Chapter – 6

Summary of Findings, Conclusions & Suggestions
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SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

6.1 Findings of the study

Although the research study is conducted for critical analysis and evaluation of export promotional schemes with special reference to Agricultural Processed Food Products, considerable attention is given to an evaluation of government sponsored schemes through APEDA to promote and accelerate export of agricultural processed food products in Karnataka.

The main findings of the study are:

The government of India is mandated to promote export of Indian Agricultural Processed Food Products by its policies. The main trade policy of the government is to faster expansion of export of agricultural products, thereby contributing to the promotion and maintenance of high levels of employment, income and to increase development of the productive agricultural resources of India. To meet this objective the government established several organizations. These are:

- Ministry of Commerce & Industry
- Directorate General of Foreign Trade (DGFT)
- Export Inspection Council (EIC)
- Management Organizations - Indian Institute of Foreign Trade (IIFT)
- Financial institution-Export Capital and Guarantee Corporation (ECGC) and Export and Import Bank of India (EXIM Bank).
- Promotional bodies - APEDA, MPEDA and CEPC.
- Commodity Boards – Tea, Coffee, Rubber, Tobacco, Spice Board.

In providing export financing and facilities through schemes for export of agricultural products, the government of India established a separate authority namely” Agricultural and Processed Food Products Export
Development Authority (APEDA)”. The mandate of APEDA specified the objectives of agricultural products export promotional schemes. APEDA has undertaken developmental as well as financial assistance by its schemes.

**Schemes for development of export of agricultural products**

- Development of database on products (export statistics), markets and services.
- Publicity and information dissemination.
- Invites official and business delegations from abroad.
- Organisation of product promotions abroad and visits of official and trade delegations abroad.
- Participation in international trade fairs in India and abroad.
- Organisation of buyer-seller meets and other business interactions.
- Distribution of Annual APEDA awards.
- Provides recommendatory, advisory and other support services to the trade and industry.
- Problem solving in Govt. Agencies and Organisations, RBI, Customs.
- Import/export procedures, problems with importers through Indian missions abroad.
- APEDA recognition of HACCP Implementation/ Certification Agencies.

**Schemes for Financial Assistance**

- Scheme for Market Development
- Scheme for Infrastructure Development
- Scheme for Quality Improvement
- Scheme for Research & Development
- Scheme for Transport assistance

The study evaluated the export performance of APEDA assisted 20 Export Oriented Units (EOUs) of Agricultural Processed Food Products in Karnataka. The evaluation is done based on the primary data collected from 20 EOU's.
According to evaluation result, the performance of EOU's in exporting Agricultural Processed Food Products during 2007-08 to 2011-12 under APEDA’s five promotional schemes viz (1) Infrastructure Development Scheme; (2) Market Development Scheme; (3) Transport Assistance Scheme Support; (4) Research And Development Scheme; (5) Quality Development scheme.

Findings based on Test of Hypotheses

The average FOB value over the five years contemplated shows highest FOB value for Quality Development followed by Market Development. Research and Development ranks the last in terms of average export FOB value. The five schemes contemplated in the study are contrasted with eight different aspects and one-way ANOVA is carried out. The result of the test is indicated in the following table.

Table – 6.1 : Result of one way ANOVA for Null Hypothesis

<table>
<thead>
<tr>
<th>Market Development Activities related to packing</th>
<th>Quality Development Activities related to setting up Laboratories</th>
<th>Infrastructure Development Activities related to Establishment of Infrastructure Facility</th>
<th>Transport Assistance Activities related to Transport on Value basis</th>
<th>Research and Development Activities related to Technology Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgradation of already developed packing standard</td>
<td>Preparation of Quality Assurance Facility for Specialized Units</td>
<td>Transport on gross weight basis</td>
<td>Export Enhancement</td>
<td></td>
</tr>
<tr>
<td>Use of Packing materials as per by APEDA</td>
<td>Recognition of Labs Pre and Post Export Assistance</td>
<td>Export on product-wise basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply of materials, samples by APEDA</td>
<td>Pesticide management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of Website, advertisement by APEDA</td>
<td>Indian Brand Publicity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Brand Publicity</td>
<td>Export promotion by APEDA for undertaking activities like buyer-seller meet.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*The rejection of Null Hypothesis is indicated in Italics*
The adherence to the International Quality by APEDA in order to bring about export promotion of the EOUs, the hypothesis is tested with t test. The t test has been conducted considering the cut off value, which is the average FOB value. The result of the t test is presented in the following Table.

