;
- EPCG Duty Credit Scrip Scheme: It enables exporters to claim a refund on duties paid to customs officials.

SCHEMES AVAILABLE FOR EXPORT PROMOTION

1. EXPORT PROMOTION SCHEMES

Foreign Trade Policy 2015-20 and other schemes provide promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field. Brief of these measures are as under:

i. Merchandise Exports from India Scheme (MEIS)

A scheme designed to provide rewards to exporters to offset infrastructural inefficiencies and associated costs. Objective of the Merchandise Exports from India Scheme (MEIS) is to promote the manufacture and export of notified goods/ products.

The Duty Credit Scrips and goods imported/ domestically procured against them shall be freely transferable. The Duty Credit Scrips can be used for:

(i) Payment of Basic Customs Duty (**the duty imposed on the value of the goods at a specific rate**) and Additional Customs Duty (**levied on imported goods**) specified under Customs Tariff Act, 1975 for import of inputs or goods, including capital goods, as per Dept. of Revenue (DoR) Notification.

(ii) Payment of Central excise duties on domestic procurement of inputs or goods,

Exports of notified goods of FOB value upto Rs 5,00,000 per consignment, through courier or foreign post office using e-commerce shall be entitled for MEIS benefit.

MEIS has since been withdrawn w.e.f. 1st January, 2021. A new Scheme called Remission of Duties and Taxes on Exported Products (RoDTEP) has been introduced which shall refund the embedded duties suffered in export goods.

ii. Service Exports from India Scheme (SEIS)

Service providers of notified services are eligible for freely transferable duty credit scrip @ 5% of net foreign exchange earned.

2. DUTY EXEMPTION & REMISSION SCHEMES

These schemes enable duty free import of inputs for export production with export obligation. These scheme consists of:-

(i) **Advance Authorization Scheme:**Allow duty free import of input, physically incorporated in export product, on the basis of Standard Input Output Norms (SION) or Self Declaration. Minimum 15% value addition is required to be achieved. Period for fulfillment of export obligation is 18 months from the date of issue of Authorization.

(ii) **Advance Authorization for annual requirement:** Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorization for Annual requirement. This shall only be issued for items having SION.

(iii) **Duty Free Import Authorization (DFIA) Scheme:** DFIA will be exempted only from payment of Basic Customs Duty and minimum value addition of 20% will be required to be achieved.

(iv) **Duty Drawback of Customs:** The scheme is administered by Department of Revenue. Under this scheme products made out of duty paid inputs are first exported and thereafter refund of duty is claimed.

(v) **Rebate on State and Central Taxes and Levies (RoSCTL):**The Scheme was notified by the Ministry of Textiles on 07.03.2019 to be implemented by DGFT. The Scheme will rebate all embedded State and Central Taxes/levies for meant for exports of made-up articles & garments. Under the RoSCTL, the benefit to exporters shall be given by DGFT in the form of transferable duty credit scrips.

3. EPCG SCHEME

EPCG Scheme allows import of capital goods for pre-production, production and post-production at Zero customs duty.

4. EOU/EHTP/STP & BTP SCHEMES

Units undertaking to export their entire production of goods and services may be set up under this scheme for import/ procurement domestically without payment of duties.

5. OTHER SCHEMES

(i) Towns of Export Excellence (TEE): As per this scheme of the central government, an area/cluster that realizes an annual export turnover of Rs 1,000 crores or more will be notified as ‘Town of export excellence. However, for TEE in handloom, handicraft, agriculture and fisheries sector, threshold limit would be Rs 150 crore. ” Each town will be known for a particular exportable commodity. For example**,**

- Tiruppur - Hosiery
- Karur - Handlooms
- Madurai - Handlooms
- Ambur - Leather products
- Thoothukudi - Marine Products

(ii) Market Access Initiative (MAI) Scheme: Under the Scheme, financial assistance is provided for export promotion activities on focus country, focus product basis to EPCs, Industry & Trade Associations, etc. The activities are like market studies/surveys, setting up showroom/warehouse, participation in international trade fairs, publicity campaigns, brand promotion, reimbursement of registration charges for pharmaceuticals, testing charges for engineering products abroad, etc.

(iii) Status Holder Scheme: Upon achieving prescribed export performance, status recognition as one star Export House, two Star Export House, three star export house, four star export house and five star export house is accorded to the eligible applicants as per their export performance. Such Status Holders are eligible for various non-fiscal privileges as prescribed in the Foreign Trade Policy**.**

(iv) Gold Card Scheme: The Gold Card Scheme was introduced by the RBI in the year 2004. The Scheme provides for a credit limit for three years, automatic renewal of credit limit, additional 20% limit to meet sudden need of exports on account of additional orders. A Gold Card under the Scheme may be issued to all eligible exporters including those in the small and medium sectors who satisfy the pre-requisite conditions laid by individual Banks.

