

VEGETABLE EXPORTS: A STUDY IN BANGALORE

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ABSTRACT

Agriculture, the backbone of Indian economy, contributes to the overall economic growth of the country and determines the standard of life for more than 50% of the Indian population. The agricultural sector has been playing a key role in the composition of Indian exports. In the era of globalization, the agricultural exports from India have been facing numerous challenges. Many studies have concluded that the production bottlenecks like cost diseconomies, poor quality, and increasing domestic demand are the major hurdles to the Indian agricultural exports on the domestic front. Apart from this, declining world demand, competition from other agricultural exports also exists. A study was conducted in Bangalore to explore the issue of vegetable exports. The authors based on their study, suggest that the increase in the supply of agricultural products, diversification of agricultural exports, quality improvement, improvement of the cold storage facilities, government support and timely delivery of goods are very crucial for the maximization of agricultural exports. Above all, the vegetable exporters should form exporters' associations for enhancing their capabilities.

KEYWORDS: Export, Agriculture, Vegetable Export, Export Firms, Government Support

INTRODUCTION

Indian agriculture has greatly contributed to the foreign trade even in its traditional form. Indian agriculture products have been facing stiff competition from Asian countries for quite some times. Due to Globalization and Liberalized regime, this competition is likely to increase further and new initiatives in agriculture development shall have to meet the emerging challenges. The performance of agriculture integration with the world markets is linked to the success of the exports. In its bid to increase overall exports, the government of India has decided to achieve this objective by giving a push to the production and export of the agricultural commodities. Agriculture has been a source of foreign exchange for India in the past. Most of the export earnings of agriculture come from conventional items such as tea, cashew, and spices. India's share in world agricultural export is very low in many items. Until the beginning of the early seventies, India has been an importer of a number of agricultural commodities. With the exception of a few commodities like rice, cotton, tea, coffee, oilseeds, oil cakes, tobacco, and spices the share of agricultural export of India in total world trade was very insignificant. The share is particularly low the world trade of fish, meat, chicken, vegetables, and fruits, India has made substantial strides in the world production of many commodities. However, its share in the export market is relatively very small. The pertinent questions of marketable surplus and export

surplus are ailing the export potentials of Indian agriculture products.

The main problem associated with the fresh fruits and vegetable exporting industry is the supply chain of the fruits and vegetables. On the other hand, marketing competition is becoming more and more intense in the backdrop of trade liberalization. Therefore, the need for an effective and efficient marketing system to cope with the emerging challenges of globalization in agricultural trade is further pronounced. [Kaushalya Madanayake (2007)]. India has made tremendous progress in the export of cucumber and gherkin products during the past 15 years. The export has increased by about 128.5 times with an impressive annual compound growth rate of 37.46 percent, as against only 4.38 percent in the world market. The major export destinations for cucumber and gherkin have been identified as France, USA, Russia, Spain, and Belgium. One percent increase in the volume of international trade in cucumber and gherkin may increase the demand from India by 5.96%. This indicates that India is highly competitive in export of cucumber and gherkin and as ample scope to further increase its export. The study as also revealed that exchange rate is a more dominant determinant of export from India than the price of commodity [Nalini Ranjan Kumar, A B Rai and Mathura Rai (2008)]. There is an assessment of the potential impact of the Doha Round on Indian Horticultural exports in the context of the US and European markets. The responsiveness of Indian exports to changes in relative prices is quite low both in the short-run and the long-run. Given this, the potential tariff reduction under the Doha round is unlikely to make any major impact on the Indian exports of horticultural products to the US and European markets[Sira Mitra & Hidangmayum Devi(2009)]. There was a research on trade constraints to the exports of marine products in Tamil Nadu. It has been found that the quantity of marine products exports in the pre-liberalization period was increased; it is observed that the exports were positive during the pre-liberalization period. But during the post-liberalization period, the Indian marine exports were declined. The analysis revealed that the main expectation of marine exporters is reduced trade constraints and tariff, governmental support, modern technology, and quality assurance. It has been recommended that the major emphasis must be made on the value-added marine products, efforts are needed to enhance the productivity, processing and preservation facilities for marine products. It is also suggested that export potentials of marine products from the country should be studied closely from time to time [A. Venkateshwaran (2010)]. There was a research on the major impediments faced by Indian seafood exporters. The research stated that among the leading non-traditional exports, fish and fishery products play a prominent role contributing significantly to the success of India's export effort to bridge the yawning trade gap of India. However, the study revealed that the irregular supply of raw materials, cutthroat competition for raw materials, heavy competition for the target market and low capacity utilization were the major impediments faced by the exporters. Given to this, the study recommends that governmental support is a requisite to ensure that the sector doesn't suffer in the backdrop of unfair trade regulations and equivocal quality standards by the target markets.[Shyam S Salim and Aswathy.N(2011)]. There was an investigation of the various problems of marketing fruits and vegetables in a farmer's market. It was stated that India is the second largest producer of vegetables in the world next to China. That study identified the major problems of marketing fruits and vegetables in the farmers market, they are perishability of product, seasonalization of production, bulkiness of products, quality variation in production, irregular supply, high storage cost, transportation cost, damage cost, lack of cold storage, intermediary's exploitative practices, lack of proper grading, etc., are the major problems of marketing fruits and vegetables [M Prem Kumar (2012)]. There was a study on the trends, problems, and prospects of rice export from India. It was stated that Indian rice exports have reached first place in the world markets. The rice exports from the year 2001 to 2014 are in increasing order. There is an increase in value, quantity and growth rate of basmati rice and the value, quantity

