CHAPTER 2

REVIEW OF LITERATURE

2.1 CHAPTER OVERVIEW

This chapter is sub divided into three sections. The first section reviews the literature related to Indian floriculture industry. The second section presents the literature related to international floriculture industry. The third section summarises the literature related to Indian trade policy since independence.

2.2 REVIEW OF INDIAN FLORICULTURE INDUSTRY

This section reviews the studies conducted in India relating to Indian cut flower industry, area under floriculture production, the income generated in the floriculture industry, cost of export oriented units in India, post harvest losses in flowers, domestic market conditions for flowers and per capita consumption of flowers.

2.2.1 Indian Floriculture Industry - An Overview

Floriculture is becoming a booming industry in India today. In India, floriculture is emerging as an important commercial crop. A lot of importance has been given to this sector due to its potential to create more rural employment, ensuring higher rate of returns to rural people and its capacity to earn more foreign exchange. More specifically, floriculture
products are being used as raw materials in the manufacture of essence, perfumes, medicines and confectioneries for direct consumption by the society. The production of flowers is an age-old occupation. Until last decade, the growing and selling of flowers was confined to a few families. They grew a variety of flowers on the same land and the products were sold close to the house, as they could not survive a long journey. The situation in the last two decades has, however, changed. Now, different farmers are growing different flowers both for domestic market and export purposes. The flowers were, until 1960s, confined to domestic markets. These flowers are now moving long distances due to the availability of airfreight and hi-tech cooling systems.

The economic reforms and liberalisation policies introduced from 1991 and modified the EXIM policies of 1992-2014 have given fillip to this sector. After liberalization, the Government of India identified this activity as a sunrise industry and accorded it 100 per cent export-oriented status. Later, many writers have termed this industry as "Rosy Business sector", a Global Concern, Blossoming Industry, Thrust Area, Money Spinning, Lucrative export-oriented sector, etc.

Growing demand and much higher return per unit of land than any other agricultural activity has prodded farmers to take to this sector. The growing demand for floriculture product has also increased on account of rapid urbanization, increase in individual purchasing power among the middle-income groups, increase in the number of IT Units, Hotels, Tourists, Temples, increase in GDP, Per capita Income, changes in life-styles, changes in social values of the people, greater awareness among the people to improve the deteriorating environment and economic welfare of the people.

The recent five-year plans have started giving more attention to floriculture industry. In the Ninth Five Year Plan, about ₹40 crores were
allocated to this sector as against ₹17 crores in the Eighth Five Year Plan (GOI 1996). This speaks of the importance given to the sector. This positive attitude enabled the country to achieve a breakthrough in the floriculture industry in terms of expansion in the area and the production in the last two decades.

2.2.2 Indian Cut Flower Industry

Floriculture Industry has received growing research attention due to its commercial prospects as a money-spinner especially in the international market. Several studies have been carried out in the case of Orchids and Anthuriums in India and abroad. But most of the studies have focused their attentions on the taxonomic aspects, vitro propagation, seasonal variations in the yield, loss of flowers and plants due to various diseases, plans for improvement of farm management, etc. A few of the studies by Pathania et al (1998), Shehata et al (1990), Naseena et al (1997), is having the relevance to the current research topic.

Reddy et al (1992) in their study suggested that there was a scope for developing Orchid cut flower and production of Orchid plants in India as a cottage industry. They have estimated the profitability for a period of six years based on the assumption of cultivating 1,750 plants in pots under shade house condition in an area of 100 square meters. They have also assessed a net profit of ₹6000 per month after deducting the initial cost of investment excluding the value of land.

A study by Chakrabarti et al (1995) analysed the trend in exports of Orchid plants from 1983-1992 and the domestic trade in Orchids in India. Their study has identified some of the important varieties of Orchid and the destination for exports. The study revealed that about 79,000 plants of
62 genera were exported during 1984. However, due to the imposition of strict control imposed by Indian import on Orchid export and Export Policy (April 1988 – March 1991), only 4 genera of 478 Orchid plants were exported in 1988. During 1990 no export of Orchid plants was made due to the stringent measures adopted in the Indian import and Export Policy. The study also observes that under the favorable export policy of 1992, the export of Orchid has been showing a reviving trend. No study was found after 1992 on floriculture trade in the back ground of Indian trade policy. Moreover, this study also focuses on only one floriculture product, i.e. orchid. The other products which are exported periodically are not covered in their study.

A study by Samuel et al (1996) showed that once Orchid plants started flowering, it would give an annual rate of return of over 100 percent with an initial investment of ₹35,000 in an area extending to 14 square meters.

The study by Rejeevan et al (1997) estimated the cost of production of Orchids on a commercial basis. The cost was ₹10 million per hectare in the first year as initial investment and thereafter ₹0.4 million annually. They have estimated a net profit of ₹2.4 million in the first year, ₹7.2 million in the second year ₹9.6 million in the third year and ₹14.4 million per hectare annually.

Similarly in the case of Anthuriums production, they have suggested that 1,000 Anthuriums plants can be maintained in 150 square meter of land. The cost of establishing such a unit, in their opinion, comes around ₹0.1 million and the net profit expected from such a unit is projected as ₹30,000 per annum.

There are variations with regard to the initial investment and recurring expenses in different states and regions due to several factors like
the cost of land, methods of cultivation, cost of inputs like fertilizers, labour, etc. In a study conducted by the Department of Horticulture in Andhra Pradesh (1999) with a plant population of 32,000 to 40,000 per hectare, the cost of 1,000 plants of Dendrobium variety of Orchids was estimated as ₹72,000 and the recurring cost as ₹11,000 in the first and second year. They have estimated a maintenance cost of ₹4,500 from the second year onwards and the expected net inflow during the second year was worked out to ₹27,900 and thereafter ₹49,500 during each year up to the fifth year.

Most of the studies pertaining to cut flower, Jasmine, Roses, Chrysanthemum, Aster, Marigold, etc., are found related to production technologies in India and abroad.

A study conducted by Shegade and Borude (1992) concerning the economics of flower production in Thane District of Maharashtra reveals that 60 percent of the cultivators belongs to marginal, small and medium sized groups. The capital cost for establishing flower gardens, in this study, was worked out to ₹36, 894 for Jasmine, ₹35,632 for Lilly and ₹45, 547 for Kagda. The net income per hectare for these flower crops was also calculated as ₹76,513 for Jasmine, ₹37,554 for Lilly and ₹83,563 for Kagda.

Shukla and Jain (1996) carried out a study to estimate the break-up of the costs and the net revenue of the export oriented flower producing companies, which were involved mainly in the export of Rose flowers. The study indicated that on an average the net revenues of these companies were about 30 percent.

Sudha and Subramanyam (1992) have conducted a study by comparing the costs and returns of Aster cultivation with other compatible intercrops in the coconut orchards in the Tumkur district of Karnataka during
1991. They found that the cost of cultivation of Aster alone in coconut groves came to ₹23, 223 per hectare, with a net profit margin of ₹11, 773.

A study conducted by Rao et al (1992) to examine the economics of Jasmine cultivation in Andhra Pradesh, with a sample size of 120 Jasmine gardens at different stages, indicated that the average variable cost of cultivation of Jasmine flowers per hectare was ₹35,484. This represented 73.4 percent of the total costs of cultivation. The study also estimated the net return realized per hectare of Jasmine garden as ₹10,735. A study on Chrysanthemum cultivation in Andhra Pradesh has estimated the cost of cultivation of Chrysanthemum per hectare as ₹55,633 and annual net returns per hectare as ₹14,807. The study further identified that lack of alternative marketing channels and wide fluctuations in prices in the flower markets were the major problems in the case of Chrysanthemum cultivation.

Bhattacharjee et al (1993) carried out a study to estimate the cost of cultivation, farm business income and annual net profit per acre from Rose cultivation. They have also analysed the variations in the cost of cultivation and farm business income on the basis of different size groups, volume of business and the scale of operation.

Misra (1997) conducted a study in which the investment requirements of capital intensive floriculture units have been estimated. In his view the capital cost for the cultivation of Roses ranges from ₹64.7 lakhs to Rs.157.5 lakhs per hectare depending up on the methods of cultivation. In the case of camation, it was estimated to vary between ₹56.78 lakhs and ₹157.5 lakhs. However, capital cost for orchids works out to ₹69.42 lakhs per hectare. It also emphasised the importance of floriculture business by citing a case of Deulia bazaar, in Midnapure district in West Bengal, where various flowers are traded. According to him this market supported the livelihood of
12,000 families in the district. He has also found in his study that the daily average turnover of the market often exceeds ₹10 lakhs. But in the lean month, it came down ₹1 to 1.5 lakhs and the price also varies from ₹7 per flower during June to November (peak period) to even ₹3 per flower during lean periods.

Salvi (1997) carried out an experimental study in Anthurium cultivation in an area of 400 square meters with 1,975 plants. The study estimated the total cost of cultivation as ₹3,37,972 of which ₹1,93,950 constitute the fixed expenses. The net inflow was worked out to ₹4,38,200. It was also observed that about 6 suckers per plant were produced during this period. It was also mentioned that the expenditure incurred on plan would comparatively be reduced as the age of the plant advanced. The margin of profit will increase to a considerable extent due to the higher number of flowers and suckers.

Singh (1987) observed that on an average 61,750 Anthurium plants can be grown per hectare. Each plant, on an average, produced 5 spikes annually. Thus altogether 3,08,750 spikes could be produced annually from every 1 hectare of land, which would yield an annual gross income of ₹3,08,750.

Kaur (1990) observed that even through the floriculture industry was facing the severe threats in the international market; the chances were bright for the cut flower industry in both international and domestic market.
2.1.3 Area under Floriculture

There are no reliable data on the area under floricultural crops. However, the available literature on floriculture reveal various estimates on the area at different points of time. It was estimated that the area under floriculture in India was 4,000 hectares in 1962 and 7,500 hectares in 1976 (National Commission on Agriculture (NCA) 1976).