(v)Transport and Marketing Assistance for Specified Agriculture Products Scheme

TMA scheme aims to provide assistance for the international component of freight and marketing as well as to mitigate disadvantage of higher cost of transportation of export of specified agriculture products to specified destinations/countries due to trans-shipment and to promote brand recognition for Indian agricultural products in the specified region.

Exclusive Schemes by APEDA

1. Development of Export Infrastructure

Assistance is available for the establishment of post-harvest infrastructure for fresh horticulture produce like integrated pack house, cable handling system for banana and Page 6 of 34 other similar requirements for other crops, purchase of insulated, reefer transport /mobile pre-cooling units etc:

- Integrated Pack house: Improve compliance of Phyto-Sanitary requirements.
- Purchase of insulated, reefer transport /mobile pre-cooling units: Cold Chain Strengthening
- Cable handling system for banana and other crops: Quality improvement of Banana and other crops.
- Processing facilities for Horticulture crops: Enhancing productivity, efficiency, and quality for value added products

Up to 40% of the total cost subject to a ceiling of Rs. 100 lakhs for each of the activities

2. Quality Development

Implementation and Certification of quality and Food Safety Management Systems for all APEDA scheduled products. : up to 40% of the total cost subject to a ceiling of Rs. 4 lakh per beneficiary.

Procuring hand held devices including cost of software for capturing farm level peripheral coordinates for traceability systems: Up to 40% of the cost of equipment subject to a ceiling of Rs. 4 lakh per beneficiary.

3. Market Development

APEDA will facilitate development of online platform/ e-commerce platforms to enable direct linkages among producers / processors and exporters/export markets.

- Preference would be given to the exporters participating for the first time in a particular trade fair.
- Exporters who have participated for three years will not be eligible for subsidized stand in APEDA pavilion for the same trade fair.
- APEDA will conduct promotion of India organic brand in different trade events. APEDA will also undertake

Institutions involved in export finance

Number of institutions have not only emerged in providing export finance but even the existing institutions have opened up various avenues in granting export finance. The institutions are:

1. Export Import bank
2. Commercial banks, both nationalized and non-nationalized
3. Development banks such as IDBI, ICICI, etc.
4. Small Industries Development Bank of India
5. State Finance Corporations
6. National Small Industries Corporation
7. Export Credit Guarantee Corporation.

All the above institutions are providing finance for exporters directly as well as indirectly. They are also guaranteeing for the loans given by foreign banks. The foreign banks are giving offshore lending which our Indian banks are yet to take up. In offshore lending, loans are given in foreign exchange enabling the foreign buyers to purchase goods from the domestic producer. There is also export finance given to deemed exports which consists of finance made available to those who are supplying raw materials or semi-finished goods to foreign companies operating in India, especially in export processing zones or in free trade zones.

INSTITUTIONS INVOLVED IN PROMOTION OF HORTICULTURE EXPORTS FROM INDIA

D.Murugananthi,

Assistant Professor (ARM),
Department of Agricultural and Rural Management
Tami Nadu Agricultural University
Coimabtore

Export and import of agricultural products depend on several factors such as international and domestic demand & supply situation, international & domestic prices, quality concerns and food security concerns no targets for exports or imports are fixed. As per Director General of Commercial Intelligence and Statistics sources, the share of agricultural exports to total exports is 11.76 percent in the year 2018-19.

To promote the agricultural exports, The Government of India has introduced a comprehensive Agriculture Export Policy with the vision of "Harness export potential of Indian agriculture, through suitable policy instruments, to make India a global power in agriculture, and raise farmers' income." Inter-alia, the objectives of the Agriculture Export policy are:

i. To diversify our export basket, destinations and boost high value and value added agricultural exports, including focus on perishables.

ii. To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.

iii. To provide an institutional mechanism for pursuing market access, tackling barriers and dealing with sanitary and phytosanitary issues.

iv. To strive to double India's share in world agri exports by integrating with global value chains.

v. Enable farmers to get benefit of export opportunities in overseas market.

The Government has also brought out a new Central Sector Scheme – 'Transport and Marketing Assistance for Specified Agriculture Products' - for providing assistance for the international component of freight, to mitigate the freight disadvantage for the export of agriculture products, and marketing of agricultural products.

The Department of Commerce also has several schemes to promote exports, including exports of agricultural products, viz. Trade Infrastructure for Export Scheme (TIES), Market Access Initiatives (MAI) Scheme, Merchandise Exports from India Scheme (MEIS) etc. In addition, assistance to the exporters of agricultural products is also available under the Export Promotion Schemes of Agricultural & Processed Food Products Export Development Authority (APEDA), Marine Products Export Development Authority (MPEDA), Tobacco Board, Tea Board, Coffee Board, Rubber Board and Spices Board. The role and functions of institutions involved in export marketing is discussed below.

