

## **Scenario of Promotional Institutions for Indian Rice Exports**

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### **Abstract**

The present paper explores the role of different promotional institutions in Indian rice exports at national level. In this modern world of technology and competition, business environment, institutional infrastructure, government regulations of every nation are totally different and dynamic with others. So exporters must have knowledge about export business environment before deciding where to export. Many exporters want to sell to neighboring countries because they have much knowledge about their business environment. It is a very difficult task to analyze the business environment of different countries. The knowledge of business environment of importing countries is an important requirement for successful exporter when economic, cultural, political, legal and technological environment of the modern world increasingly intervene in the export business. Hence, it is necessary to explore the role of institutional mechanism for export promotion of Indian rice to increase the export competitiveness as strength of Indian rice export at national level.

### **Key Words**

Basmati Rice, Non-Basmati Rice, Exporters, Millers, Promotional Institutions.

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### **INTRODUCTION**

Foreign trade has an important place in the national economy of any country. It is an engine of growth and development. Among the agricultural products, rice is one of the commodities which are exported to many countries

in the world and contributes considerable share in the total national exports and agricultural exports. The basmati and non-basmati rice exports to fetch good export price in the international market is on the rise. India may become the largest exporter of rice in next few years amid higher demand anticipated from African and Middle-East countries and competitive prices.

India is expected to emerge as the largest exporter of rice both basmati and non-basmati. From 4 million tons of annual export of non-basmati rice, India should be able to export 7 million tons. Rice exports from India constitute the major share of basmati rice. Nearly 2/3rd of basmati rice produced in India is exported. The export of non-basmati rice has an immense place in the development of Indian economy. As India is a developing country, it exported excessive stock of non-basmati rice after the fulfillment of domestic demand. Kingdom of Saudi Arabia (KSA) is the biggest importer of Indian basmati rice followed by UAE, Kuwait, U.K., USA etc. are the other buyers of basmati rice of India. It is also exported to other west Asian and European nations.

India is also exporting a substantial quantity of non-basmati rice to various countries in the world. However, the export of Non-basmati has been fluctuating year to year due to weather conditions affecting the production and also due to ban on export to protect the domestic market from shortage of rice supply and inflationary prices by the Govt. of India. Bangladesh was the biggest export market for Indian non-basmati rice. Simultaneously, Nigeria was second largest importer of Indian non-basmati rice in 2013-14. Basically, both Pakistan and India are the sole producers of basmati rice. Most of the basmati rice is exported to the world market from these two countries. The popularity of Pakistani basmati rice increased because of low cost of production and good quality of Pakistani basmati rice in comparison to Indian basmati rice.

## **ROLE OF RICE EXPORTS IN WORLD TRADE**

Rice is cultivated since thousands of years at the world level. It was first domesticated in the area of the foothills of the western Himalayas. But the historians stated that it was first cultivated 4000 years ago in China. Rice is the second largest produced food-grain in the world. The majority of all rice produced comes from USA, China, India, Thailand, Bangladesh, Brazil, Japan, Myanmar and Pakistan. China and India are the biggest producers of world rice.

**Largest rice producing countries :**

1.	China	202.6
2.	India	155.7
3.	Indonesia	65.7
4.	Bangladesh	50.6
5.	Vietnam	42.3
6.	Thailand	34.5
7.	Myanmar	32.8
8.	Philippines	16.6
9.	Brazil	13.5
10.	Pakistan	9.2

Source : [www.statista.com](http://www.statista.com)

**REVIEW OF LITERATURE**

A number of researchers in the past have studied various aspects of Indian exports including agriculture. To get more insight in this aspect, the following studies have been taken care of.

Reid (1981) revealed that the main factors affecting export performance are usually divided into two major groups; external and internal. The first group is related to environmental factors like tariffs and quotas, exchange rates, financing possibilities, government assistance, legal framework and market characteristics and products.

Verma (2002) revealed in the context of emerging global marketplace, prices are now falling in priority of list of criterion considered important by major retailers in the export market. But timely delivery and quality considered important with higher of score 9.2 and 9.0 grades (on a 10 point scale) compared to price which was ranked third with a score of 8.8. Hence, price would not be the sufficient factor in getting export orders.