Later, the estimation of APEDA showed that the area was 34,000 hectares in 1995 accounting for 15 per cent of the world's floricultural area (Cebeco India Pvt.Ltd 1999).

This was low compared to China with 60,000 hectares but higher than Netherlands with 8,017 hectares (Raghavan, 2000 and Cebeco India Private LTD 1999). The other major countries, which have larger area under floriculture, are Japan (21,218 hectares), Italy (7,654 hectares), USA (16,400 hectares), Columbia (4,757 hectares) Brazil (10,285 hectares), UK (6,804 hectares) and Israel (1,950 hectares).

Recently, the National Horticulture Board (NHB) provided more reliable data on floriculture. According to this, the area under floriculture at all India level had increased from 53,000 hectares in 1993-94 to 88,609 hectares in 1999-2000 with an increase of 35,607 hectares. NHB statistics shows that the total area under floriculture in 2010-11 is 1,90,896 hectares which has doubled comparing to the area in 1999-2000. The proportion of area under traditional floriculture was accounted for 0.72 per cent of the total horticultural crops and 0.05 per cent of the gross cropped area in 1999-2000. This is well ahead of the projected area of 0.5 million hectares by the National Commission on Agriculture for 2000 A.D (NCA 1976). In 2010-1 the proportion of area under floriculture has raised to 0.9 percent.
However, the area under protected (Modern) conditions is very less compared to other countries (NHB 2011).

In Netherlands, the proportion of area under protected area was 70 percent, Colombia (90 percent), whereas in India it was 500 hectares accounting for 0.56 percent of the total area under floriculture and the rest was under traditional flowers. Efforts are needed to increase the area under hi-tech at least to 2000 hectares in view of its growing demand. The production of loose flowers increased from 2,33,000 tonnes to 5,09,193 tonnes and that of cut-flowers increased from 5,495 lakhs numbers to 6,806 lakhs numbers during 1993-94 to 1999-2000. In 2010-11, it has increased to 10,31,3172 tonnes of loose flowers and 69027.4 lakhs of cut flowers (NHB 2011). The major traditional flowers grown are Marigold, Jasmine, Rose, Aster Crossanda and the cut-flowers with stem include Rose, Gladiolus, Tuberose and Carnation, Hibiscus, China Aster, several annuals as Gonphera, Cocks, Comb, Golden Rod, Dahlia, Zinnia and Sunflowers. The favourable factors such as warm temperature, soil conditions, and relatively cheap labour, different agro-climatical zones have helped the growth in the area and production of floriculture products in India.

2.1.4 State wise Area under Floriculture

In India, the highest area under floriculture was found in the state of Karnataka with 20,801 hectares, followed by Tamil Nadu 18,120 hectares, Andhra Pradesh 18,087 hectares, West Bengal 13,227 hectares, Maharashtra 6,606 hectares, Delhi 3,450 hectares and, Haryana 2,250 hectares in 1999-2000. These states together accounted for 98.64 per cent of the total area under floriculture in the country. The southern states, viz., Karnataka, Tamil Nadu and Andhra Pradesh accounted for 64 percent of the area in the country (NHB 2002).
The NHB 2010-11 statistics showed that the highest area under floriculture was found in the state of Tamilnadu with 32,000 hectares, followed by Karnataka with 27,000 hectares, west Bengal with 23,000 hectares, Andhra Pradesh with 21,800 hectares, Maharashtra with 17,500 hectares, Gujarat with 12,500 hectares and Uttar Pradesh with 10,400 hectares. These states together accounted for 75.89 per cent of the total area in the country. A larger proportion of the area of the floriculture in many states was concentrated around the suburban area of the urban centre as there was growing demand in the urban market.

2.1.5 Employment in Floriculture Production

Floricultural crops are highly labour intensive and have the capacity to generate more direct and indirect employment both in rural areas as well as in urban areas. The various estimates showed that the employment generation of flower crop cultivation was higher than the other horticulture crops, food crops and commercial crops. According to estimates, the employment generation of cultivation of floricultural crops was 913 man-days per hectare of Crossandra and 1,210 man-days in the case of Jasmine cultivation (Rao 1997).

A Study by UAS, Bangalore, in Chitradurga district showed that the employment generation of one hectare of Crossandra was 1,461 man-days per year. Of this, 65 per cent accounted for female workforce. It was estimated that conventional (traditional) floriculture provided a decent standard of living for nearly 10,000 farm households and employment to 80,000 farm labourers and 2.5 lakh small retailers and flower vendors in the state of Karnataka (Prakash 2002).
In contrast to the traditional floriculture, the modern floriculture generated more employment. The range of employment per hectare in this activity was 7,121 man-days (Thippaiah 2001) to 7,468 man-days per hectare including technical labour (Prakash 2002), whereas the food crops generated 860 man-days per hectare per annum as against 143 man-days for cereal crops (GOI 1996), Paddy 175 man-days, and Sugarcane 285 days (Rao 1997), to 305 man days (Algamani 1997), Groundnut 105 (Rao 1997) to 225 (Alagumani 1997) per hectare of land.

The high-tech floriculture employs more labour. However, the cost of generating a human labour day was Rs. 1886 in high-tech floriculture units compared to Rs. 87 in conventional floriculture units and Rs 217 in commercial floriculture production units (Chengappa and Reddy 2000 and Prakash 2002). This means that cost incurred by high-tech floriculture to generate one human day is capable of generating employment to nine labourers in the cultivation of field roses and 22 labourers in conventional floriculture. There are no estimates on total labour required in modern floriculture. But some case studies indicated that the total labourers employed in 10 sample units in Bangalore were 981 which worked out to 98 persons per unit (Thippaiah 2001). But the study by Prakash (2002) showed the proportion of permanent labour at 8 per cent and they were given industrial type of benefits. Prakash’s (2002) study also showed that nearly 72 per cent of the labourers working in hi-tech floricultural units were in the age group of less than 25 years, 50 per cent of the total workers belonged to dalits and 24 per cent of them were the previous owners of the land which was in the hands of the corporate floriculturists.
2.1.6 Income Generation of Floricultural Crops

Like more employment generation, the flower crops have the inherent advantage of providing higher productivity per unit of land resulting in higher income. The study by Alagumani et al (1997) in Madurai district of Tamil Nadu showed that the income obtained from the cultivation of Kanakambara (Crossandra) was ₹9.47 lakhs per hectare, followed by Rose ₹8.40 lakhs. These incomes were higher compared to other crops such as sugarcane, ₹24,298/ha. The income generation of fruit crops was ₹20,000, ₹15,000 for vegetable crops, and Paddy ₹10,000 and ragi hardly ₹4,000 per hectare (GOK 1993).

A study in Farukhabad in Uttar Pradesh showed that the Rose yielded a net income of ₹1.3 lakhs per hectare, on an average investment of ₹11,000 per hectare. In the case of Jasmine, the average net return came to ₹1.04 lakhs, on an average investment of ₹97,430 per hectare (Singh et al 1997). The study of Marigold flower in Nagpur in Maharashtra revealed that income from the floriculture crop was more than the food crops and cotton.

2.1.7 Losses in Post Harvest Processing of Flowers

It was estimated that about 20 per cent to 35 per cent of the flowers was being lost during the harvest, handling, storage, transport and marketing activities (Negi 2000). However, the post-harvest loses are less in the case of hi-tech flowers as they have a chain of cold storages right from harvesting to marketing. The loss estimated in this sector was hardly about 6.00 to 6.64 per cent in 1997-98 (Thippaiah 2001). It was estimated to be 7 to 13 per cent in traditional flowers (Thippaiah 2001). Much of this occurred at the time of plucking, packing and grading.
2.1.8 Domestic Trade of Flowers

There are varying estimates on domestic flower trade in the country. It is estimated that the value of trade was around ₹200 crores and increased to ₹500 crores in 2002 (Prakash 2002), which was an indication of the growing significance of the floriculture cultivation in India. Nearly 50 per cent of floriculture trade accounted for traditional flowers. Much of this trade was confined to cities in the country.

One estimate showed that the total trade in Delhi was about Rs.50 crores per annum (Raghava and Dadlani 1999) and ₹9.26 crores annually, in Mumbai, Calcutta, Madras, Delhi and Bangalore in 1996 (Raipuria et al 1988), (GOI 1996) and the daily trade of flowers of direct selling and wholesale at one market, namely, Krishna Rajendra Market of Bangalore alone was accounted for ₹2 lakh per day (Sachin 1997).

The instability in the international market and attractive prices offered in the domestic markets have been cited as important reasons for this growth.

2.1.9 The Beneficiaries of Domestic Floriculture Trade

The dominance of middlemen and other market functionaries is one of the serious problems in the rural unorganized floriculture markets. They are exploiting the producers of flowers on account of the inherent nature of perishability, bulkiness, seasonal and high moisture content and fast deterioration. As a result of these, the farmers are unable to realize much of the benefits in terms of profit and growth. A study in Jaipur district showed that the producer received only ₹6.63 per kg, which accounted for 31.27 per cent of the consumer price in Marigold crop than the florist (Sharma 2001).
Similarly, in Karnataka, the producer got 56 percent of the consumer price of Jasmine, 45.2 per cent in Crossandra and 36 per cent in Chrysanthemum (GOK 2001). Another study by Chengappa and Reddy (2000) in Karnataka showed that the price spread across different agents involved in trade. According to this, the producers’ share in the consumers’ price varied from 41.33 percent to 51.68 percent in Crossandra and to 64.35 percent in Chrysanthemum. The Study of Jadhav et al (2000) showed that the producer’s share in the consumer’s price was 25 percent to 37 percent in Rose, 28 percent to 40 percent in Gladiolus, 40 percent in Gerbera, and 25 percent to 37 percent in the case of Aster.

