

Product Strategies of Rice Exporters in India (With Special Reference to State of Punjab)

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Abstract

Among the agricultural products, rice is one of the commodities which is exported to many countries in the world. 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. In the proposed research paper, an attempt shall be made to analyze the different product strategies adopted by Indian rice exporters in the changed national and international scenario. For conducting present research, the primary data was collected from a sample of 100 Rice Exporters/Millers from Punjab State. The collected data was classified, processed and analyzed with the use of various statistical tools i.e., Mean, S.D., Chi-Square etc.

Key Words

Basmati Rice, Non-Basmati Rice, Exporters, Millers, Product Strategies, Branding Strategies.

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 is 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. being the other buyers of basmati rice of India. It is also exported to other west Asian and European nations. 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 foodgrain 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 : (Production in Million Metric Tons)

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

LARGEST RICE IMPORTING COUNTRIES

The rice production and consumption pattern in the major rice producing and consuming countries are set to change drastically. By 2016, the global rice-eating population is projected to consume over 50 million tons. Significant increases are expected in South and South-East Asia and Sub-Saharan Africa (SSA).

World's largest proportional increase in rice consumption in the next ten years will be in Africa. The growth rate in the South and South-East Asian countries will slow down. But rice production and consumption will fall in the East Asian countries, says a study by the International Rice Research Institute (IRRI), Manila.

The East Asian countries (China, Japan, and Korea) will reduce consumption by 3.4 million tons by 2016. It is unlikely that there will be any surplus rice available for the world market from the region. The high cost of production there means that East Asian rice would be too expensive for the countries in need of more rice to obtain it. So, reduced consumption in East Asia is likely to lead to a reduction in rice area there as farmers switch to other high-value crops. The rice consumption in South-East Asia will rise by 9 million tons by 2016 from 79.48 million tons in 2006, whereas the rice consumption in South Asia is expected to rise by 14.89 million tons by 2016. Of this, over 8 million tons will be in India, 4.8 million tons in Bangladesh and over one million tons in Pakistan. Rice consumption in India is set to soar to 92 million tons in 2016 from 84 million tons in 2006. In SSA countries, rice consumption will touch 19.9 million tons by 2016 from the 13 million tons in 2006. Although rice consumption in Africa is lower than Asia, it will rise around 50% by 2016. The demand for rice there is growing at the rate of 6% annually - faster than anywhere else in the world. Even in Eastern and Southern Africa, where rice is not a traditional food, annual per capita consumption is increasing and has reached 15 kg. For Sub-Saharan Africa, rice consumption has grown by 5.3% while production growth rate during the same period is only about 2%. IRRI studies show that though rice is grown in 8.34 million hectares in SSA, the productivity per hectare is only 1.48 tons compared to 6.19 in East Asia, 3.77 tons

Performance of Rice Exports

Exports of basmati rice in the first seven months of the current fiscal declined over 8% to 19.36 lakh tone from 21.13 lakh tons in the year-ago period. However, exports of non-basmati rice between April and October 2014 stayed almost the same as in the previous year, at about 4.2 lakh tone. The lackluster export demand of basmati rice has pushed down prices in the domestic market as well, with farmers getting Rs. 3,200 per quintal for Pusa 1121 crop, compared with Rs. 4,100 last year. Retail prices of basmati rice may fall further in the domestic market if

exports slump. Output of basmati rice in the kharif, or summer season in 2014 was robust at about 81 lakh tons, up from 66 lakh tons in the previous year. Punjab produced 4% of India's wheat and 15% of India's rice in 2013-14. India exported rice worth Rs 29,299.96 crore during the year 2013-14.

RESEARCH OBJECTIVES

Indian rice exporters adopt variety of product development strategies, price strategies, competition strategies and promotion strategies to enhance their rice exports to different countries. Hence, in the proposed research paper an attempt shall be made to analyze the different product strategies adopted by Indian rice exporters in the changed national and international scenario.