Table – 6.2 : Result of t Test for Null Hypothesis

<table>
<thead>
<tr>
<th>Quality Standards</th>
<th>Market development</th>
<th>Quality development</th>
<th>Infrastructure development</th>
<th>Transport Assistance</th>
<th>Research and Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formulation and Implementation of Registration</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Recognition of pack houses and processing units</td>
<td>Accepted</td>
<td>Rejected</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>Control of Pesticides</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>ISO series</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>HACCP</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Rejected</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>TQM</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>BRC</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
<tr>
<td>GAP</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

6.2 Conclusions

APEDA has over the years transformed its operations. Its major operations include building export competitiveness of Indian agriculture at Processed Food Products through various schemes. During the period 2007-08 to 2011-12, APEDA sanctioned and disbursed to 20 EOUs under scheme support aggregating Rs 3.635 crore. Scheme wise support assistance comprising Infrastructure Development scheme Rs 0.31 cr, accounted for 8.52 percent. Market Development scheme of Rs0.63cr. accounted for 17.33percent. Transport Assistant scheme of Rs 1.9 crore, accounted for 52.26percent. Research and Development scheme of Rs 0.075, accounted for 2.06 percent and Quality Development scheme of 0.72 crore accounted for 19.80 percent.
During 2007-08 to 2011-12, bulk of scheme support was accounted for Transport Assistance scheme at 52.26 percent, followed by Quality Development scheme 19.80 percent, Market Development scheme accounted 17.33 percent, Infrastructure Development scheme at 8.52 percent and Research and Development scheme at 2.06 percent.

The APEDA assisted EOUs by way of various schemes support were potentially increased their export capabilities in terms of value. Therefore it is concluded that APEDA has been responding to EOUs of agricultural processed food products according to changing national and global environment.

The APEDA currently has a responsibility to promote export of Indian Agricultural processed food products, but the present promotional role by its schemes to develop export competitiveness of EOUs in international market relatively inappropriate.

A major difficulty faced by Export Oriented Units (EOUs) in the international market is the high level of subsidies given by developed countries for their agricultural processed food products.

The present support scheme of APEDA has imparity and lack of adequate financial support and subsidies. There are constraints and dearths in financial assistance under schemes support by APEDA. These are:

**Market development scheme**

APEDA is currently providing financial assistance through scheme for market development component to registered EOUs of Indian agricultural processed food products for use of packaging material as per standards and specifications developed or adopted by APEDA at 25 percent of the total cost of packaging material subject to a ceiling of Rs.5 lack only.
Brand publicity (Product specific Indian Brands) through advertisement etc., Brand promotion for those brands which are of Indian origin, advertisement in international Print/electronic media, website development etc., at 25 percent of the total cost subject to a ceiling of Rs 50.00 lakh in a year on reimbursement basis subject to auditing of the accounts. Not to be extended to an exporter beyond 3 consecutive years. Norms for providing assistance would be framed by APEDA.

**Infrastructure Development Schemes**

Under Infrastructure Development Schemes APEDA is assisting for purchase of specialized transport units for animal products horticulture and floriculture sector at 25 percent of the cost subject to a ceiling of Rs.2.50 lakh per beneficiary.

Assistance to exporters/producers/ growers/Cooperative organization and federations for horticulture and floriculture sector for:

- Mechanization of harvest operation of the produce at 25 percent of the cost subject to a ceiling of Rs.5.00 lakh per beneficiary.
- Setting up of sheds for intermediate storage and grading / storage / cleaning operation of produce at 25 percent of the cost of equipment subject to a ceiling of Rs.5.00 lakh per beneficiary.
- Setting up of mechanized handling facilities including sorting, grading, washing, waxing, ripening, packaging & palletization etc., at 25 percent of the cost of equipment subject to a ceiling of Rs.10.00 lakh per beneficiary.
- Setting up of both pre cooling facilities with proper handling system as well as cold storage for storing at 25 percent of the cost of equipment subject to a ceiling of Rs.10.00 lakh per beneficiary.
- Providing facilities for pre- shipment treatment such as fumigation, X-ray screening, hot water dip treatment, Water softening Plant at a ceiling of Rs.10.00 lakh per beneficiary.
- Setting up of integrated post harvest-handling system (pack houses / green houses with any two or more of the above facilities) at 25 percent of the cost subject to a ceiling of Rs.25.00 lakh per beneficiary.
- Setting up of vapour heat (treatment, electronic beam processing or irradiation facilities at 50 percent of the cost subject to a ceiling of Rs.25 lakh per beneficiary.
- Assistance for setting up of environment control system e.g. pollution control, effluent treatment etc., at 25 percent of the cost subject to a ceiling of Rs.25 lakh per beneficiary.
- Setting up of specialized storage facilities such as high humidity cold storage deep freezers, controlled atmosphere (CA) or modified atmosphere (MA) storage etc., at 25 percent of the cost subject to a ceiling of Rs.10 lakh per beneficiary.