2.1.10 Floriculture Export Units in India (Modern Flowers)

The liberalization of seed policy in the late 1980s, globalization of the Indian economy, the economic reforms initiated in the early 1990s and the signing of WTO in 1995 paved the way for investment in hi-tech floriculture. In between 1991 and 1996, about 170 export-oriented floriculture units with 1,545 million stems capacity (small and big) were started in various parts of the country involving more than 1,500 crores for growing 40 varieties of roses in an area of 500 hectares (GOI 1996), of which 70 units are operational. Many of them operate less than 50 per cent of their capacity. About 35 units of these are concentrated in and around Bangalore in Karnataka covering 150 hectares with an investment of over Rs. 500 crores (GOK 2000), whereas Maharashtra has 39 units covering 150 hectares, Tamil Nadu has 17 units covering 152 hectares and Delhi has 12 units covering 50 hectares. These units came up in these areas as they were in the proximity of international airports, which were essential for quick exports. Many of these units have been started with technical collaboration with Netherlands, Israel and France. Large proportions of these industries were operating lower than the assumed capacity utilization (Thippaiah 2001, Malik 1998).
2.1.11 Costs of Establishing Modern Floriculture Units in India

There are wide variations in the cost of establishing the export-oriented floriculture units in the country. The workout of the investment per unit is between ₹2.25 crores (Sudha 2001) and ₹2.51 crores (Thippaiah 2001). The average annual cost of production for export of one hectare of cut roses was worked out to be in the range of ₹33.95 lakhs (Thippaiah 2001) to ₹67.21 lakhs (Sudha 2001).

In contrast to this, the estimate of Industrial Bank of India revealed that an investment in the range of 2.03 crores to 2.25 crores was required per hectare of flower cultivation. Those who are in the industry also said that at least 1 crore was required to cultivate the flower on one acre of land which includes importing planting materials, construction of green houses and creation of pre-cooling, grading and packing facilities (Deccan Herald June 24 1996; GOK 2001).

In a nutshell, production centres of modern floriculture is highly capital intensive than the production of traditional floriculture centres.

2.1.12 Per Capita Consumption of Flowers

There are no empirical evidences to show that the level of per capita consumption flowers in India. However, based on the increase in area, production and mushrooming growth of florist centres and flower stalls, one can confidently say that flower consumption has increased over a period of time in India.

The per capita availability of flowers in India in 1981 was 0.18 grams per annum and it increased to 0.49 grams in 2001. This is really low
compared to other developed countries’ real consumption of flowers in terms of money. Evidences show that the consumption of flowers in the world has increased almost four-fold in terms of value in the past two decades, i.e., 12.5 billion US$ in 1980 to 50 billion US$ in 1999 (Cebeco India 1999).

America alone spent nearly 15 billion dollars a year on flowers and plants which was about 4 times more than one generation ago (Vivienne 2001). The increased consumption of flowers has mainly concentrated in North America, Japan, and Western Europe. As far as per capita consumption of cut flowers and plants is concerned, Norway has been found to be the highest in the world with 153 US $ followed by Switzerland 120 US $, Denmark 119 US $, and Sweden 104 US $ (Raghava 1996).

According to the Flower Council of Holland, 28% of American households regularly purchase cut flowers. Per capita consumption of flowers in the U.S. is relatively low compared to European countries. Much of the reasoning behind these numbers is that consumers in the U.S. purchase cut flowers as occasional gifts, rather than for themselves. Only 16% of all cut flower was purchased for one's self. In the Netherlands, 55% of all cut flower purchases were for one's self (Flower Council of Holland, Consumption, 2008).

In a nutshell, the Indian floriculture industry has the ability to increase its export participation, which will enhance foreign exchange earnings and give high returns to the stakeholders especially to the growers.
2.2 REVIEW OF INTERNATIONAL FLORICULTURE INDUSTRY

The review of international floriculture industry covers the history of international floriculture industry, international role players in floriculture trade, international supply chain in floriculture trade, various types of international floriculture market and the structure of international floriculture trade. It also highlights the tariff and non tariff barriers in floriculture trade, legal obligations for smooth floriculture trade, major problems in international floriculture trade, consumption patterns of floriculture products and the current international trends in floriculture business.

2.2.1 Status of International Floriculture Industry

The Netherlands is the centre around which the international floriculture trade revolves. It is the largest exporter of floricultural products. Due to high concentrations of supply and demand in the Netherlands, the prices of floricultural products are set here (CBI 2003a).

The two market surveys were conducted by the Centre for the Promotion of Imports from Developing Countries' (CBI).The first one is on cut flowers and foliage (CBI 2003a) and the second one is on plants and young plant material (CBI 2003b). The surveys provide the most comprehensive information on international floriculture.

The global floriculture industry has many active participants from all the continents. The number of participants from both developed and developing countries is increasing. World exports of floricultural products exceeded US$8.376 billion in 2000. It again exceeded US$17.518 billion in 2010. Europe is both the largest importer and exporter of floricultural
International trade of floriculture industry is complex, as there are many factors that influence exports (CBI 2003a). These factors include the demands of different types of market (The Kaiser Study 2000), requirements (e.g. quality standards) set by governments and international buyers (CBI 2003a and 2003b), shorter life cycles of the leading varieties of floricultural products (Thoen, Jaffee, Dolan and Fatoumata 2000), changes in consumer demands (Flower Council of Holland 2004) and trends in fashion and consumption (CBI 2003a, Flower Council of Holland 2004).

In essence, the international floriculture industry can be described as an industry that is continuously changing and highly dynamic. Therefore, it is necessary that these reforms must be taken into consideration, as it determines the degree of competitiveness of exports. It is highly applicable to the export of Indian floriculture exports.

2.2.2 History of International Floriculture Industry

Before 1970, most of the world floriculture consumption was met by domestic production. Consequently, international trade in these products was largely limited to cross border trade. International trade (i.e. the world market) expanded due to the use of frequent and reliable air transport and the development of advanced receiving, handling and shipping facilities (USITC 2003).

Nowadays, domestic production is declining while global imports of floricultural products are increasing. Demand exceeded supply in the world market in the 1970s and 1980s. It was during this period that Asian countries
including India, Africa and Latin America developed their floriculture production and their export capabilities. Specifically, India has started export of floriculture products from the year 1988. Throughout the 1990s international floriculture production continued to increase. Demand, however, stabilised or increased only marginally in the main consumption markets, which made trading competitive in most markets. Hence, world production of floricultural products (especially of cut flowers, e.g. roses) surpassed demand, resulting in a significant price decline (USITC 2003).

2.2.3 International Role Players

Floriculture producers are spread across the world. The producing countries are discussed in two sections, i.e. European producers and non-European producers.

2.2.3.1 European producers

According to the CBI (2003a), the main producers in Europe were the Netherlands, Germany and Denmark. In recent years, the area under production and number of growers of floricultural products in these northern European countries has declined. The total production has, however, remained stable, as scale enlargement and productivity improvements have taken place (i.e. the average cultivated area per company and output per hectare is increasing).

The CBI (2003a) reported that some of the EU countries (e.g. Belgium, Germany, Finland, France, the Netherlands and the UK) recently had lower levels of cut flower production than in the previous years. In contrast, Eastern European countries such as Hungary and the Czech Republic have had small increases in their production. The development of
the area used for floriculture production varies considerably between the EU countries. Countries showing increases in the area of production are the Mediterranean countries such as Spain and Italy. The Northern European countries such as the Netherlands, Germany and Denmark, decline in the area of production. The total production of cut flowers is fairly stable in the European Union. However, in some instances it is declining. Production is shifting from Northern Europe to Southern Europe. Although there are fewer growers, they have applied high-tech production methods with which they obtain the best quality floricultural products (CBI 2003a). This brings in fierce competition for non-European producers.

2.2.3.2 Non-european producers

According to De Groot (1998), Israel was the main producer in the Middle East. The product innovation, technological development in production and knowledge transfers were the main source of Israel's competitive advantage. The producers of Israel received government support in the form of duty-free concessions in the importing countries through trade agreements. Due to the reduction of import duties by the EU, the EU was their main export destination.

The largest floriculture producers in Asia (the Pacific) are India, Japan, Thailand, Malaysia, Korea and China. India's competitiveness is enhanced through sufficient winter and summer sunshine, high temperatures, good soil and water quality, and low cost production centres and lower labour costs. Approximately 30 per cent of the Indian floriculture production is exported. However, the quality of the products does not meet the European and Asian markets' standards. Japan and China produce mainly for their domestic markets. China has increased its production of cut flowers (De Groot 1998).
The largest African producers are Kenya, Zimbabwe, Morocco and South Africa. Other African competitors are Zambia, Malawi, Tanzania and Uganda. Trade agreements with the EU have facilitated the development of knowledge and infrastructure as well as access to the European markets. The bulk production of floricultural products is destined for the European market, but exports to the Asian markets are also increasing. Poor transport conditions and the unstable political environments in certain African countries are detrimental to the development of the respective floriculture industry. The African countries take advantage of market opportunities such as supplying the European markets during the winter. South Africa is the only African country focused more on the domestic market than on the international market (De Groot 1998).

According to De Groot (1998), the North American (USA) growers supply approximately 90 per cent of their production to the local market. American growers do not experience fierce competition, due to the rigid phytosanitary requirements for imports of flowers. Production in North American region is year-round and the floriculture and horticulture industries are the fastest growing segments in the USA. The two main Latin American producers are Colombia and Ecuador. Colombia's main production is roses and carnations. Colombia's advantages are their favourable climatic conditions, length of day, stable temperatures, relatively cheap and abundant labour and favourable location with respect to the North American market. Rising production costs, low quality and diseases are the factors that hinder Colombia's floriculture production. Ecuador's production areas are growing considerably and are largely focused on roses (AIPH 2004). Ecuador's advantages are their favourable climate, abundant water and cheap land.
2.2.4 Floriculture International Supply Chains

The trade of floricultural products has integrated developing countries with developed countries. The floriculture products and trade in cut flowers, cut foliage, potted plants and bedding plants have strong supply chain integration with different nations in all regions of the global map.