REVIEW OF LITERATURE

There is a need to assess the share of Indian agriculture exports in the total Indian exports. A number of researchers in the past have studied various aspects of Indian exports including agriculture. As there is a complete change in the global market, so there is a need of in-depth understanding of the product strategies of rice exports from India. To get more insight in this aspect, a few 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.

Miller (1988) found out that the firms using a differentiation strategy aim at creating a product that customers see as unique. This is usually accomplished through such means as a superior brand image, customer services, distribution networks, positioning or innovative products.

Sharma (2000) analyzed that demand for Indian export increases when its export price falls in relation to world prices. Furthermore, the real appreciation of the rupee adversely affects India's exports. Export supply is positively related to the domestic relative price of exports and higher domestic demand reduces export supply.

Ahuja (2001) pointed out that the WTO agreement allows for remission / drawback of taxes / duties only on the input used in production of exports, and not on the capital goods used in export production. This treatment is iniquitous to

the interest of developing countries that have raised tariffs on the import of capital goods in general. To remove biasness of some developing countries on exports relating to higher import duties, over-valued exchange rates and lack of easy access to imports if manufactured exports, an export subsidy mechanism should be used.

Verma (2002) revealed in the context of emerging global market place, 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 exports orders.

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.

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. 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 (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.

Raza (2010) revealed that rice trade in Pakistan was liberalized in the 90's after disbanding state-run Rice Export Corporation of Pakistan (RECP). Since then (and until recently), the government intervention in rice market has been minimal. With this, rice exporters made huge investments in rice processing industry by installing modern machinery to improve quality, enhancing the competitiveness of

Pakistani rice in the world market.

P. K. Dutta (2011) Marketing is an art of creating demand in the minds of the people. Once the demand is created, people will automatically go for the product. Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements in a profitable way.

Som Aditya Juyal (2013) The size of the consumer market in the country is vast and is constantly expanding. Billions of rupees are being spent on goods and services by millions of people. Consumer preferences are changing and are becoming highly diversified.

SOURCES OF DATA COLLECTION

Data was collected from both primary and secondary sources. Primary data was collected through questionnaire and structured interviews which was administered to the managerial staff of rice exporters. Secondary data was collected from the economic survey of the Govt. of India, DGCI&S, EXIM bank, APEDA, Company sources and Rice Exporters Association etc.

Sample Size

For conducting present research, the primary data was collected from a sample of 100 Rice Exporters/Millers from Punjab State and the secondary information was collected from known published sources Govt. departments and agencies and WTO, FAO and World Bank websites, etc.

Sampling Methods and Data Analysis

The collected data was classified, processed and analyzed with the use of various statistical tools i.e., Mean, S.D., Chi-Square etc.

Product Strategies

The exporters may adopt different product strategies for market penetration. Each product strategy has its own implications. They may focus on one or another strategy. The whole set of combination of strategies is responsible for either better or poor export performance. Selling high quality product, selling high margin product, updating the product and combination sale are the main product strategies. Branding strategies are also included in product strategies. The Indian exporters adopt Single Brand, More Than One Brand, Without Brand, Mixed Brand strategies.

Table 1
Product Strategies Adopted by Indian Rice Exporters

Product Strategies		Small	Medium	Large	Overall
	No.	Scale Units	Scale Units	Scale Units	
High Quality Product	Mean	7.3	5.6	0	6.5
	S.D.	0.97	0.65	-	0.75
	Chi-Square	4.881			
	Sig.	.300			
High Margin Product	Mean	4.92	4.72	7.5	4.9
	S.D.	0.53	0.58	0.83	0.62
	Chi-Square	3.053			
	Sig.	.549			
Product Updating	Mean	6.53	3.33	5.0	5.35
	S.D.	0.73	0.45	0.75	0.70
	Chi-Square	31.066			
	Sig.	.001			
Combination Sale	Mean	7.18	6.25	10.0	6.9
	S.D.	0.86	0.97	0.95	0.92
	Chi-Square	3.674			
	Sig.	.452			

In the above Table, selling high quality product with highest mean value of 7.3 has been applied to a large extent to get success in the competitive export market by small scale rice exporters. And with mean value of 5.6 has been applied by medium scale unit whereas large scale units gave 0 mean value.