**Quality Development Scheme**

Under the component of Quality Development Scheme APEDA is providing assistance for setting up/strengthening laboratories at 25 percent of the cost subject to a ceiling of Rs 20 lakh per beneficiary. Quality standards should be adhered to for availing the subsidy.

APEDA is also providing Assistance for installing quality management, quality assurance and quality control systems such as ISO series, HACCP, TQM, KOSHER, BRC, GAP, Organic Certification and ERP based traceability etc., including consultancy, quality improvement and certification etc., at 50 percent of the cost subject to a ceiling of Rs 5 lakh per beneficiary.

APEDA further providing scheme support for Up gradation and recognition of labs for export testing at 50 percent of the cost for private labs; 100 percent for the Central Government labs; and 75 percent for State Govt./University labs subject to a ceiling of Rs 50 lakh.
**Research and Development Schemes**

Under the scheme of R&D, assistance is provided to support relevant research and development for export enhancement through R & D organizations in co-operative/private sector Up to 50 percent of the total cost of the project subject to a ceiling of Rs 20 lakh.

**Transport Assistance Schemes**

APEDA would provide assistance up to maximum of 10 percent of the FOB value subject to a ceiling of 25 percent of the freight cost and the specific per kg. The APEDA provides assistance under transport assistance scheme on gross weight basis only.

The financial assistance provided by the APEDA under various schemes are supported greatly for developing export capabilities of export oriented units (EOUs) in exporting agricultural processed food products. But the APEDA is not emphasizing and providing financial assistance on par with export promotion and meeting the highly concessionary financial assistance provided by other countries to their exporters.

To concluded that the schemes of APEDA are least competitive for large scale export transactions and considerably less generous than those provided by the developed countries to their agri-exporters.

**6.3 Suggestions**

Support provided by the APEDA is a function of the APEDA’s five export promotional schemes for Market Development, Infrastructure Development, Quality Development, Research & Development and Transport Assistance.
In order to sustain and maintain a relatively competitive position of agricultural processed food products export sector in international market with the schemes support of APEDA, the following suggestions have emerged:

1. The principal economic rationales have been advanced in support of the APEDA’s schemes are to maximize foreign exchange earnings through increased agro-exports, to provide better income to the farmers through higher unit value realization and to create employment opportunities in rural area by encouraging value added export of farm produce. Therefore, APEDA need to have a fresh look at the financial assistance through its schemes to Indian Agricultural Processed Food Products Export Sector with terms and conditions which are competitive with those offered by Competing Countries in International Market.

2. Comparative advantage, as a concept depends upon the relative changes in the international market. A major difficulty faced by EOU’s of Agricultural Processed Food Products in the International Market is the high level of subsidies given by developed countries for their agri-exports. Hence, it is imperative to evolve concrete market strategies by APEDA in its schemes for market development to make Indian Agricultural Processed Food Products more competitive and enhance its efficiency. For this purpose, presently APEDA is extending financial support under market development schemes to registered exporters of fresh fruits, vegetables, flowers and eggs upto 25 percent of the total cost of packaging material subject to a ceiling of Rs.5 lakh.

Brand promotion for those brands of Indian origin, advertisement in international print/electronic media, website development etc., APEDA is extending upto 25 percent of the total cost subject to a ceiling of Rs.50 lakh in a year on reimbursement basis.