Department of Commerce

The mandate of the Department of Commerce is regulation, development and promotion of India's international trade and commerce through formulation of appropriate international trade & commercial policy and implementation of the various provisions thereof.

The Department formulates, implements and monitors the Foreign Trade Policy (FTP) which provides the basic framework of policy and strategy to be followed for promoting exports and trade. The Trade Policy is periodically reviewed to incorporate changes necessary to take care of emerging economic scenarios both in the domestic and international economy. Besides, the Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special Economic Zones, state trading, export promotion and trade facilitation, and development and regulation of certain export oriented industries and commodities.

Attached offices

- DGFT –Director General of Foreign Trade
- DGCIS - Directorate General of Commercial Intelligence and Statistics

Autonomous bodies

- MPEDA – Marine Products Exports Development Authority
- APEDA - Agricultural and Processed Food Products Export Development Authority
- Commodity boards
- Export inspection council
- IIFT –Indian Institute of Foreign Trade
- IIPM – Indian Institute of Plantations Management
- IIP –Indian Institute of Packaging

Public sector undertakings

- STC – State Trading Corporation
- MMTC
- PEC
- ECGC – Export Credit Guarantee Corporation
- ITPO - India trade promotion organization

Export promotion council

- Cashew export promotion council

Other organizations

- FIEO – Federation of Indian Export Organization

Director General of Foreign Trade (DGFT)

Directorate General of Foreign Trade (DGFT) Organization is an attached office of the Ministry of Commerce and Industry and is headed by Director General of Foreign Trade. Right from its inception till 1991, when liberalization in the economic policies of the Government took place, this organization has been essentially involved in the regulation and promotion of foreign trade through regulation. Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the role of "facilitator". The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports, keeping in view the interests of the country.

Organisational Set-up

This Directorate, with headquarters at New Delhi, is headed by the Director General of Foreign Trade. It is responsible for implementing the Foreign Trade Policy with the main objective of promoting India's exports. The DGFT also issues licenses to exporters and monitors their corresponding obligations through a network of **36 Regional Offices** and an **extension counter at Indore.** All regional offices provide facilitation to exporters in regard to developments in International Trade i.e. WTO agreements, Rules of Origin and anti-dumping issues, etc to help exporters in their import and export decisions in an internationally dynamic environment.

Functions of DGFT

- To implement the Exim Policy or Foreign Trade Policy of India by introducing various schemes and guidelines through its network of regional offices thought-out the country
- DGFT perform its functions in coordination with state governments and all the other departments of Ministry of Commerce and Industry, Government of India.
- To Grant Exporter Importer Code Number to Indian Exporter and Importers. IEC Number is a unique 10 digit code required by the traders or manufacturers for the purpose of import and export in India. DGFT IEC Codes are mandatory for carrying out import export trade operations and enable companies to acquire benefits on their imports/exports, Indian customs, export promotion councils council etc in India.
- DGFT permits or regulate Transit of Goods from India or to countries adjacent to India in accordance with the bilateral treaties between India and other countries.
- To promote trade with neighboring countries

- To grant the permission of free export in Export Policy Schedule 2
- DGFT also play an important role in controlling DEPB Rates.
- Setting standard input-output norms is also controlled by the DGFT.
- Any changes or formulation or addition of new codes in ITC-HS Codes are also carried out by DGFT (Directorate General of Foreign Trade). Apart from the above, DGFT also acts as a trade facilitator. It also deals with the quality complaints of the foreign buyers. Officials DGFT works in close coordination with other related economic offices like Customs Commissionerates, Central Excise authorities, DRI authorities and Enforcement Directorate.

Directorate General of Commercial Intelligence and Statistics (DGCI&S)

The Directorate General of Commercial Intelligence & Statistics (DGCI&S) is the premier organization of Govt. of India for collection, compilation and dissemination of India's trade statistics and commercial information. This Directorate, with its office located at Kolkata, is headed by the Director General. It is entrusted with the work of collecting, compiling and publishing/disseminating trade statistics and various types of commercial information required by the policy makers, researchers, importers, exporters, traders as well as overseas buyers.

Foreign Trade Data Dissemination

The foreign trade data generated by the Directorate are disseminated through (i) Monthly Press Release brought out by the Department of Commerce in a fortnight's time from the end of a month, (ii) Foreign Trade Statistics of India (Principal Commodities & Countries), (iii) Monthly Statistics of Foreign Trade of India giving detailed item level trade, and (iv) Quarterly Statistics of Foreign Trade of India by Countries.

It also brings out an Assessment Report on India's Foreign Trade by Air, every year. DGCIS has drastically reduced time-lag in all its releases and have made the data dissemination process more user-friendly based on the suggestions of its major stakeholders. The Principal commodity-wise data is now available within one month and the item level data within a period of two months.