Gibbon and Raikes (2000) further substantiated that global flower commodity chains have been emerging. These chains resemble the fresh vegetable global commodity chain. Malter, Reijtenbagh and Jaffée (1999) informed that exporters of the developing country like India mostly knew about the Dutch auctions as a marketing option for the distribution of flowers. Therefore, direct marketing or supermarkets do not play a large role in the marketing of floricultural products for the exporters of Indian floriculture products.

According to De Groot (1998), the retail outlets no longer simply sell their products to uninformed consumers. Consumers are becoming sophisticated buyers and are therefore much more demanding. Consumers regard quality, environmentally sound production, wide variety, service and price as critical aspects when they purchase floricultural products. Producers have to compete not only in terms of these aspects, but also with other substitute products (e.g. consumers may buy flowers or chocolates for someone's birthday). Along with these changes, there are changes in the wholesale flower markets and in the retail flower markets. New regulations and integrations have changed the markets for floricultural products, for example, the European integration and the democratisation in Eastern Europe. Traditional markets, like France, are becoming saturated and emerging new markets such as the USA and Japan are developing for the floriculture products. Established outlets such as florist shops no longer dominate the
markets of floricultural products. Big retailers are becoming important suppliers to the consumers (De Groot 1998). But, exporters of Indian floriculture products have not concentrated much about the standards of quality and environment. There is no much development of new and indigenous variety of floriculture products.

However, Collinson (2001) informed that consumption patterns of buyers were changing. Buying behaviour has shifted from occasional to regular flower purchasing. This increases supermarket supply chain relationships and erodes the importance of the Dutch auctions. It made the producers increasingly establishing direct contacts with overseas buyers. Hence, the increasing volume of purchases has emphasised the importance of convenience stores (e.g. supermarkets and fuel station shops) as retail outlets. Although supermarkets continue to purchase floricultural products from the auctions in the Netherlands, direct trade with the producers and their import agents has gained considerable importance in recent years. Still, the exporters of Indian floriculture products are not adopting the channels of direct marketing and super market.

2.2.5 Relevance of Global Supply Chain in the Floriculture Industry

According to Thoen et al (2000), it was interesting to observe the production and distribution of cut flowers from a global supply chain perspective, due to both the technical properties and certain aspects of international trade in perishable commodity. For example: Floricultural products, especially cut flowers, are highly perishable. They have a limited marketing and vase life (few weeks at the most).

Due to the high perishability of these products, the distribution of the cold chain needs to be uninterrupted, transportation needs to be efficient
and sales have to be conducted quickly. If the distribution system experiences a breakdown, large product and financial loss might occur. The quality of cut flowers also varies considerably based on the supply chain efficiency and quality of delivery. The government of India has invested for the development of infrastructure facilities for the floriculture industry through planned schemes. No study is found related to the adequacy and impact of such infrastructure development on the Indian floriculture trade in the literatures.

Due to the rapid turnover and differences in quality of floricultural products, market and transaction information play a vital role in the supply chain of these products. Accurate information ensures that the correct products and quality are supplied on a timely basis. It requires extensive communication facilities. So, the floriculture industry has to evaluate the level of growth of communication infrastructure. Such evaluation reports are not available in the literature at present.

Boehlje, Sebrader and Akridge (Thoen et al 2000) pointed out that floriculture growers and exporters could maintain their positions in their supply chain by possessing resources and capabilities that are difficult to substitute by the competitors. In the short term, they were able to receive protection from the expertise (e.g. knowledge on the production and harvesting systems) and relationships (e.g. relationships with overseas buyers that are based on trust) they had built up over time. Their expertise and relationships made them less vulnerable to substitution within the supply chain. But, the exporters of Indian floriculture products were unable to establish such capabilities and expertise as they are using only auction as channel of export.

In essence, the floriculture industry is dynamic. Only those suppliers who can provide the products and services that are difficult to substitute will remain competitive in this industry.
2.2.6 International Floriculture Market Types

The Kaiser Study (2000) has identified five types of international markets. The Kaiser Study (2000) has also identified these various markets' attributes with respect to floriculture industry. They are discussed below.

2.2.6.1 Volume markets

These are developed markets that import the greatest volume, e.g. Germany, UK, France and Italy. The strength of the volume markets is Size. The size of the volume market is $1 billion (bn) to $6bn per market and accounts for 90 per cent of the EU imports of floriculture products. Although imports are subject to EU phyto sanitary regulations, these regulations are fairly relaxed. All of these markets have well-developed distribution infrastructure, except Italy. These markets are receptive to new and exotic floricultural varieties.

2.2.6.2 Emerging markets

These markets are underdeveloped, of medium quality and indicate high growth, e.g. the Czech Republic, Poland, Hungary, Greece, Portugal and Spain. The emerging markets have a forecast for strong growth (more than 20 per cent) of floriculture products. They have a low sensitivity to product quality. There is a relatively low intensity of competition. But, these markets are small in market size (less than $500m each), with small populations. The Per capita spending is low on floriculture products. The distribution infrastructure is underdeveloped compared to other floriculture markets. The retailer distribution is also limited. Therefore, there is a limited scope for 'direct sales'. Moreover, emerging markets are immature and have minimal demand for new exotic varieties.
2.2.6.3 Evolving markets

These are developed markets that are opening up and have increasing export potential, e.g. Japan, UK and the USA. The imports of evolving markets are subject to large EU import tariffs. These markets have had slow growth (less than 3 per cent), except for the UK (more than 15 per cent). These markets are very sensitive to quality. Fierce competition exists in these markets as a result of the intra-EU trade, particularly in the Netherlands. These markets provide to the masses, due to the growth in the supermarket channel. This type of channel is becoming increasingly price sensitive. There is a significant (increasing or decreasing) pressure on airfreight.

But, these markets are having huge retail presence. They show reasonable growth rates (5 to 10 per cent), particularly in the amounts of imports. Evolving markets are dominated by traditional varieties, but significant demand is developing for new exotic varieties in recent times. These markets have well-developed distribution infrastructure. Domestic and neighbouring suppliers dominate the markets. They have strict phytosanitary requirements. These markets are quality sensitive.

2.2.6.4 Niche markets

These are medium-sized, highly developed and high per capita spending markets, e.g. Switzerland and Sweden. The strength of the niche market is high per capita spending on floriculture products. These markets have good distribution infrastructure and scope for increasing direct sales to supermarkets. The phytosanitary requirements are relaxed. The niche markets are highly price and quality sensitive. There is little potential for long-term growth in these markets.
2.2.6.5 Redistribution markets

These markets act as a primary re-distributor of floricultural products, e.g. the Netherlands. These markets were evaluated in terms of their overall market size, their capacity to import, the import tariffs, phyto sanitary requirements, local distribution capabilities and the intensity of competition in the markets. This market provides a cost-effective way of reaching low volume markets for floriculture products. These markets are highly competitive. There are significant mark-ups on quality, which increases costs. The redistribution market is highly price sensitive.

In summary, volume markets are favourable in terms of their size and preferences for all product types. Evolving markets are importing more than before and have well-established distribution networks. Despite their high growth rates, emerging markets are too small to generate significant foreign currency. Finally, niche markets are difficult to serve, as they impose high quality requirements (The Kaiser Study 2000).

The exporters of Indian floriculture products are not operating in all these markets, as they lack exposure and understanding of these markets.

2.2.7 International Floriculture Trade

Van Liemt (1999) stated that the international trade of floricultural products was largely organized along the regional lines. The Asia-Pacific countries are the main suppliers to Japan and Hong Kong. Both New Zealand (70 per cent) and Taiwan (90 per cent) sell their products to Japan. The suppliers to Hong Kong were China, Taiwan, Malaysia, Singapore and New Zealand. African and other European countries were the principal suppliers to the European markets. For example, Kenya (60 per cent), Zimbabwe
(80 per cent) and Zambia (90 per cent) send their exports to the Dutch auctions. The USA was mainly supplied by Colombia and Ecuador. Both countries export more than 70 per cent of their products to the USA. But, the empirical data on the export of Indian floriculture products showed that Indian floriculture export was not aligned much with regional lines.

According to Van Liemt (1999), Germany is the main market for imports and the Netherlands is the world's leading exporter. The world export of floriculture products has grown significantly over the past few years. The growth of number of competitors in the floriculture industry has also influenced the increase in the trade (Pathfast Publishing 2004).

Europe is the primary source of the world's exports. However, developing countries are increasing their market share every year. Only the Netherlands has been able to maintain its position.

2.2.8 Imports of Floriculture Products

According to UNCOMTRADE statistics, the total world imports of floricultural products were approximately US$8.609 billion in 2000. It has risen to US$ 16.541 billion in 2010. Van Liemt (1999) points out that Europe imports around 70 per cent of the world imports (mostly intra-European trade). Germany is the largest import market for floriculture products. The German market imports account for one third of the total European imports. Other important European markets are the United Kingdom and France. The Netherlands re-exports a large proportion of their floricultural imports than domestic consumption. Non-EU countries such as the USA, Japan and Switzerland are also large import markets for floricultural products in the recent years.
2.2.9 International Floriculture Trade Structure

The international trade structure means the existing system or pattern of floriculture trade internationally. The international trade structures of the two product groups, cut flower product category and foliage or plants category, are discussed in the following sections.

2.2.9.1 Cut flowers and foliage

According to the CBI (2003a), developing countries export cut flowers and foliage to the EU through four channels. They are auctions, agent, import wholesaler or directly to European retail chain.