There is need to support 100 percent financial assistance to EOUs under Market Development Scheme of APEDA to meet front-end promotional expenditure to accelerate export growth of Agricultural Processed Food Products with developed countries markets in view.
3. A major impediment for promoting Agricultural Processed Food Products Exports is the lack of adequate infrastructure. At present APEDA is extending financial assistance to EOUs under Infrastructure Development schemes upto Rs.1.25 crore for mechanism of harvest operation of the produce, setting up of sheds for intermediate storage and grading, mechanized handling facilities, setting up pre-cooling and cold storage, facilities for pre-shipment treatment, setting up of integrated post-harvest-handling system, vapor heat, environment control system, specialized storage facilities such as high humidity cold storage deep freezers, controlled atmosphere etc.

The Indian exporters of Agricultural Processed Food Products are facing lack of infrastructure for quick and safe shipment of products to international market.

To meet this requirement, the APEDA have to support for setting up more investment based advanced and high technology infrastructure facilities with international standards.

4. Raising the level of productivity and quality standards to compete with international level is one of the major challenges to Indian Agricultural Processed Food Product Exports. The developed countries have a general agreement on Phytosanitary restrictions for processed food products trade between countries. These countries set their own quality regulations, which differ from country of origin, commodity and season. To meet these requirements to Indian exporters, at present APEDA is providing only upto Rs.25 lakh financial assistance under the scheme for quality development. There is need to more assistance to EOUs for utilizing full capacity and improving total quality attributes required for processing of products on par with international standards.
5. The application of different health standards for domestic and imported agri goods is an indication of discrimination against imports. Phytosanitary regulations can be characterized as trade barriers if they are very restrictive compared with those commonly applied by other countries. In an effort to harmonize the Phytosanitary regulations of importing countries, a number of international organizations, notably FAO, the world health organization (WHO) and the Organization for Economic Co-Operation and Development (OECD) are defining international standards concerning nutrition, labeling, additive, contaminants and pesticide residues.

To meet these requirements, the developing exporting countries have to set up high investment, high technology laboratories for research and development.

Presently, APEDA is providing assistance to recognized exporters associations of APEDA under the schemes for Research and Development upto Rs.20 lakh. It is necessary to consider a priority to develop huge investment based research and development laboratory to meet international standards.

APEDA should support under schemes for Research and Development to set up high technology based laboratories in each state in order to promote Export of Indian Agricultural Processed Food Products and also establish overseas R&D laboratory branches in countries where Indian export are favourite destinations.

6. In the light of analysis of schemes, regional markets of importing countries assume more importance for Agricultural Processed Food Products Export. Due to the high cost of long distance transportation, the perishability of fresh products and the similarity of tests on
Consumer preferences. Transportation is of paramount importance, especially where perishable products are concerned. They require suitable vehicles and containers and correct loading and storage facilities, so that quality is not adversely affected.

Transportation costs constitute a large share of the total wholesale or retail price. The cost of airfreight for tropical fruits and vegetables frequently accounts for 30-60 percent of the selling price in the international market. A reduction in the transportation cost would have a significant effect on prices and demand for Agricultural Processed Food Products.

The APEDA currently provides assistance under the transport scheme maximum of 10 percent of the FOB value subject a ceiling of 25 percent of the freight cost and the specific per kg Transport Assistance is paying on gross weight basis only. The present financial assistance in the form of Transporting Scheme by the APEDA is generally constrained by poor support, which is adverse affecting to Indian Agricultural Processed Food Products Exporters to compete with the developed countries. Therefore, there is a need to streamline the Transport Scheme of APEDA and in this respect a comprehensive transportation cost cover, right from pre-shipment stage to post-shipment and market destination to meet price competition.

6.4 Scope for Further Research

No Research can be complete in all aspects and can throw light on all the problems. Research being focussed on certain aspects definitely gives way for providing perfect platform for making further study in the domain by linking various other aspects that have influence on the variables. The present topic “Evaluation of Export Promotional Schemes with special reference to Agricultural processed Food products in Karnataka” is taken up to
understand the effectiveness of the schemes undertaken by an institution like APEDA. Though the study has yielded many positives, further research can be undertaken:

- With respect to contributions from various states for a particular variety of product and its impact on the overall export.
- Through comparative study of Export-Oriented Units that are not supported by APEDA and not coming within the purview of APEDA can be examined to understand the effectiveness of APEDA with respect to a particular Exported Oriented Unit.
- Also comparing the APEDA in India with similar institution in other countries.