Web based Module for on-line Data dissemination

DGCI&S has now put in place a web based module for on-line data dissemination "Foreign Trade Dissemination Portal (FDDP)" giving direct access to both the provisional and finalized data-set. Some of the features of the data dissemination software are as follows:

- Creation of user ID and password by the user after providing necessary details like name, organization, address, e-mail ID, telephone numbers, type of data required etc.
- Online payment with the help on internet banking facility
- Generation of reports in MS Excel, Text and PDF format depending on the user's preference
- Availability of more number of advanced classifications for generation of reports by the users
- Provision for storing of user defined queries in the server for repeated use
- Time series data for the last 5 years/previous 12 months

Publication of Ancillary Statistics & Indian Trade Journal

DGCI&S also compiles and publishes on regular basis the Inland Trade Statistics covering inter-state movements of goods by rail, river and air, Statistics on India's customs and excise revenue collections (according to the tariff heads), Shipping Statistics, Inland Coastal Trade Statistics and Selected Statistics of Foreign Trade of India. Indian Trade Journal, a weekly publication, is the premier publication of DGCI&S.

Website: http://www.dgciskol.gov.in/

Marine Products Export Development Authority (MPEDA)

MPEDA functions under the Ministry of Commerce, Government of India and acts as a coordinating agency with different Central and State Government establishments engaged in fishery production and allied activities. Its role covering fisheries of all kinds, increasing exports, specifying standards, processing, marketing, extension and training in various aspects of the industry.

The Marine Products Export Development Authority (MPEDA) was set up by an act of Parliament during 1972. The erstwhile Marine Products Export Promotion Council established by the Government of India in September 1961 was converged in to MPEDA on 24th August 1972. MPEDA is given the mandate to promote the marine products industry with special reference to exports from the country. It is envisaged that this organisation would take all actions to develop and augment the resources required for promoting the exports of “all varieties of fishery products known commercially as shrimp, prawn, lobster, crab, fish, shell-fish, other aquatic animals or plants or part thereof and any other products which the authority may, by notification in the Gazette of India, declare to be marine products for the purposes of (the) Act”. The Act empowers MPEDA to regulate exports of marine products and take all measures required for ensuring sustained, quality seafood exports from the country. MPEDA is given the authority to prescribe for itself any matters which the future might require for protecting and augmenting the seafood exports from the country. It is also empowered to carry out inspection of marine products, its raw material, fixing standards, specifications, and training as well as take all necessary steps for marketing the seafood overseas.

Functions of MPEDA in brief:

- Registration of infrastructural facilities for seafood export trade.
- Collection and dissemination of trade information.
- Promotion of Indian marine products in overseas markets.
- Implementation of schemes vital to the industry by extending assistance for infrastructure development for better preservation and modernised processing following quality regime.
- Promotion of aquaculture for augmenting export production through hatchery development, new farm development, diversification of species and up gradation of technology

- Promotion of deep-sea fishing projects through test fishing, joint ventures and up gradation & installation of equipments to increase the efficiency of fishing.
- Market promotional activities and publicity.
- To carry out inspection of marine products, its raw material, fixing standards and specifications, training, regulating as well as to take all necessary steps for maintaining the quality of seafood that are marketed overseas.
- Impart trainings to fishermen, fish processing workers, aquaculture farmers and other stake holders in the respective fields related to fisheries.
- Conduct research and development for the aquaculture of aquatic species having export potential through Rajiv Gandhi Centre for Aquaculture (RGCA).
- Conduct extension and awareness activities, trainings etc through Network for Fish Quality Management and Sustainable Fishing (NETFISH) & National Centre for Sustainable Aquaculture (NaCSA).
- To prescribe for itself any matters required for protecting and augmenting the seafood exports from the country in the future.

Agricultural and Processed Food Products Export Development Authority (APEDA)

The Agricultural and Processed Food Products Export Development Authority (APEDA) was established by the Government of India under the Agricultural and Processed Food Products Export Development Authority Act passed by the Parliament in December, 1985. The Act (2 of 1986) came into effect from 13th February, 1986 by a notification issued in the Gazette of India: Extraordinary: Part-II [Sec. 3(ii): 13.2.1986). The Authority replaced the Processed Food Export Promotion Council (PFEPC).

In accordance with the Agricultural and Processed Food Products Export Development Authority Act, 1985, (2 of 1986) the following functions have been assigned to the Authority.