2.2.9.2 Auctions

Auctions were developed over a century ago to sell highly perishable fresh products (Malter et al 1999). The first flower auctions were set up in the early 20th century in the Netherlands. Nowadays, there are ten floriculture auction centres in Europe. Four of them are in the Netherlands. There are three auction centres, namely the Aalsmeer Flower Auction (VBA), FloraHolland (both in the Netherlands) and the NBV-UGA (in Germany), that facilitate the foreign suppliers at the auction centre. The other auctions are oriented towards the marketing of local floriculture production (CBI 2003a).

Apart from the Dutch auction centres, a computerised auction centre also operates in the trade of floricultural products. East African Flowers, the largest private non-EU importer of produce, established the Tele Flower Auction (TFA) in 1995. The TFA only focuses on imports from outside of Europe.
The CBI (2003a) stated that a grower needed an annual licence in order to be able to supply to an auction. The licence indicates that the grower may supply specific varieties of a certain quality over a specific period. The requirements for such a licence are that the grower has to have the capacity to supply of floriculture products to the volume of three flights per week and supply an agreed percentage of his total production or output. If the grower fails to comply with these requirements, his licence will not be renewed the following year. Hence, the small and marginal exporters of the floriculture products from India could not get licence for auction. They are purely depending on the large exporters or merchant exporters. It decreases the price realisation of the small growers.

2.2.9.3 Agents

As auction centres only provide import infrastructure such as roller beds for airplane pallets and satellite offices in supplying countries, the exporters rely on external agents to perform the various import functions such as cutting, dehydrating and repacking of flowers. Therefore, agents form part of the auction supply chain. A grower can supply directly to an auction or supply to the auction via an agent. The importance of agents has increased as they transport the flowers from the airport to the auction centre. Then, they pack the flowers according to the auction's regulations. The agents establish the link between exporters who lack local representatives and the auctioneers (CBI 2003a).

Recently, agents have increased their importance by providing a wide range of services such as consultancy to exporters, product innovation and marketing information and import materials. These activities have increased the exporters' competitiveness by allowing them to achieve higher
levels of consistency and quality of supply of floriculture products (CBI 2003a).

2.2.9.4 Wholesaler

Exporting directly to European wholesalers is suitable for large as well as small to medium-sized exporting companies. The costs of direct exports may be less than selling via the Dutch auctions. The handling costs are 20-25 per cent of the auction revenue approximately. When floricultural products are exported directly to other European countries, prices are not augmented by such costs (CBI 2003a).

The import wholesaler provides various functions to the exporters, such as information about the quality standards, packaging, presentation and assortment of floriculture products. Import wholesalers provide valuable advice on the technological advancement in production methods, young plant material, transportation and handling care to the floriculture exporters. Many importing wholesalers also act as export wholesalers (CBI 2003a).

2.2.9.5 Retail chains

According to the CBI (2003a), it is a growing trend for European retail chains (e.g. supermarket chains, do-it-yourself stores or garden centres) to purchase large volumes of flowers directly from growers and coordinate logistics across diverse markets. Hence, these chains avoid the auctions. The reason for this extension in the sales of cut flowers is that the supermarkets are broadening and diversifying their product portfolios. The supermarkets intend to buy directly from growers through long-term contracts. African producers are capable of producing large volumes for a set price, making them attractive to supermarkets (Van Liemt 1999). For example, the exporters
in Kenya have tailored their production operations to sell directly to the European retail outlets. However, the ability of an exporter to supply this chain is dependent on specific requirements (e.g. MPS and EUREP GAP). This requires significant investment in pre-production and post-production facilities and operational quality systems (e.g. ISO). Additional costs may occur if the retailer requires specific packaging in terms of marketing and labeling (CBI 2003a). These requirements are not met by the exporters of Indian floriculture products.

2.2.10 Non-Tariff Trade Barriers on Floriculture Products

Several non-tariff barriers have to be taken into account when a producer intends to export the floral products. They range from legislative requirements, phytosanitary issues (i.e. regulations which prevent the introduction of pests and diseases that are not as yet present in the EU) environmental regulations and social obligations concerning the growing and harvesting conditions of the plants and flowers (CBI 2003a). These barriers are applied based on domestic production of floriculture products. It results in fluctuations in the export of Indian floriculture products.

2.2.11 Legislative Framework for International Floriculture Trade

According to the CBI (2003a), breeders create new varieties of a certain size and appearance, that are resistant to diseases and that can adapt to certain climatic and agricultural conditions. These new varieties are available to producers, enabling them to diversify their product range. Therefore, in order to compensate the breeders for their efforts, producers need to pay royalties to the breeders or acquire licences from them. The new varieties can only be obtained through the breeder and may not be reproduced. Several protection frameworks exist to protect new plant varieties. At international
level there is the International Union for the Protection of New Plant Varieties (UPOV). At European level, there is the Community Plant Variety Office (CPVO) and in other countries there are national plant registration offices. India is not utilised these facilities yet.

2.2.12 Quality and Grading Standards for International Floriculture Trade

The first specification of product quality, according to the CBI (2003a), is the EU regulation 316168 and the Federation of Dutch Flower Auctions' (VBN) product specifications. As the quality of floricultural products demanded by European traders and consumers is very high, the VBN has laid down product specifications that stipulate the products' quality, their grade, packaging, and information that have to be provided on the products' packaging.

2.2.13 Trade-Related Environmental Issues for Floriculture Industry

An important environmental programme discussed by Van Lient (1999) is the Floriculture Environment Programme, i.e. Milieu Project Sierteelt (MPS).

The MPS was created by the Dutch floriculture sector, in response to consumers' concerns about the way in which floral products were being produced. MPS helps:

- Raise the awareness of the grower.
- Improve the floriculture sector's generally poor image.
- Record and minimise the use of fertilizers, energy and wastage by the participating growers.
The CBI (2003a) states that MPS is a business-to-business label, thus the consumers are not aware of this commitment (in contrast to eco-labels). Once a grower has met the requirements of the environmental audit, he receives the label and will be checked regularly. Although MPS graded flowers and plants are priced the same as non-MPS products, the MPS-graded products are of a higher quality. It is often difficult for developing countries like India to obtain the MPS label, as the audits are expensive and the quality requirements are based on those of the developed countries. It is, however, a marketing and management instrument that could provide a competitive advantage.

### 2.2.14 Trade Related Environmental Issues for Floriculture Industry

According to the CBI (2003b), the main health and safety concern in the floriculture industry is the use of pesticides, as it could have adverse implications at the production site, as well as on the competitiveness of the products on the European markets. Other important health and safety issues are good housekeeping (e.g. emergency provisions and hygiene precautions), safety of machines and physical straining.

Large role players in the German floriculture industry (e.g. the flower importers, wholesalers and the German florist's association), together with human rights and development organisations developed the Flower Label Programme (FLP) in 1998. The FLP sets standards of human rights and environmental protection for floriculture farms. Countries become members of the FLP, once they comply with the FLP standards (CBI 2003a). India is not a member of FLP.

Another label, that aims to improve the working and living conditions of the floriculture industry and the environment, is the Fair
Flowers and Plants (FFP) label. This label has not yet been implemented in the market (CBI 2003a).

2.2.15 Trade Related Social, Health and Safety Issues

The CBI (2003a) explained that packaging was used to protect the floral products against mechanical damage (e.g. the handling of carton boxes and vibrations during transport) and to create a more favourable microclimate (i.e. the climate required to keep the floral products fresh). Packaging is very important, as it influences the floriculture products' quality and vase life.

As the trade in floral products generates a considerable amount of packaging waste such as boxes, trays and plastics, it is advisable for producers to use environmentally sound packaging (which can be re-cycled and re-used) (CBI 2003b).

2.2.16 Tariff barriers on International Floriculture Trade

In general, all goods entering Europe are subject to import duties. The level of tariffs depends on the country of origin and the product itself. In the 1970s the developed countries designed the Generalised System of Preferences (GSP). The aim of the GSP is to promote and support the exports from developing countries by granting them preferential access to the internal markets of developed countries. Imports from developing countries are admitted at a reduced tariff and imports from the least developed countries at a zero percent tariff. The preferential rights were reviewed, and in 1997 a new scheme of preferential rights was established. Two conditions are attached to the application of the GSP preferential tariff. Firstly, only goods originating in a beneficiary country are eligible for GSP treatment. Secondly, the goods must be exported directly from the exporting country to the EU. At present,
179 countries including India take part in the GSP scheme where they receive some trade preferences (CBI 2003a).

According to the CBI (2003a), the import duty is calculated based on the Inco term used in the international sales transaction. An Inco term stipulates the risks, costs and responsibilities of both the buyer and seller in an international transaction.

2.2.17 Global Competitiveness based on Floriculture Products and Varieties

A product range can consist of several different product groups (range width, e.g. cut flowers), each with several different products (range depth, e.g. roses). Each product can consist of several varieties. For example, hundreds of rose varieties exist (CBI 2003a).

In recent years, several trends have developed in the demand and market of floricultural products, especially in cut flowers. According to Thoen et al. (2000), one such trend is product diversification within the market in response to consumer demand for greater variety. Consumers demand a wider range of flower varieties, scents and colours. New varieties are added to the market every year. These varieties receive a higher price than the varieties that have been traded commercially for some time. For example, in 1996 a new rose variety 'Black Beauty' was sold at a price ten times more than the 'Garnette', which had already been traded on the market for a long time (Van Liemt 1999).

Thoen et al (2000) stated that the share of the leading flower varieties within the Dutch auction system had declined from 75 per cent to 64 per cent between 1991 and 1997. (The share of roses, for instance, has
declined from 24 per cent to 20 per cent.). Other leading varieties such as chrysanthemums and carnations have also declined in that period. This declining trend has continued with other related to products too. It accelerated life cycle of particular varieties of cut flowers. The reason for this advancement is the increase in demand for new varieties. The suppliers, researchers, seed companies and flower distributors are responding to this demand. Pressure is placed on growers, as the demand for their products does not last as long as before.