From the above Table, comparison of the three categories states that large scale units with a mean value of 7.5 were more prominent on selling high margin product followed by small scale units (4.92) and medium scale units (4.72). Due to production cost limitation in the modern competitive environment, it is not possible for any firm/exporter to sell their product at very high margin in the export market. Hence, the rice exporters gave the second position after product strategy.

The above Table shows that product updating is needed after a while for the growth. Updating the product means either change in the product or

repositioning it by changing its promotional strategy. Updating is expected to satisfy the additional needs of the customers or make the product more attractive with a view to satisfy the comfort needs. The above Table depicts that updating the product strategy has an important role for small scale units with a mean of 6.53 followed by large scale units (5.0) and medium scale units (3.33)

Combination sale is intended to find out the exporter's perspective on different variety of rice. In the above Table, comparison of three scales depicts that large scale units with a mean of 10.0 were trying to export all the products equally due to both small scale units as well as medium scale units. The small scale and medium scale exporters (7.18 & 6.25) were using this strategy with a view to adopt product differentiation in the export market.

The overall results of above Table reveals that combination sale with a mean value of 6.9 have dynamic place in export performance followed by high quality product (6.5), product updating (5.35) and high margin product (4.9). Hence, the rice exporters were highly concentrating on combination sale rather than other strategies.

BRANDING STRATEGIES

Branding is a strategy for an exporter to differentiate itself from its competitors. Indeed, it serves the purpose of identification and assurance of quality of a product. The Indian rice exporters are pursuing different branding strategies such as single brand, more than one brand, without brand and mixed brand.

Table 2
Branding Strategies

Policy	Small Scale Units		Medium Scale Units		Large Scale Units		Overall+	
	No.	%	No.	%	No.	%	No.	%
Single Brand	5	4.03	3	4.17	-	-	8	4.0
More Than One Brand	10	8.06	7	9.72	-	-	17	8.5
Without Brand	25	20.16	10	13.88	-	-	35	17.5
Mixed Brand	84	67.74	52	72.22	04	100.0	140	70.0
Total	124	100.0	72	100.0	04	100.0	200	100.0
F	.312							
Sig.	.733							

The above Table states that in case of small scale units, out of 124 units nearly 20.16% were exporting rice without brand name. 67.74% were using mixed brand strategy and 10 units were selling the rice in the market with more than one brand.

4.03% were exporting rice with single brand name. Hence, mixed brand was more popular among other policies.

In medium scale units, out of 72 units, 72.22% were exporting rice with mixed brand. 13.88% were exporting rice without brand name whereas only 7 units were exporting rice with more than one brand. Out of 72 units, only 4.17% were exporting rice with single brand name. Therefore, in case of medium scale units, mixed brand is commonly used strategy.

The above Table depicts that in case of large scale units, 100% out of 4 units exporters were exporting rice with mixed brand strategy.

The overall results show that 70.0% out of 200 units were using mixed brand strategy whereas 35 units were exporting rice without brand name. Only 8.5% exporters were exporting rice with more than one brand and rest of the 4.0% were exporting rice with single brand. Therefore, mixed brand strategy is used in exporting rice to earn the scale benefit.

CONCLUSION

An analysis of different product strategies adopted by the Indian rice exporters for market penetration brings out that combination sale with a mean value of 6.9 have dynamic place in export performance followed by high quality product (6.5), product updating (5.35) and high margin product (4.9). Hence, the rice exporters were highly concentrating on combination sale rather than other strategies.

The results show that 70.0% out of 200 units were using mixed brand strategy whereas 35 units were exporting rice without brand name. Only 8.5% exporters were exporting rice with more than one brand and rest of the 4.0% are exporting rice with single brand. Therefore, mixed brand strategy is used in exporting rice to earn the scale benefit.

Indian exporters should concentrate on high quality product and upgradation of product and in branding strategy, they should concentrate on one brand rather than on mixed brand to compete in the international market.

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