- Development of industries relating to the scheduled products for export by way of providing financial assistance or otherwise for undertaking surveys and feasibility studies, participation in enquiry capital through joint ventures and other reliefs and subsidy schemes;
- Registration of persons as exporters of the scheduled products on payment of such fees as may be prescribed;
- Fixing of standards and specifications for the scheduled products for the purpose of exports;
- Carrying out inspection of meat and meat products in slaughter houses, processing plants, storage premises, conveyances or other places where such products are kept or handled for the purpose of ensuring the quality of such products;
- Improving of packaging of the Scheduled products;
- Improving of marketing of the Scheduled products outside India;
- Promotion of export oriented production and development of the Scheduled products;
- Collection of statistics from the owners of factories or establishments engaged in the production, processing, packaging, marketing or export of the scheduled products or from such other persons as may be prescribed on any matter relating to the scheduled products and publication of the statistics so collected or of any portions thereof or extracts therefrom;
- Training in various aspects of the industries connected with the scheduled products;
- Such other matters as may be prescribed.

Products monitored

APEDA is mandated with the responsibility of export promotion and development of the following scheduled products:

- Fruits, Vegetables and their Products.
- Meat and Meat Products.

- Poultry and Poultry Products.
- Dairy Products.
- Confectionery, Biscuits and Bakery Products.
- Honey, Jaggery and Sugar Products.
- Cocoa and its products, chocolates of all kinds.
- Alcoholic and Non-Alcoholic Beverages.
- Cereal and Cereal Products.
- Groundnuts, Peanuts and Walnuts.
- Pickles, Papads and Chutneys.
- Guar Gum.
- Floriculture and Floriculture Products.
- Herbal and Medicinal Plants.

In addition to this, APEDA has been entrusted with the responsibility to monitor import of sugar.

Tea board

Tea Board was set up as a statutory body on 1st April, 1954 as per Section (4) of the Tea Act, 1953. As an apex body, it looks after the overall development of the tea industry. The Board is headed by a Chairman and consists of 30 Members appointed by the Government of India representing different sections of the Tea industry. The Board's Head Office is situated in Kolkata and there are two Zonal offices-one each in North Eastern Region at Jorhat in Assam and in Southern Region at Coonoor in Tamil Nadu.

Besides, there are 18 regional offices spread over in all the major tea growing states and four metros. For the purpose of tea promotion, three overseas offices are located at London, Dubai and Moscow. In order to meet the developmental needs of the small sector which accounts for more than 1/3rd of national tea production, separate directorate has been set up during the year under report. Under this directorate 71 sub regional offices have been opened in all the areas where small growers are concentrated to maintain a closer interface with the growers and provide developmental and extension services to the growers towards improving productivity and quality of tea produced from the small sector.

The functions and responsibilities of Tea Board include increasing production and productivity, improving the quality of tea, market promotion, and welfare measures for plantation workers and supporting Research and Development. Collection, collation and dissemination of statistical information to all stake holders are yet another important function of the Board. Being the regulatory body, the Board exerts control over the producers, manufacturers, exporters, tea brokers, auction organizers and warehouse keepers through various control orders notified under Tea Act.

Functions: The Tea Board has wide functions and responsibilities under the direction of the Central Government. Briefly the primary functions of the Tea Board are as under:

a) Rendering financial and technical assistance for cultivation, manufacture and marketing of tea.

b) Export Promotion

c) Aiding Research and Development activities for augmentation of tea production and improvement of tea quality.

d) Extend financial assistance in a limited way to the plantation workers and their wards through labour welfare schemes.

e) To encourage and assist both financially and technically the unorganised small growers sector.

f) Collection and maintenance of Statistical data and publication

g) Such other activities as are assigned from time to time by the Central Government.

COFFEE BOARD

During 1940's, the coffee industry in India was in a desperate state due to the II World war resulting in very low prices and ravages of pests and diseases. At this time, the **Government of India established the 'Coffee Board' through a constitutional act "Coffee Act VII of 1942**" under the administrative control of Ministry of Commerce and Industry.

The Board comprises 33 members including the Chairman and the Secretary & Chief Executive Officer. The remaining 31 members represent the various interests such as coffee growing industry, coffee trade interests, curing establishments, interests of labour and consumers, representatives of governments of the principal coffee growing states, and Members of Parliament.

FUNCTIONS

The core activities are primarily directed towards research & development, transfer of technology, quality improvement, extending development support to growing sector, promotion of coffee in export and domestic markets.

The activities of the Board are broadly aimed at

(i) enhancement of production, productivity & quality;

(ii) export promotion for achieving higher value returns for Indian Coffee and

(iii) supporting development of Domestic market.

In India, coffee is traditionally **grown in the Western Ghats spread over Karnataka, Kerala and Tamil Nadu.** Coffee cultivation is also being expanding rapidly in the nontraditional areas of AP and Odisha as well as in the North East states.