This is most evident in the case of roses (the average life cycle for roses is five to seven years). For example, the variety 'First Red' fetched a price of 74 Dutch cents in 1995. In 1998 it fetched 44 cents. This indicates that the preference for this variety has decreased, thus shortening life cycle of the product as well as variety (Thoen et al 2000).

### 2.2.18 International Consumption of Floriculture Products

The per capita consumption of floricultural products varies substantially between the markets. According to Thoen et al. (2000), per capita consumption has increased because flowers are no longer considered luxury items or reserved for holidays and ceremonies. Thus, it is moving away from the idea market to the lifestyle market. The per capita consumption is highest in Switzerland, the Netherlands and Norway. Slow economic growth may have an impact on per capita consumption in various European countries.

Per capita consumption of cut flowers increased in Belgium, China, Denmark, France, Greece, Hungary, Ireland, Croatia, the Netherlands, Austria, Portugal, Russia, Slovakia, the Czech Republic, the UK, Sweden, and Switzerland.
2.1.19 International Floriculture Market Segmentation

People purchase flowers and plants for various reasons. There are two types of consumer markets, i.e. the idea market (when consumers purchase floral products for special occasions) and the lifestyle market (when consumers buy floral products for their homes and workplaces).

2.2.20 Current Trends in International Floriculture Market

A trend can be defined as both the direction in which something is developing (tendency, inclination, and line of development) and the latest fashion. According to the Flower Council of Holland (2004), fashion and fashion developments are not only restricted to clothes nowadays. They move into every area of the consumer's life, affecting behaviour, design and use of colour. Flowers and plants need to fit into these moods. In this sense, it is susceptible to trends. Varieties and colours both need to fit into the latest fashion image.

The first and foremost trendsetters, who define fashion, are the designers. However, the media plays a pivotal role in ensuring that the work of various designers is brought to the attention of the consumer. (Flower Council of Holland 2004).

According to the Flower Council of Holland (2004), trends can be divided into different style groups of floriculture consumers. The consumers' consumption patterns vary according to their geographical region, their income, as well as the magazines they read and the shops where they buy their home accessories. Thus, various consumer groups can be identified.
The CBI (2003a) states that European consumers expect flowers to be colourful and beautiful, as they attach emotional value to the flowers. For example, roses indicate love and lilies are a symbol of purity. The criteria that consumers set when purchasing flowers are quality (36 per cent), price (13 per cent), the species of flowers used in bouquets (13 per cent) and the colour of the flowers (10 per cent). Further criteria for flowers are freshness, long vase life and scent.

Several consumption trends can also be identified for plants. Flowering and green houseplants are becoming increasingly popular due to their year-round availability. (CBI 2003b)

2.2.21 International Pricing Scenario of Floriculture Industry

The world market prices for floricultural products are set at the Dutch auctions due to their large market share. The prices of these products are influenced by both the products themselves and by external factors such as holidays and festivals. The CBI (2003a) outlines the factors that influence producers' prices of cut flowers. Those are seasonality, variety, size of buds, stage of opening of buds, uniformity of bud-opening stage, colour-brightness of flower, bud damage, uniformity of stem length per bunch, uniformity of bud size per bunch, consistency within and between consignments, colour and quantity of leaf, freedom from chemical deposits and water-marking, freedom from pests and diseases, packaging, overall appearances, temperature of flowers on arrival, vase life, regularity of consignments and buyer's previous experience of suppliers.

According to Van Liemt (1999) and the CBI (2003a), the prices of cut flowers have several factors which cause them to fluctuate. The average annual prices of cut flowers have been fairly constant and in some cases been
declining in the past few years. This is due to the accelerated growth of the market. Excess supply in the market than the demand is causing the decline in the prices in the past few years. The price of roses has experienced the sharpest price decline of all major flower types.

The review of literatures related to the international and Indian floriculture industry has given a detailed background for this research. It helps to identify the various research gaps in the previous research related to international floriculture trade and the related problems.

2.3 REVIEW OF INDIAN TRADE POLICY

The Department of Commerce, Ministry of Commerce and Industry, Government of India, is publishing the Indian trade policy document in the gazette of India under different notification numbers periodically. The following sections review the Indian trade policy measures which are published through such notifications, since independence, with special reference to floriculture industry.

2.3.1 The Indian Trade policy: Prior to 1991-92

The import export act in India was introduced by the British government during the Second World War. It lasted for around 45 years in governing Indian export and import policies. Even after independence in 1947, annual policies were introduced by the Indian government based on the guide lines of this old export import act for regulating the export and import in India till 1985.

In the year 1962, the Government of India appointed a special Exim Policy Committee to review the government previous export import policies.
The committee was later on approved by the Government of India. Then, the Indian government announced the Exim Policy on the 12th of April, 1985. Initially the EXIM Policy was introduced for a period of three years with main objective to boost the export business in India. Between 1985 and 1992, three year Exim policies were made and then five year policies were made from 1992 coinciding with five year plans 1992-97, 1997-02, 2002-2007, 2002-09, 2009-14.

The Indian foreign trade policy can be divided into two parts. That is,

- The trade policy before the adoption of medium term EXIM policy in 1985
- Since adoption of EXIM policy in 1985

The geneses of the trade policy till 1985 are focused on import substitution, high restrictions on import and technology up gradation for export.

During the 1980s and before, India had a comprehensive import licensing system, under which, imports of many products were effectively banned and most others were subject to stringent import licensing. The principal exceptions were inputs needed by exporters and a number of “essential” products such as food grains that could only be imported by government import monopolies. The restrictions on imports of raw materials and manufactured intermediates were removed during India’s 1991/92 reforms, but imports of nearly all industrial consumer goods and agricultural products continued to be restricted, either by import licensing which operated as a *de facto* import ban in most cases, or-especially in the agricultural sector- by “canalisation” through government agencies such as Food
Corporation India. The average tariff rates for import were almost 130% in 1990/91 period.

In June 1992, this act was superseded by the Foreign Trade (Development and Regulation Act), 1992 and give birth a series of trade policy measures till now. These policies are discussed in brief in the following sections with special reference to floriculture.

2.3.2 The Indian Trade Policy: After 1991-92 with special reference to floriculture

The Foreign Trade (Development and Regulation Act), 1992 had the following frame work.

- Policy measures
- Institutional set up
- Import facilitation for export production
- Cash subsidies
- Fiscal incentives
- Foreign exchange facilities
- Export incentives
- Export production units
- Custom and excise duties drawback

This new policy focused mostly on industrial tariffs. But, there were three major omissions in this policy. Those are Agriculture including floriculture, livestock, fisheries and processed foods (HS 01-24), Textile fabrics and clothing products, about half of which continue to be protected by
specific tariffs and a few important manufacturing sectors, notably the auto and fertilizer industries.

2.3.3 EXIM Policy 1992-97: Export Promotion Measures

When the Eighth Plan commenced, the three-year Import-Export policy (1990-93), valid until March 1993 was in operation. With a view to reinforcing the trade policy reforms and complementing the fiscal, industrial and investment measures, the new five-year Export-Import Policy (1992-97) was introduced with effect from April 1992. For the first time, the policy was given an export bias. Earlier this policy was known as Import-Export policy; the new policy was titled, Export-Import policy (EXIM Policy). Several schemes were introduced or modified to eliminate regulatory measures and discretionary controls impinging on free trade. Major schemes which are relevant to India’s exports and imports of floriculture products are briefly discussed in the following pages.

Just before the launching of the EXIM Policy 1992-97, on March 1, 1992, the Liberalised Exchange Rate Management System (LERMS) was introduced. Under the LERMS, exporters were required to surrender 40 per cent of the foreign exchange earnings at the official exchange rate. The exporters were allowed to sell the remaining 60 per cent of the foreign exchange or use it to finance their own imports. The facility was not given to exporters in the pre-reform period.

With effect from June 1992, the 15% Foreign Exchange Conservation (Travel) Tax was abolished. The travel tax had become redundant with the introduction of partial convertibility of rupee and Liberalised Exchange Rate Management System (LERMS) under which foreign exchange for travel had to be obtained at the market rate. Along with
this change in the exchange rate regime, the import licensing system was abolished for capital goods, intermediates and components; these items could be imported on open general licence (OGL) subject to payment of tariffs (Ministry of Commerce).

To promote investment by Non-Resident Indians, a new deposit scheme was introduced in June 1992, under which accounts in Indian rupees could be opened with authorised dealers by remittance of funds in freely convertible foreign exchange from aboard or by transfer of funds from the Non Residential Indians (NRI) accounts. No penalty was to be levied for premature withdrawal of existing non-resident deposits for the purpose of making investment in the proposed scheme. In March 1993, the exchange rate was unified and transactions on trade account were freed from exchange control.

The Export promotion capital goods (EPCG) scheme was introduced to liberalise capital goods imports in order to boost exports. The EPCG scheme allows exporters to import machinery both new and second-hand duty free or at concessional duty if the importer agrees to achieve a fixed export target within a specified period of time. Exemptions are available for certain sectors like agriculture and garments even if the minimum floor limit is not met. Industry uses this scheme for modernisation and up gradation purposes.

This situation is analogous to the Chinese reform process. When the Chinese reform started in 1978 with the introduction of the Household responsibility system replacing the commune system, economic growth surged in the following years.
The other major schemes are as follows: Duty Exemption Scheme (DES) and policies enlarging the scope of instruments of export promotion such as export oriented units (EOU), export processing zones (EPZ), joint ventures and different types of trading houses.