and growth rate are fluctuating. Awareness about basmati rice is spreading among different states of the society in the country and abroad whereas in case of non-basmati rice it has suffered much due to competition from Thailand, Vietnam, and Pakistan because of their low cost of production. The major problems of exporting the rice from India are varieties of taxes levied, lack of infrastructure, no subsidies for rice exports, rice mills have not been fully mechanized, the competitors from other countries, etc., The researcher as recommended that the government has to develop the infrastructure, the rice mills to be mechanized and the arrangements to be made to produce the pure quality seeds and making them available [Rama Krishna B and Dr. Chaya K Degankar(2014)]. Although is a leading fruit producer in the world, the fresh fruit export from India is very small owing to a number of constraints. These constraints relate to production practices, post-harvest technologies, issues related to supply chain, market access, and non-tariff restrictions and governmental policies.

The solutions specific to fresh fruit exports from India have been outlined. Adoption and effective implementation of these solutions should lead to the realization of vision related to the enhancement of export in the near future [Pitam CHANDRA and Abhijit KAR(2015)]. Research states that Handicrafts in this country form an important part of our rich cultural heritage. Handicrafts have now got partially submerged under the rising forces of modern industrialization with its higher mechanization. The study presents that the major constraints faced by the handicrafts India are raw-material, credit, designs, quality of workmen ship, training, processing methods. The study suggests that the raw-materials and credit to be supplied regularly through the co-operative societies at minimum quota, and it also recommends that the attempts to find out substitutes varieties of wood may continue[S Ramesh Babu (2015)]. There was an analysis of the trend in exports of agricultural commodities from India, the changes in the comparative advantage, the Indian agricultural export scenario has witnessed during the past decade and the prospects for further boosting the agricultural export. There was a significant rate of growth of export during the past decade, with a wide difference across various commodity groups. The study finds a significant increase in the share of export of cereals, guar gum, and other resins, cotton, spices and sugar. On the other hand, the share has declined in some commodities the notable one being fish and marine products, fruits and nuts and coffee and tea. The study also analyzed the comparative advantage of India's exports, through revealed comparative advantage. The RCA was improving in case of cotton, maize, and certain fruits and vegetables over time, but declining in case of some spices, rice and wheat. In the case of plantation-based spices and other commodities, India is gradually losing its comparative edge, mainly to Asian countries. The study has so identified yield improvement through growth in total factor productivity as a potential factor that would result in the generation of exportable surpluses and boosting India's export [A Suresh & V C Mathura (2016)].

METHODOLOGY

Significance of the Study

Agriculture exporting more specifically vegetable exporting occupies its **own** worth in the total exporting of India. There have been studies focusing on trends of vegetable exporting. However, the studies on the perception, experience, and expectations of vegetable exporters are not found. This study helps in understanding vegetable exporters' view on exporting.

Statement of the Problem

The concept of vegetable exporting is not up to the mark today because of heavy restrictions and huge competition in the global market. The vegetable exporter's perception and their viewpoint play an important role in

vegetable exports. Hence this study plans to check the perception, experience, and expectations of vegetable exporters.

Objectives of the Study

- To know about the working of vegetable export firms.
- To analyze the perception and experience of the vegetable exporters.
- To explore the procurement, marketing and human resource activities of the vegetable exporters.
- To identify the various problems or constraints of the vegetable exporters.

The research design of this study is both exploratory and descriptive in nature. The study covers the 10 registered exporters of vegetables and 4 major APMC yards located in Bangalore. There were field visits to 10 registered vegetable export firms in Bangalore and there were interactions with the exporters and employees. The samples were selected on a stratified random sampling basis. APEDA database is used to locate the exporters. The primary data were collected from the exporters using a questionnaire. The methods used for the collection of data include observation, interview, and questionnaires. The secondary data were collected from the internet.