Coffee is **predominantly an export oriented commodity** and 65% to 70% of coffee produced in the country is exported while the rest is consumed within the country. Indian coffee industry earns a foreign exchange to the tune of about Rs.4000 Crores. **Indian coffee has created a niche for itself in the international market** and the Indian Coffees are earning high premium, **particularly Indian Robusta** which is highly preferred for its good blending quality.

Arabica Coffee from India is also well received in the international market. Coffee is an export product with low import intensity and high employment content. This is evident from the fact that more than six lakh persons are directly employed and an equal numbers of individuals get indirect employment from this sector. **The two main varieties of coffee** viz., **Arabica** and **Robusta** are grown in India

Spices board

Spices Board (Ministry of Commerce, Government of India) is the flagship organization for the development and worldwide promotion of Indian spices. The Board is an international link between the Indian exporters and the importers abroad. The Board has been spearheading activities for excellence of Indian spices, involving every segment of the industry. The Board has made quality and hygiene the corner stones for its development and promotional strategies.

Constitution

Spices Board was constituted on 26th February 1987 under the Spices Board Act 1986 (No. 10 of 1986) with the merger of the erstwhile Cardamom Board (1968) and Spices Export Promotion Council (1960). Spices Board is one of the five Commodity Boards functioning under the Ministry of Commerce & Industry. It is an autonomous body responsible for the export promotion of the 52 scheduled spices and development of Cardamom (Small & Large).

Main Functions

- Research, Development and Regulation of domestic marketing of Small & Large Cardamom
- Post-harvest improvement of all spices
- Promotion of organic production, processing and certification of spices
- Development of spices in the North East
- Provision of quality evaluation services
- Export promotion of all spices through support for:-

- Technology upgradation.
- Quality upgradation
- Brand promotion
- Research & product development

Other responsibilities related to export promotion of spices:

- Quality certification and control
- Registration of exporters
- Collection & documentation of trade information
- Provision of inputs to the Central Government on policy matters relating to import & export of spices

Multi-faceted activities

- Promotion of exports of spices and spice products
- Maintenance and monitoring of quality of exports
- Development and implementation of better production methods, through scientific, technological and economic research.
- Guidance to farmers on getting higher and better quality yields through scientific agricultural practices.
- Provision of financial and material support to growers.
- Encouraging organic production and export of spices.
- Facilitating infrastructure for processing and value addition
- Registration and licensing of all spice exporters.
- Assistance for studies and research on better processing practices, foolproof quality management systems, improved grading methods and effective packaging techniques.
- Production of promotional and educative materials in a variety of media for the benefit of exporters and importers.

Package of services for exporters/importers

- Helps exporters and importers in establishing mutual contact.
- Identifies competent supply sources for specific requirements of importers
- Processes and forwards foreign trade enquiries to reliable exporters.
- Organises a common platform for interaction between Indian exporters and international buyers through participation in major international exhibitions and meetings.
- Examine complaints from importers for corrective and preventive action
- Spearheads the quality improvement programme for Indian spices.
- Manages a comprehensive and up-to-date data bank for exporters and importers.
- Brings together international bodies, exporters and policy makers through contact group programmes.
- Makes India’s presence felt in major international food fairs; conducts food festivals and cooking demonstrations

Indian Institute of Foreign Trade (IIFT)

The Indian Institute of Foreign Trade (IIFT) was set up in 1963 by the Government of India as an autonomous organisation to help professionalise the country's foreign trade management and increase exports by developing human resources; generating, analysing and disseminating data; and conducting research.

Indian Institute of Foreign Trade (IIFT) was set up by Government of India on 2nd May, 1963 with a focus on foreign trade related research and training. After 50 years of its existence, the Institute has broadened the scope and dimensions of its academic activities covering the entire gamut of international business. Today, the Institute is widely recognized for its knowledge and resource base, rich heritage and for strong alumni network both in India and abroad. In recognition of its all round achievements, the Institute was given the status of “Deemed University” in May 2002 by University Grants Commission (UGC) enabling it to award degrees and start its own doctoral programme. On the basis of review by the Expert Committee constituted by UGC, IIFT has been granted “Deemed University” status on a permanent basis in February, 2012.

The Institute enjoys close and enduring linkages with the Ministry of Commerce, Government of India and has established ties with leading Industrial and Trading Houses and Academic Institutions, both in India and abroad. These linkages have helped the Institute to expand its activities relating to training & research and addressing critical issues of international business in a holistic manner.

The Secretary, Department of Commerce, Ministry of Commerce & Industry, Government of India, is the Chairman of the Institute.The Institute conducts different educational programmes which include Ph.D, Full Time and Part Time MBA(IB) Degree programmes, Executive Diploma Programmes and Certificate Programmes.