Banik (2007) revealed that NTBs have recently become more dominant than tariffs in restricting market access. The multilateral trade negotiations (MTNs) under WTO have led to a steady fall in industrial tariffs. Due to WTO commitments, it is not easy for a country to increase tariffs without substantive negotiations with and compensation to, affected parties, and many countries are, therefore, now using NTBs to protect their economy. The study pointed out that improvement in labor productivity is the main reason of export growth whereas government regulations,

rules and procedures etc. raise the cost of production and affects the exports adversely.

Liargovas *et al.* (2008) found out various internal factors, external factors and marketing strategy of exporting firms. Generally, the exports are affected by external factors as well as by internal factors. The export performance depends upon the ability to develop and implement unique differentiated marketing strategies as regards product, price, promotion and distribution with elements of the general export strategy such as market research and training.

Yadagiri (2009) stated that branding is one of the most powerful tools of marketing strategy. Sometimes, it is considered to be merely an advertising function. It is a process to establish competitive advantage and expressing corporate values and identities.

Das (2001) discovered that in India, the agricultural products constitute a sizeable component of foreign trade despite of a steady decline in their share over time and the largest contribution to the agricultural exports is made by rice and Oil cakes.

Mahadevan (2003) concluded that there is little observable evidence of gains to India's agricultural performance after opening up. However, there could easily be benefits that have not yet surfaced, or are yet to be identified and perhaps too difficult or intangible to measure. Whatever the case, it is highly likely that it is too soon to assess the full impact of globalization and economic reforms.

Anderson *et al.* (2006) estimated the impact of removing all trade-related distortions inclusive of agricultural subsidies. The free merchandise trade would increase farm land and export performance of agriculture in developing countries.

Giraud (2009) pointed out that the delimitation of ancient Punjab was rather clear before the partition done in 1947 by the authorities of the British Empire for the independence of India and Pakistan. Old Punjab is likely to include present western Punjab in Pakistan, eastern Punjab and Haryana in India. Most districts are reported to be the basmati-belt.

Data (2000) analyzed the problem of exporting rice mills. Rice mills had excessive investment in rice milling capacity. The total domestic production of rice is only 110 million tons based on certain reasonable assumption about but, the country has milling capacity of 286 million tones of paddy working days, shifts and capacity.

Kumar (2001) revealed that excessive competition, lack of demand, cost of transportation, poor performance due to poor quality and high prices etc are main problems of rice exporters as well as processed food exporters.

## **Research Objectives**

Indian rice exporters adopt a variety of product development strategies, price strategies, competition strategies and promotion strategies to enhance their rice exports to different countries. The basic objective in the present paper is to explore the role of different promotional institutions in Indian rice exports at national level.

### **PROMOTIONAL INSTITUTIONS FOR INDIAN RICE EXPORTS**



Usually, the rice exporters don't have enough resources to carry out export promotion activities in the modern competitive business environment, which are generally expensive. There is a big gap between required and available resources. Thus, the Government of India has been trying to fill this gap to meet the export obligations through policies, incentives, subsidies and tariffs. The various organizations at national level have been established to stimulate and support the Indian exports.

### **INSTITUTES FOR EXPORT PROMOTIONAL ACTIVITIES**

#### **Department of Commerce (Ministry of Commerce)**

Department of Commerce is concerned with the promotion and regulation of foreign trade of India. It regulates the export and import policy and all matters connected with it such as commercial relations with other nations, state trading export promotional measures and the promotion, development or regulation of certain export oriented industries and commodities. Following organizations play a vital role in policy and decision making for export promotion in India:

#### **Trade Policy Division (TPD)**

The TPD deals with the international organizations like UNCTAD, WTO, EEU, EFTA etc. It also looks after tariffs and non-tariffs barriers.

#### **Board of Trade (BOT)**

The BOT was set up on 5<sup>th</sup> May 1989 with a view to provide an effective mechanism to maintain continuous dialogue with trade and industry. It also advises

the government on policy measures for preparation and implementation of both short and long-term plans for increasing in the light of emerging national economic scenario.

### **Board of Approval for EOU & EPZ Units**

For the consideration of large proposal, a special board of approval for 100% Export Oriented Units (EOUs) and Export Processing Zone (EPZ) units has been constituted.

### **State Cell**

The State Cell works as a nodal agency in the Ministry of Commerce for interacting with state government or union territories on matters concerning imports and exports from the states.

### **Indian Trade Promotion Organization (ITPO)**

The ITPO was set up in 1992 by merging Trade Fair Authority of India and Trade Development Authority of India. It provides a platform for buyers-sellers meetings and conduct promotion programmes and integrated marketing promotion programmes for the trade and industry in India. It awards the top export performers.