EMPIRICAL FINDINGS

- Majority of the respondents are exporting the vegetables for above 15 years.
- Majority of the export firms are medium-sized firms and none of the firms are large firms.
- 83.33% of the firms are doing the work of agents, 8.33% of the exporters are doing the work of manufacturing and the remaining 8.33% of the exporters are doing the work of export management.
- 90.90% of the respondents obtain export information through the Indian agencies and only 9.09% of the respondents are obtaining through the foreign dealers.
- Majority of the respondents are procuring the vegetables from others and only 9.09% of the exporters are growing and procuring the vegetables.
- Majority of the respondents (52.63%) are procuring the vegetables directly from the farmers, 42.10% of the respondents are procuring through the merchants and 5.26% of the respondents are procuring through a person who purchases vegetables on contracts.
- Onions are procured from the districts like Hubli, Chitradurga, Bellary, Belgaum, etc.
- Major sources of Potatoes are Hassan, Chikkamagalore, Chikkaballapur, etc.
- Majority of the respondents say that the quality improvement by local suppliers is the major tool to increase local procurement and 46.15% of the respondents say it is cost reduction.
- 70% of the respondents are well-experienced exporters.
- All of the exporting firms are self-started firms and none of the firms are purchased or inherited firms.
- All the respondents have adopted sole-proprietorship as the form of ownership of the firm.

- A majority (70%) of the respondents is exporting through the exporters in India and remaining respondents are exporting through the agents in India.
- None of the exporters are the member of any association or societies. The exporters have not formed any associations. They are unorganized.
- None of the respondents have trained before starting the export firms. Based on the experience in the related field they started exporting.
- 80% of the respondents are satisfied with the transportation facility and the remaining 20% are dissatisfied with the transportation facility. The dissatisfaction causes due to high transportation cost.
- All the respondents are satisfied with the storage and warehousing facility. As the vegetables like potato and onion do not require any special storage like cold-storage.
- All of the exporters have a problem with the employees. 50% of the respondents are having the difficulty of the low rate of worker retention, 40% of the respondents are facing the problem of increase in employee's wages and 10% of the respondent's face restriction of staff dismissal and reduction.
- 60% of the respondents meet the agents and make the sale of their produce and 40% are selling to agents who come to their place.
- None of the respondents get complaints regarding the packing of the produce. This says that they are good packing strategies.
- 30% of the respondent's face labor scarcity problem and 70% of the respondents do not face a labor scarcity problem.
- 50% of the respondent's face labor absenteeism problem. The absenteeism might have been caused due to the dissatisfaction of the work.
- All of the respondents are giving training to their employees because the basic training needed to perform work properly.
- All of the respondents are fixing different prices for different products. As the nature of the product varies from each other.
- None of the respondents get any government support.
- All of the respondents conducting the overseas business directly with the dealers and none of the exporters dealing with the foreign dealers.
- Majority of the respondents i.e. 90.90% are selling their products on the distant market of the country and only 9.09% of the respondents are selling on the local market of the country.
- Majority of the respondents market the products through identified shops.
- Corruption is the major problem faced by exporters.

- Lack of government support leads the exporters to fail in the global market.
- Onion and potato are belonging to the list of mostly exporting vegetables of India.
- The major destination of Indian potatoes is Nepal, Sri Lanka, Oman, Kuwait Malaysia, etc.
- Cutthroat competition in the global market is another difficulty of exporters.
- Major destination of Indian onion is Bangladesh, Malaysia, United Arab Emirates, Sri Lanka, Nepal, etc.
- The tax burden is another most impacted problem of exporters.
- The government subsidies and policies are not properly reaching the exporters.
- All the respondents are the indirect exporters who are exporting through the direct exporters.
- All the exporters exporting through the APMCs.
- The Indian vegetables fail in the foreign market because of chemicals used in them.
- It was also found that most of the exporters of Bangalore who are enlisted in APEDA are not performing any export operations. They have just created a license. Hence, APEDA must upgrade its list of active exporters and encourage them by giving the required incentives.

SUGGESTIONS

- The exporters should procure the vegetables from the farmers so that both of them are equally benefited.
- The farmers should provide good quality vegetables to the exporters.
- The exporters have to form associations/unions through which they can voice against malpractices.
- The government has to strongly assist the vegetable exporters in the form of the reduced tax burden, freight charges, subsidies, etc. so that the exporters can compete in the global market.
- The corruption/ bribing the government officers is strongly prohibited.
- The exporters have to adopt different motivational strategies to retain their employees for a longer period.
- The exporters facing huge competition in the foreign market should frame certain innovative strategies to sustain in the competition. The government also should reduce trade restrictions to promote free trade.
- The APEDA has to update its official website.
- As the respondents exporting through direct exporters, it is advisable to have a good relationship with them. Further, they should move upward in the export ladder by independently exporting the vegetables.
- It is advisable for the exporters to enlighten the farmers to grow vegetables in the organic method. This would help them to enhance their sales in the global market.

CONCLUSIONS

Horticultural trade has been gaining importance in developing countries for over a decade now. This growing importance of fresh fruits and vegetable exports for developing economies is clear by the fact that the percentage share of both fruits and vegetables in the total agricultural exports has remained higher for developing countries. Though India stands in the second position in producing fruits and vegetables it poses many difficulties to stand in the global market. The vegetable exporters are struggling from various constraints. This study embodies the perception, experience, and expectations of the vegetable exporters. This study recommends that the exporters should form their associations/unions to fight against unethical issues like corruption. The government must assist the vegetable exporters in order to sustain in the global competition and to exploit various opportunities in the related area.

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