The export oriented unit (EOU) and export promotion zone (EPZ) schemes were liberalised. 100 per cent foreign equity participation in EOU/EPZ units was allowed (Ministry of Commerce).

The EXIM Policy 1992-97 was modified in March 1993 giving a new thrust to exports of agricultural and allied sectors, and services in which the country has a comparative advantage. Ironically, minimum export price was introduced to discourage the export of selective items of agriculture, horticulture and floriculture products. This was a step backward from marching towards free trade and also not in the interest of the farmers because the border price for those products was lower than the international price during the early nineties.

The EXIM Policy was modified in 1995 to boost agricultural and allied exports. The highlights are discussed below.

In the category of agricultural and food exports only beef and tallow were in the negative list during 1995-96. Horticulture and floriculture exports were encouraged by providing various supports schemes to farmers. As a consequence to these policy changes, fruits, vegetables and flowers emerged as export products. EOU's in floriculture have been facilitated for export of the floriculture products. Airfreight subsidy was provided a boost to floriculture export items.
2.3.4 EXIM Policy 1992-97: Imports Liberalisation

In 1990, prior to economic reforms, India’s peak tariff was at 300%. During 1992-93, the peak rate was reduced to 150% (WTO, 1998). The Government also introduced a system of value-based advanced licences to export houses, trading houses and star trading houses which permitted duty free imports of necessary raw materials as components up to a stipulated ratio of the value of anticipated exports. Special Import Licences (SIL), which could be traded in the market, were issued to certain categories of exports like exports to Asian clearing union countries, deemed export, trading houses and manufacturers who have acquired the ISO 9000 or other international certificating quality.

2.3.5 EXIM Policy 1997-2002: Export Promotion Measures

After completing the first EXIM policy period successfully in the mid of 1997, the second EXIM policy was introduced with ambitious missions and growth impetus for the period 1997-2002. Some of the major policy changes in EXIM policy 1997-2002 which are related to floriculture industry are discussed below.

Duty Entitlement Pass Book (DEPB) scheme was modified to neutralise not only the basic customs duty but also the special customs duty which was introduced as a temporary measure in 1998.

In order to promote trade among SAARC countries, India unilaterally removed all Quota Restrictions (QRs) on imports of 2300 items from SAARC countries with effect from August 1, 1998. On December 28, 1998, a free trade agreement was concluded between India and Sri Lanka which would result in zero import tariffs for most commodities on both sides
by 2007. Following the third round of negotiations held under SAARC Preferential Tariff Agreement (SAPT), the Revenue Department notified on August 11, 1999 concessional customs duties - ranging from 25 per cent to 60 per cent for least developed countries (Bangladesh, Maldives, Nepal and Bhutan) and 10 per cent to 50 per cent for the other three countries, covering items in 1800 tariff lines which account for 60 per cent of imports (Ministry of Finance).

On March 31 1999, Special Economic Zones (SEZs) was announced with a view to providing internationally competitive and hassle free environment for exports. Together with the Foreign Direct Investment policy initiatives for SEZs, it is expected that these zones will have the potential to act as "magnets" for investments for export production from home and abroad. As a first step, four existing Export Processing Zones (EPZs) at Kandla, Santa Cruz, Cochin and Surat were converted into SEZs with effect from 1 November, 2000. Setting up of new SEZs in the following areas has been progressing steadily: Positra (Gujarat), Nangunery (Tamil Nadu), Kakinada-Vizag (Andhra Pradesh), Paradip (Orissa), Kulpi (West Bengal) and Bhadodhi (Uttar Pradesh). However, their success will depend on how effectively domestic regulations and infrastructure bottlenecks are eliminated in these zones. In order to provide an impetus to infrastructure development deemed export benefits have been extended to infrastructure projects with a minimum investment of Rs. 100 Crore.

With the view that agriculture is the responsibility of state governments, the central government has insisted through the revised EXIM policy of 1997-2002 that the state governments should identify and develop product-specific agricultural export zones (AEZ). It is expected that the states will identify product-specific AEZ for end-to-end development from a geographically contiguous area. They will also have to evolve a
comprehensive package of services provided by all state government agencies, agricultural universities, and some Central institutions and agencies for ‘intensive delivery’ in these zones. The AEZ would have access to the Centre’s proposed market access initiative, which will provide market research, warehousing and retail marketing infrastructure in select countries, and direct market promotion activities. Two AEZ exist, one in Tamil Nadu, exclusively for floriculture (near Hosur) and another are in Gujarat.

2.3.6  EXIM Policy 1997-2002: Imports Liberalisation

The total numbers of customs duty rates during 2001-02 are 35 percent, 25 per cent, 15 percent and 5 per cent. The Special Additional Duty imposed in 1998-99 (for all products except for petroleum products) is still applicable. However, the surcharge of 10% on basic duty that was introduced in 1998-99 is now removed. At present, most consumer goods, which have been in the free list of imports effective 1 April 2000, are being placed at the peak rate 35 percent plus the surcharge. A number of agricultural and horticultural products placed on the free list of import in earlier years are being brought to the peak rate to ensure adequate protection to Indian farmers.

The main approach of the Government Policy has been to regulate international trade in a manner to ensure adequate availability of essential food items to consumers at reasonable prices and to protect farmers from foreign competition. Concerning exports, the objective is to maximise agricultural exports, especially commercial crops like floriculture, in order to earn foreign exchange and provide remunerative prices to the farmers keeping in view the prime consideration of ensuring adequate availability of essential commodities to the domestic consumers at reasonable prices.
The 2000-2001 budgets reduced the peak rate to 38.5 percent. However, the additional special duty and countervailing duties add up and increase the tariff. Thus, simply comparing the peak rates will not give a real picture of trade restrictions. Though the peak rate is used as a guide for imposing tariff, applied tariff can be much higher but below the bound rates. India’s applied rates on several items are still very high compared to the ASEAN countries.

The reason for the continuation of QRs was that the Indian producers could not compete with the best in the world. The industries that have been reaping the benefits of QRs now want the government to provide a level playing field. There are also pressures to provide them protection through high tariff walls (Mehta, 2000). It is also contended that Indian exporters still face many obstacles which affect their export prospects, for example, reservation of items for the small scale sector, labour laws which restrict flexibility in hiring and firing, and complicated port procedures. Even when India borrows the Chinese model of SEZs, it still applies the existing labour laws to units in the SEZs. Similarly reservation for small scale sector in sectors constrains India’s export prospects.

2.3.7 EXIM Policy: 2002-2007

The EXIM Policy for 2002-07 is the first policy which had to be formulated keeping in view all the commitments India had made under the WTO. The previous year, all quantitative restrictions on imports were removed. In the 2002-03 year’s budget, the Government has announced its plan to bring down tariff rates substantially over the next few years. While such integration process is expected to increase imports, the export performance in 2001-02 has been dismal. As against a growth rate of 19.6 percent in US dollar terms in 2001-02, the rate has slumped to 0.6 percent
during April-December 2001 period. The Ministry of Commerce has announced a Medium Term Export Promotion Strategy which aims at raising India’s share in global exports from the current level of 0.6 percent to 1 percent by the end of Tenth Five Year Plan (2002-2007).

The EXIM policy 2002-07 Policy retains the popular DEPB scheme, because it was found to be WTO-consistent. Since the complete VAT system is still not in operation, the Scheme has to be retained. Other export promotion schemes, such as EPCG will also continue to operate.

Providing subsidy to reduce freight disadvantage for exports is allowed under the WTO rates. Taking advantage of this provision, the Policy extends export freight subsidy to several agricultural products including floricultural, horticultural and dairy products. Further, the Policy proposes to work out suitable transport allowance for export of the large accumulated stocks in India.

All quantitative restrictions on agricultural product exports have been removed, except on a few items. Special Economic Zones will continue to constitute the main institutional form to promote exports. Several new fiscal concessions have been granted to SEZs in this year’s policy.

For the first time in India, Overseas Banking unit will be permitted under 200-07 year’s Policy to be set up in Special Economic Zones. These units will practically act as branches of foreign banks. They will be able to provide world-class financing facilities to SEZ units as well as the private sector firms which will be involved in developing infrastructure in SEZs.

To promote agro-exports, the concept of Agro-Processing Zones was introduced in the previous year. Twenty such Zones have already been
set up. The Policy proposes to catalyse the development of infrastructure in these zones, flow of credit and other facilities in consultation with the respective State Government where these zones are located.

With a view to diversifying India’s export markets, Focus Africa has been launched in the line of Focus Latin America which was then in operation. The first phase of the Programme will cover seven countries with large export potential. The countries are Nigeria, South Africa, Mauritius, Kenya, Ethiopia, Tanzania and Ghana.

The Market Access Initiative was introduced in the previous year. The Initiative finances activities directed to export market promotion based on country-products focus. The scheme is also being strengthened with an outlay of ₹42 Crore in 2002-2003.

The ASIDE (Assistance to States for Infrastructural Development for Exports) is being strengthened. ASIDE would provide funds to the States based on the twin criteria of gross exports and the rate of growth of exports of each state. 80 percent of the total funds would be disbursed based on these criteria while the rest 20 percent will be utilized by the Centre for infrastructural development. ₹330 Crore have been allocated to this scheme for 2002-03.

Reducing the high incidence of transaction costs has been a major area of concern for the last few years. This year’s Policy has made a concerted effort to tackle this issue.

Measures to be taken include (a) adoption of a new commodity classification for imports and exports by Central Board of Excise and Customs, DGFT and Directorate General of Commercial Intelligence. This
will eliminate the possibility of disputes arising out of classification of commodities, (b) simplification of all export promotion schemes, (c) reduction of the maximum fee limit for application under various schemes, (d) licence being issued within 24 hours in all regional offices of DGFT, (e) reduction in percentage of physical examination of export cargo, (f) fixation of band drawback rate within 15 days, (g) exporters will be allowed to negotiate export documents directly, thereby saving back charges.