### **Cabinet Committee on Export (CCE)**

Under the chairmanship of Prime Minister, the CCE expedites decisions on important policy matters relating to exports.

### **Export Promotion Councils (EPC)**

25 Export Promotion Councils have been set up with a view to secure the active association of growers, producers and exporters to drive the export promotion. Most of the EPCs are for a group of items. These councils perform both advisory and executive functions. They resolve trade disputes between exporters and importers and organize the trade delegation for trade fairs & exhibitions. They offer professional advice to their members in areas such as technology upgradations, quality and design improvement, standards and specifications, product development, innovation etc. They help exporters in shipping and transport problems, obtaining license and duty drawback.

### **Commodity Boards**

The Commodity Boards help the exporters in the same manner as the EPCs. They help in the development of certain commodity. They deal with the entire range of problems of production, development, marketing etc. There are six commodity boards: Tea Board, Coffee Board, Coir Board, Tobacco Board, Rubber Board and Spice Board.

### **Export Promotion Board (EPB)**

The Export Promotion Board functions under the chairmanship of the Cabinet Secretary to provide policy and infrastructural support through greater coordination amongst concerned Ministers for boosting exports. Ministers, directly connected with facilitating foreign trade, are represented on the Boards by their Secretaries.

### **Agricultural & Processed Food Products Export Development Authority (APEDA)**

The APEDA was established on 12<sup>th</sup> August, 1986 by an Act of Parliament of 1986. It serves the focal point for export development of agricultural and horticultural products. Particularly, the marketing of processed foods in value-added forms. It is very successful in exporting rice, wheat products, dairy products, spices, processed fruits and vegetables products etc.

APEDA introduces schemes for export promotion, market development, infrastructure development, packaging development, assistance to promote quality control, organize human resources development programmes etc. It has launched the Hazard Analysis and Critical Control Points (HACCP) Scheme for quality control.

### **Marine Products Exports Development Authority (MPEDA)**

Government of India established the MPEDA in September 1972. It is responsible for the development of marine products' export with special reference to the quality of material processing, packaging, storage, transport, marketing etc. It has regional offices at major seafood processing and exports centers and a foreign office in Tokyo (Japan).

### **Federation of Indian Export Organization (FIEO)**

The FIEO was set up in 1965 as an apex body of various export promotion organization and institutions. It also functions as a primary servicing agency to provide integrated assistance to Government-recognized Export Houses/Trading Houses and acts as a Central Coordinating & Supplementing with commodity councils, commodity boards and service institutions in respect of export promotion efforts in the field of consultancy services in the country.

### **Export Inspection Council of India (EICI), New Delhi**

The EICI was established as a statutory body on 1<sup>st</sup> January, 1964 under section (3) of Export (Quality Control & Inspection) Act 1963. It provides sound development of export trade through quality control and pre-shipment inspection of various exportable commodities.

### **Directorate General of Anti-Dumping & Allied Duties (DGAD)**

The DGAD came into existence in April 1998 in the Department of Commerce. It is responsible for carrying out investigations and to recommend, where required, under the custom tariff Act, the amount of anti-dumping duty/ countervailing duty on the identified articles, which would be adequate to remove injury to the domestic industry.

### **Directorate of Export Development Commissioners (EPZs, EOUs and Small Scale Industries)**

The Ministry of Commerce appoints the Export Development Commissioners (EDCs) for each of the EPZs. EDCs are also the licensing authority for the EOUs and SSIs falling within the jurisdiction of each besides administering the concerned EPZs.

### **Zonal Export & Import Advisory Committees (ZEIAC)**

The ZEIAC came into existence in July 1968 to make detailed study of the export possibilities of exported commodities from different regions and to advise the Government on specific problems of exports from these regions.

### **State Government Liaison Officer (SGLO)**

The State Government appoints Liaison Officer to develop export trade in goods produced in their respective States in consonance with the policies of the central Government.

### **Federation of Indian Chambers of Commerce & Industry (FICCI), New Delhi**

The FICCI (1927) helps in issuing certificate of origin and taking up specific cases of exporters to the Government. It acts as the proactive business solution provider through research, interactions at the highest political level and global networking.

### **Central Advisory Council on Trade (CACT)**

Under the chairmanship of Commerce Minister, the CACT consisting of representatives from different organizations and individuals with business standing and expertise in the field of trade and commerce, advises the Government on matters relating to export & import policy programme, operation of export & import trade controls, Export Credit Guarantee Corporation and organization & commercial services.