Indian Institute of Plantation Management (IIPM)

The Indian Institute of Plantation Management (IIPM) Bangalore is an autonomous institution set up by the Ministry of Commerce, Government of India in 1990 to provide professional management education in the field of plantation sector. Department of Commerce, Govt of India, the four Commodity Boards of India, namely Coffee Board, Tea Board, Rubber Board & Spices Board, leading units from plantation & agri-business industry, and the Plantation Associations viz. Indian Tea Association (ITA) & UPASI are its founding partners. IIPM is registered as a society at Bangalore under Karnataka Societies Registration Act, 1960.

The objective of the Institute is to provide education, research, training, development and consultancy services to the industry and other agencies engaged in economic and social development of the plantation & associated agro-business sector. The Institute conducts professional courses for young aspirants to enable them to find entry level managerial positions in plantation & associated agri-business industry and trains the managers and owner-managers of the industry who need update on the latest techniques and ideas in management. The Institute also acts as a resource centre for the government and the industry and conducts research on policy, strategic and operational issues relating to the sector.

Indian Institute of Packaging (IIP)

The Indian Institute of Packaging (IIP) is a national apex body which was set up in 1966 by the packaging and allied industries and the Ministry of Commerce, Government of India, with the specific objective of improving the packaging standards in the country. The Institute is an autonomous body working under the administrative control of the Ministry of Commerce.

The Institute endeavors to improve the standard of packaging needed for the promotion of exports and create infrastructural facilities for overall packaging improvement in India. This is achieved through the Institute's multifarious activities which are today, in line with those of premier packaging institutes the world over. The Institute aims to make India a focal point for contemporary developments in Art, Science, Technology and Engineering, with respect to the field of Packaging. The major activities include training, education and research and development in the packaging field.

Export Credit Guarantee Corporation (ECGC)

ECGC functions under the ministry of commerce and industry, Department of Commerce, Government of India. It is a central government undertaking body to provide export credit guarantee/ insurance to the exporters in the case of the default of payments by the buyer. If a situation arises wherein, the buyer fails to make the payment to the seller (exporter), the ECGC acts as an insurance firm who guarantees the payment to the exporter.

It is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, and insurance and exporting community. It was initially registered as Export Risk Insurance Corporation (ERIC) on 30th July 1957 in Mumbai as a Private Ltd. Company. Later ERIC's name was changed to Export Credit & Guarantee Corporation Ltd in 1964 and to Export Credit Guarantee Corporation of India in 1983. With effect from August 8th, 2014, it was renamed as ECGC limited.

- In case of loss of export of goods and services, it provides credit risk insurance covers to exporters
- Export Credit Insurance covers are offered to banks and financial institutions to enable exporters to obtain better facilities from them.
- It assists exporters in recovering bad debts.
- It provides information regarding different countries with its own credit ratings
- For Indian companies investing in joint ventures abroad in the form of equity or loan, Overseas Investment Insurance is provided.
- It offers insurance protection to exporters in the case of any payment risks.
- It provides guidance to activities related to export.
- It Provides information regarding creditworthiness of overseas buyers

Insurance of the exports is important even at the best times. There can be a risk of default payments for the exports and these risks depend on political and economic changes around the world. For example, there can be blockage or delay of delivery of the exports due to a civil war. Any disturbance in the economy of the export or import company can also provide these risks. There could be restrictions imposed on either payment of the export or import of the goods due to instability in the nation. This can result in default buyers. There can be a case of the buyer going bankrupt due to political and economic uncertainties. To avoid the risk of such default payments and default buyers insurance of the exports is necessary.

A purchase order is issued to the seller by the buyer. The purchase order contains complete details about the buyer who has to make payment. The seller (exporter) approaches ECGC to get approval on the buyer and the amount which can be shipped. The ECGC with the help of overseas network provides details regarding the creditworthiness of the buyer. ECGC collects some amount on the export and issues insurance policy.

Indian Trade Promotion Organization (ITPO)

ITPO, the premier trade promotion agency of the Ministry of Commerce & Industry, Govt. of India is committed to showcase excellence achieved by the country in diverse fields especially trade and commerce.

ITPO provides a wide spectrum of services to trade and industry and acts as a catalyst for growth of India's trade. ITPO approves holding of international trade fairs in India and regulates holding of various expositions in India primarily to avoid any duplication of efforts while ensuring proper timing. It manages India's world class exhibition complex which is constantly upgraded to keep it in a high standard of readiness. Spread over 123 acres of prime land in the heart of India's capital, New Delhi, Pragati Maidan offers about 61,290 sq. mtrs. of covered exhibition space in 16 halls, besides 10,000 sq. mtrs. of open display area. The state-of-the-art exhibition halls have enhanced the appeal of Pragati Maidan as the ideal center for an increasing number of fair organisers and business visitors from different parts of the world.