The five-year Exim Policy 2002-07, aiming at 11.9% export growth and achievement of 1% share (from the present 0.67%) in global exports by 2007, has been announced on March 31st, 2002 by Ministry of Commerce. The focus of the policy is to provide an enabling environment to make exports easier by bringing procedural simplifications under various operative schemes.

Special Economic Zone (SEZ) Units are permitted external commercial borrowing for tenure of less than 3 years. 20 Agri exports zones to be notified (15 notified already by March 31). Units in SEZ will have full income tax exemption on export profits for the first 5 years of operation and 50% of the export profits for the next two years would get tax exemption.

A new 8 digit commodity classification for imports adopted from 1st April 2002 instead of earlier 10 digit Exim code based on DGCIS classification. This will also be adopted by Customs and DGCI&S. This has set a stage for full compatibility between the DGFT, Customs and DGCI&S.

No penalty for non-realization of export proceeds in respect of cases covered by ECGC Insurance package. Foreign inward remittance certificate (FIRC) to be accepted in lieu of Bank Realization Certificate for documents negotiated directly.
Duty exemption entitlement certificate (DEEC) was abolished and advance license for annual requirement (AAL) scheme was withdrawn.

Though the EXIM policy, which was implemented in 2002, had the validity till 2007, the change in the central government in the year 2004 led to end the EXIM policy in the year 2004 itself. The newly formed government formulated the EXIM policy 2004-2009.

2.3.8 EXIM Policy: 2004-2009

The EXIM policy 2004-09 has many features and highlights. But, the following are the major Export Promotion Schemes with special reference to floriculture exports.

(a) Target plus

A new scheme to accelerate growth of exports called ‘Target Plus’ has been introduced. Exporters who have achieved a quantum growth in exports would be entitled to duty free credit based on incremental exports substantially higher than the general actual export target fixed. Rewards will be granted based on a tiered approach. For incremental growth of over 20%, 25% and 100%, the duty free credits would be 5%, 10% and 15% of FOB value of incremental exports.

(b) Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme)

Another new scheme called Vishesh Krishi Upaj Yojana (Special Agricultural Produce Scheme) has been introduced to boost exports of fruits, vegetables, flowers, minor forest produce and their value added products.
Export of these products shall qualify for duty free credit entitlement equivalent to 5% of FOB value of exports. The entitlement is freely transferable and can be used for import of a variety of inputs and goods.

(c) **Served from India Scheme**

To accelerate growth in export of services so as to create a powerful and unique ‘Served from India’ brand instantly recognized and respected the world over.

(d) **Central Assistance to States**

The State Governments were encouraged to participate in encouraging exports from their respective states. For this purpose, suitable provisions were made in the Annual Plan of the Department of Commerce for allocation of funds to the states on the twin criteria of gross exports and the rate of growth of exports from different states. The States could utilise this amount for developing complementary and critical infrastructure such as roads connecting production centres with the ports, setting up of Inland Container Depots and Container Freight Stations, creation of new State level export promotion industrial parks/zones, augmenting common facilities in the existing zones, equity participation in infrastructure projects and any other activities as may be notified by DGFT from time to time.

Financial assistance is available under the scheme to the export promotion councils, industry and trade associations and other eligible entities, as may be notified from time to time, on the basis of the competitive merits of proposals received in this regard for the following purposes.
(e) Market Access Initiative

- Marketing studies on country product focus approach basis, setting up of common showrooms under one roof and warehousing facility in the identified centres on the basis of marketing studies in important cities abroad.

- Participation in sales promotion campaigns through international departmental stores, publicity campaign for launching identified products in selected markets, participation in international trade fairs, seminars, buyers sellers meet and promotion of select brands.

- Transport subsidies for select agriculture products and inland freight subsidies for units located in North East, Sikkim and Jammu and Kashmir.

- Setting up of "business centre" in Indian missions abroad for visiting Indian exporters/businessmen.

(f) Agri Export Zones (AEZ)

With a view to promoting agricultural export from India and remunerative returns to the farming community in a sustained manner, AEZ as announced earlier was set up for end to end development for export of specific products from a geographically contiguous area.

AEZ was identified by the State Government, who may evolve a comprehensive package of services provided by all State Government agencies, State agriculture universities and all institutions and agencies of the Union Government for intensive delivery in these zones.
Such services which were managed and coordinated by State Government including provision of pre/post harvest treatment and operations, plant protection, processing, packaging, storage and related research & development etc. APEDA will supplement, within its schemes and provisions, efforts of State Governments for facilitating such exports.

Units in AEZ would be entitled for all the facilities available for exports of goods in terms of provisions of the respective schemes.

Units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit (EOU) Scheme, Export Processing Zone (EPZ) Scheme. Such units may be engaged in agriculture, including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and granites and may export all products except restricted and prohibited items of exports in ITC (HS). Units for generation/distribution of power may also set up in EPZs. No trading units shall be permitted.

An EOU engaged in agriculture, animal husbandry, floriculture, horticulture, viticulture, poultry or sericulture may import without payment of duty only such goods which are permitted to be imported duty free under a Custom Notification issued in this behalf.

Further EOUs of floriculture engaged in contract farming shall be permitted to import/procure from DTA specified goods and take out the same to the fields of contract farmers for production or in connection therewith and bringing back the produce for exports.

Only projects having an investment of Rs.50 lakhs and above in plant and machinery shall be considered for establishment under EOU
scheme. This shall however not apply to existing units and units in EPZ/agriculture/floriculture/aquaculture/animal husbandry and such other sectors as may be decided by the Board of Agriculture (BOA).

APEDA, a central government backed agency, was established to promote agriculture and processed foods export and development.

The Special Focus Initiative for Agriculture includes:

- Duty free imports of capital goods under EPCG scheme were permitted Capital goods imported under EPCG for agriculture permitted to be installed anywhere in the Agri Export Zone.
- ASIDE funds to be utilized for development for Agri Export Zones also.
- Import of seeds, bulbs, tubers and planting material has been liberalized.
- Export of plant portions, derivatives and extracts has been liberalized with a view to promote export.

2.3.9 Foreign Trade Policy : 2009-2014

The short term objective of foreign trade policy 2009-14 is to arrest and reverse the declining trend of exports and to provide additional support especially to those sectors which have been hit badly by recession in the developed world. The objective of this policy was to achieve an annual export growth of 15% with an annual export target of US$ 200 billion by March 2011. In the remaining three years of this Foreign Trade Policy i.e. up to 2014, the country should be able to come back on the high export growth path
of around 25% per annum. By 2014, it is expect to double India’s exports of goods and services. The long term policy objective for the Government is to double India’s share in global trade by 2020.

In order to meet these objectives, the Government has planned to follow a mix of policy measures including fiscal incentives, institutional changes, procedural rationalization, and enhanced market access across the world and diversification of export markets. Improvement in infrastructure related to exports; bringing down transaction costs, and providing full refund of all indirect taxes and levies, would be the three pillars, which will support to achieve the desired target.

Additional resources have been made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. Incentive schemes are being rationalized to identify leading products which would catalyze the next phase of export growth.

As part of the policy of market expansion, India has signed a Comprehensive Economic Partnership Agreement with South Korea which will give enhanced market access to Indian exports. India has also signed a Trade in Goods Agreement with ASEAN which has come in force from January 01, 2010, and will give enhanced market access to several items of Indian exports. These trade agreements are in line with India’s Look East Policy. India has also concluded the Mercosur Preferential Trade Agreement. It shall be India’s endeavour to deepen India’s trade engagement with other major economic groupings in the world. The Government seeks to promote Brand India through six or more ‘Made in India’ shows to be organized across the world every year.
A high level coordination committee is being established in the Department of Commerce to facilitate the export creating synergies in the line of credit extended through EXIM Bank for new and emerging markets. This committee would have representation from the Ministry of External Affairs, Department of Economic Affairs, EXIM Bank and the Reserve Bank of India. India would like to encourage production and export of ‘green products’ through measures such as zero duty EPCG scheme and incentives for exports. In order to reduce the transaction cost and institutional bottlenecks, the e-trade project was implemented in a time bound manner to bring all stake holders on a common platform. Additional ports/locations would be enabled on the Electronic Data Interchange over the next few years. An Inter-Ministerial Committee has been established to serve as a single window mechanism for resolution of trade related grievances.

To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by APEDA. Incentive schemes have been expanded by way of addition of new products and markets. 26 new markets have been added under Focus Market Scheme. These include 16 new markets in Latin America and 10 in Asia-Oceania. The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%. The incentive available under Focus Product Scheme (FPS) has been raised from 1.25% to 2%.

A common simplified application form has been introduced for taking benefits under FPS, FMS, MLFPS and VKUY. Higher allocation for Market Development Assistance (MDA) and Market Access Initiative (MAI) schemes is being provided. Malihabad has been declared as ‘ Towns of Export Excellence’ for horticultural products. Transferability for the Duty Credit scrips being issued to Status Holders under VKUY Scheme has been
permitted. This is subject to the condition that transfer would be only to Status Holders and Scrips would be utilized for the procurement of cold chain equipments only.

The trade policy measures of the Indian government have given thrust to the floriculture industry directly and indirectly. It has stimulated many initiatives by the central and state government for the development of floriculture industry in terms of plans, financial outlay, infrastructure development, support schemes, technology transfer, indigenous research, incentives etc. The major and specific initiatives of the central and state governments are given in the chapter one.

2.4 SUMMARY OF THE CHAPTER

The review of the literature provides the basis for identifying the research gaps, the need and scope of this study. In turn, it provides guidance for framing the research problem, which is given in the chapter one of the thesis. It also facilitates to fix the research objectives in the back ground of Indian trade reforms which are given in the chapter three of the thesis, titled research methodology.