### **Indian Investment Centre (IIC)**

The IIC advises and assists Indian entrepreneurs for setting up of industry or joint venture abroad.



### **Inter-State Trade Council (ISTC)**

The ISTC was established on 24<sup>th</sup> June, 2005 with a view to ensure a continuous dialogue with State Governments and Union Territories which advises the Government on measures for providing a healthy environment for trade in the states with a view to boost Indian exports.

### **Centre for WTO Studies (CWS)**

The Centre for WTO Studies acts under the control of Department of Commerce as an institutional information centre on WTO negotiations.

## **SERVICE INSTITUTIONS**

### **Indian Institute of Foreign Trade (IIFT)**

The Government of India set up the IIFT in May 1963 under the Societies Act, 1860 to develop and organize new training programmes, research and market studies in the field of foreign trade. It provides market information through 'Foreign Trade Review' and 'Foreign Trade Bulletin'.

### **Indian Council for Arbitration (ICA), New Delhi**

ICA was established under Societies Registration Act, 1860 to promote use of commercial arbitration in India as a mean of setting commercial disputes and popularizes arbitration among traders in the sphere of domestic trade.

### **Indian Institute of Packaging (IIP), Mumbai**

IIP was established under the Societies Regulation Act, 1860. It is working with a view to improve the standard of packaging in India.

### **National Commission on Farmers (NCF)**

The NCF has been set up the Government of India with a view to improve the condition of Indian farmers. It has submitted five reports between December 2005 and October, 2006. The key recommendations of the commission have been incorporated in the Revised Draft National Policy for Farmers.

### **State Trading Corporation of India Ltd. (STC)**

The STC was established on 18 May 1956 as a private limited company and in 1959, it was converted into public limited company. It is working under the administrative control of Ministry of Commerce.

### **Indian Government Trade Representatives (IGTRs)**

The IGTRs assist Indian Exporters at various important cities in foreign countries regarding export promotion of Indian products. They work as the eyes and ears of Indian Government. They also assist in the settlement of trade disputes.

### **Global Standard of Industry- India (GSI-India)**

The GSI-India is a non-profit organization under the administrative control of the Ministry of Commerce (GOI) to provide guidance on adoption of global standards in Supply Chain Management by Indian Industry for the benefit of consumers, industry, Government etc.

### **Financial & Insurance Institutions**

Financial assistance to the exporters is generally provided by the EXIM Bank, IFCI, ICICI, IDBI, ECGC, commercial banks etc. at the national level in India. The functions of EXIM bank and ECGC are more relevant for Indian exporters.

### **Export-Import Bank of India (EXIM Bank)**

The EXIM Bank of India was established on 1<sup>st</sup> January, 1982 as public sector financial institution under Export-Import Bank of India Act 1981. It is fully owned by the Government of India and managed by a Board of Directors. The mission of EXIM Bank is to facilitate globalization of Indian Business.

### **Export Credit Guarantee Corporation of India Ltd. (ECGC)**

The Government of India established the ECGC in 1957 as a wholly-owned company. It works under the administrative control of the Ministry of Commerce to support and strengthen with prime objective of export developing, providing a range of credit risk insurance covers to Indian exporters. It provides insurance cover to exporters against political and commercial risks. It provides insurance cover to exporters against political and commercial risks.

### **Commission for Agricultural Costs & Prices (CACP)**

It was established in 1965 for advising the Government on Agricultural Prices Policy on a continuing basis. The Government announces the Minimum Support Policy (MSP) with a view to ensuring remunerative produce price to farmers based on CACP recommendations. It motivates farmers to adopt improved technology and invest in the farm enterprises.

## **CONCLUSION**

Among the agricultural products, rice is one of the commodities which is exported to many countries in the world and contributes share in the total national exports and agricultural exports. Basmati rice is a prestigious food for royal society whereas non-basmati rice is a staple food for poor people. In this modern world of technology and competition, business environment, institutional infrastructure, Government regulation of every nation is totally different and dynamic from others. So, exporters must have knowledge about export business environment before

deciding whether to export. Many exporters want to sell to neighboring countries because they have much knowledge about their business environment. It is a very difficult task to analyze the business environment of different countries. The knowledge of business environment of importing countries is an important requirement for successful exporters when economic, cultural, political, legal and technological environments of the modern world increasingly intervene in the export business.

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