ITPO has an extensive infrastructure as well as marketing and information facilities that are availed by both exporters and importers. ITPO's regional offices at Bangalore, Chennai, Kolkata and Mumbai, through their respective profile of activities, ensure a concerted and well coordinated trade promotion drive throughout the country.

ITPO is also providing assistance to State Governments in setting up Regional Trade Promotion Centres (RTPC) in various State's Capital and major cities. Initiatives have been taken by ITPO for establishing Trade Fair Complexes and Convention Centres at Kolkata (West Bengal), Bhopal (Madhya Pradesh) and Sri Nagar (Jammu & Kashmir), in close association by the State Governments and Industrial Development Corporations/Boards of these States.

The Cashew Export Promotion Council

The Cashew Export Promotion Council of India (CEPC) was established by the Government of India in the year 1955, with the active cooperation of the cashew industry with the object of promoting exports of cashew kernels and cashewnut shell liquid from India. By its very set up, the Council provides the necessary institutional frame-work for performing the different functions that serve to intensify and promote exports of cashew kernels and cashew nut shell liquid. The Council provides the necessary liaison for bringing together foreign importers with member exporters of cashew kernels. The enquiries received from the foreign importers are circulated amongst Council members.

The Council also extends its good offices in settling complaints amicably in the matter of exports/imports either on account of quality and /or variation in fulfillment of contractual obligations.

Publicity and Promotion Abroad

The Council undertakes publicity abroad with a view to projecting the 'Product Image' which serves to highlight and focus attention on the high quality and superiority of Indian cashews.

Participation in Exhibitions

The Council participates in specialised International Food Fairs/ Exhibitions and general fairs abroad. As the Council represents the whole industry, it arranges display of products received from members free of cost. The enquiries received are circulated amongst the members for them to contact the parties abroad for business negotiations.

Membership in the Council

The membership of the Council is granted for a period of one year, ie. from 1st April to 31st March. The membership may be renewed every year.

Federation of Indian Export Organization (FIEO)

The Federation of Indian Export Organisations (FIEO), set up in 1965 under the aegis of Ministry of Commerce, as an Apex Body of Export Promotion Organisations and institutions in the country is registered under the Societies Registration Act XXI of 1860 with its Headquarters in Delhi and Regional Offices in Delhi, Mumbai, Chennai and Kolkata, and Chapters in Jaipur, Kanpur, Ludhiana, Ahmedabad, Indore, Hyderabad, Kochi, Bangalore, Coimbatore, Bhubaneswar, Ranchi and Guwahati. FIEO has been serving as a platform of interaction between exporters and policy makers, and has been instrumental in promoting the efforts of Indian exporting community. It is an ISO 9001-2008 certified Organization.

The main objective of FIEO is to render an integrated package of services to various organizations connected with export promotion. It functions as a primary servicing agency to provide integrated assistance to its over 20,000 members comprising professional exporting firms holding recognition status granted by the Government, consultancy firms and service providers. Organisations like the Export Promotion Councils, Commodity Boards, Export Development Authorities, Chambers of Commerce, Export Houses, Star Export Houses, Trading Houses, Star Trading Houses, Premier Trading Houses, Consultancy Organisations & Trade Associations etc. constitute the membership of FIEO. FIEO issues RCMC (Registration-cum-Membership-Certificate) to exporters. It also issues Certificate of Origin (Non-Preferential) which is required by many countries as proof of origin of the goods.

In terms of the Foreign Trade Policy, FIEO has been designated as Registering Authority for status holder exporting firms, other exporters dealing in multi-products. The Federation organizes Seminars, Open House Meets, Interactive Sessions, Awareness Programmes, Training Programmes and arranges participation in various exhibitions in India and abroad. Besides, FIEO provides e-platform to buyer/sellers through huge network of members and non-members, and also organizes India Shows, Trade Fairs and Exhibitions across the globe, particularly in untapped countries. FIEO has signed over 75 MOUs with leading chambers across the globe to provide commercial information and marketing support to its members. During the year under review, FIEO has organized various workshops and round table meetings at different places within the country; sponsored business delegations comprising of Multi Product Groups Organisations overseas; arranged exhibitions and catalogue shows abroad. FIEO also organised Open House meetings of their members with Government Authorities in Chennai, Mumbai, Kolkata, Bangalore and New Delhi. FIEO also organized export executive development programmes, short term training programmes for fresh entrepreneurs in the export field and brought out a strategy paper on Banking and export finance, besides, providing opportunity to discuss on line with experts to seek advice and sort out trade related problems. FIEO provide web chat facility to exporters on various days of the week.

FIEO undertakes studies and research work in the field of exports and help States to identify potential products of exports and devise strategy for facilitating exports of such products. FIEO has a monthly bulletin ‘FIEO News’ & has started a weekly e-bulletin ‘INTRADE’ which keeps exporters posted with global developments affecting International Trade as well as country’s foreign trade related information.