CHAPTER VI

MAJOR PROBLEMS IN PRODUCTION & EXPORT OF FLORICULTURE PRODUCT
CHAPTER VI: MAJOR PROBLEMS IN PRODUCTION AND EXPORT OF FLORICULTURE PRODUCTS

The Indian floriculture industry, still in the stage of infancy is dogged by many problems / constraints. Export oriented floriculture in India has taken roots only during the last decade, at a time when several developing nations in South America, Africa and Asia had already got a firm foot-hold on the European market. Although India’s arrival in the global floriculture market arena was a bit too late, however it made its appearance in a big way during the mid 1990s, as numerous firms took up export oriented floriculture production, more particularly around Bangalore, Pune-Nasik belt and Delhi. This development was the result of the efforts made by APEDA and the State Agriculture Marketing Boards.

However, it was yet to be realized that competition had already intensified in the European markets, with The Netherlands enjoying its position as an undisputed leader in the US $ 6 billion industry. Many developing nations including Colombia, Israel, Kenya, Ecuador, Thailand and Malaysia had already established themselves in a big way. Several nations like South Korea, Sri Lanka, Taiwan, China, Singapore and Philippines in Asia; Uganda, Zimbabwe, South Africa and Morocco in Africa; Costa Rica, Peru and Brazil in South America, New Zealand and Australia were coming up fast to join the fray in a highly competitive floriculture market. India has to complete with these and other upcoming nations from the third world, which enjoy several benefits in the EU.

Indian exporters soon realized that the rosy picture that they visualized was not free of the thorns. The foremost problems encountered by the exporters was related to price realization of their products, which according to the importing markets, could not match the quality standards in the highly competitive global floriculture trade. This lead to firms accusing the Government for the lack of facilities, particularly related to infrastructure, subsidies etc. However, firms in an infant industry have to face certain constrains and the entire blame cannot be put on
the Government. Other factors related to export oriented floriculture production cannot be neglected altogether. Some of the problems, particularly related to project planning, quality production and promotion can be effectively handled by the firms, themselves.

The following problems have been identified, as been perceived by the industry players, by scanning the secondary data and through survey of exporters, by means of open-ended questions in an unstructured questionnaire. The quantum and real intensity of the problems have been analyzed on a 5-point scale, by means of a structured questionnaire. The problems / constraints being faced by export oriented floriculture units in India have been described as follows:

6.1 Project related Problems

(a) Non-availability of Good Quality Planting Material in India

In the international market, a flower variety remains in demand for a period of 5-6 years or so and then gets replaced by a better variety. The planting material of these new varieties are not immediately available in India, as Indian suppliers are willing to supply only those varieties for which they have dealership. Moreover, information regarding overseas market trends is not easily accessible to growers in India. According to Mr. Rajkumar Mirakhur, Chief Technologist, Golden Petals, Pune, local propagation of imported varieties by some unscrupulous elements posing as consultants, has also become a problem. They are illegally propagating patented varieties and misleading people as to which of the varieties are doing well in the region. Already India has got much negative publicity for growing fake Roses – i.e. plants for which breeder license fees have not been paid. Even the genuine suppliers give wrong information about the varieties and many projects have failed in India, as there are some varieties, which cannot be successfully grown to perfection in India. Mr. Mirakhur proposes that there should be some experimental projects in which the breeders, distributors and agents should exhibit their plant varieties properly (Mirakhur, 1998).
According to a study of export oriented floriculture firms in India by the National Bank for Agriculture & Rural Development (NABARD), the international varieties of Roses are produced by four major breeders from Germany, France and The Netherlands. Nurserymen from The Netherlands, Kenya, Zimbabwe and Israel have taken licences from original breeders to multiply these varieties and supply them to various promoters. In recent past some Indian companies have started producing plant material under similar agreements. As worked out by NABARD, the average cost of importing planting material by Indian floriculture firms, from the European breeders was about Rs. 70, in 1996-97. This included the transportation cost. A few units under franchising agreement produced plant material for supplying to the newly established floriculture units in India. The cost of such a plant worked out to Rs. 50-55 for the buyers. This price included a royalty fee of Rs. 35, payable to the original breeders. However, as the Government does not permit royalty payment in excess of 5 percent of the sale price, the firms reported difficulties in remitting the royalty and most of the firms continue to import plant material at a higher cost from foreign countries (Floriculture Today, January 1999).

The International Rose Breeder’s Association (IRBA) has their secretariat in Lyons, France. All major breeders are members of IRBA. Their rights are covered under the European Regulation on Plant Variety Projection. Under Regulation 2100/94 on Community Plant Variety Rights or under natural Law on Plant Breeder’s Rights, all harvested material including cut-flowers of a protected plant variety, sold on the territory of EU or stocked for such purposes, must originate from propagating material obtained with authorization of the breeder of the variety (Floriculture Today, April 1999). According to Mr. F.M. Poonawalla, Managing Director, Fila Rozil Exports Pvt. Ltd., Pune, the royalty payment varies from Rs. 10 to Rs. 40 per bush, depending on the breeder, variety and age of the flowering plant. When bushes are imported, the royalty is incorporated in the price and no link up or separate invoices are available (Floriculture Today, April 1998).

According to Dr. Foja Singh, a senior floriculture scientist, who had been with the Indian Horticulture Research Institute, Bangalore, the floriculture sector has not
received the requisite attention with regard to R&D. He feels that the Government organizations should take up the development of new varieties and hybrids suitable for different agro-climatic regions and make available elite planting material of commercially important floriculture crops (Floriculture Today, January 1997). Export based R&D is practically non-existent in India. Mr. Poonawalla further points out that India has not produced a single internationally marketable variety of Rose (Bharti, April 1999).

In response to the questionnaire relating to the research survey, Mr. Atul Vashisth, Managing Director of Delhi based Samak Farms and Nurseries, pointed out that lack of R&D facility is one of the reasons why Indian floriculture has not made any significant mark in the global market-place. Mr. Vashisth suggested that in order to further boost the production and exports of floriculture products, the Government must set up R&D facilities in collaboration with the growers.

(b) Non-availability of Selected Plant-protection Chemicals in India

The hi-tech floriculture requires the latest pest control measures, in order to produce quality flowers that could match international standards. Red Spider Mite is the most serious pest that affects Rose plants. In a few hours these pests can cause complete damage by spreading all over the leaves, which become rust coloured as a result of the pest attack. Mr. Rajkumar Mirakhur, Chief Technologist, Golden Petals, Pune, observes that Rose had not been a priority crop in India some 10-15 years ago. He faced great problems with Spider Mites, while working on a Rose project, as these pests could not be killed by pesticides available in the local markets. As the Grape growers had imported a chemical, which was equally useful in controlling mites, the same is being used now on Roses. Mr. Mirakhur feels that Rose growers must be provided with the necessary chemicals in the shortest possible time, and unless the Government does it, the industry is going to suffer (Mirakhur, 1998). Mr. J.A. Siddiqui, Managing Director, Al-Falah Blossoms, an ISO9002 firm, having Rose project at Kandhla in Muzaffar Nagar, UP, cited the problems his project faced due to foggy conditions of North India. Foggy conditions aggravate the disease botrytis, for which various chemicals are needed. But he had not been allowed to import these
chemicals and had to rely on the locally available ones, which were not very effective (Kaur, 1999).

According to Mr. F.M. Poonawalla, Managing Director of Pune based Fila Rozil Exports Pvt. Ltd., there is no policy at present to facilitate the import of chemicals for controlling pests and diseases. The 100 percent export oriented floriculture units should be allowed to import pesticides and fungicides, as per individual requirements (Floriculture Today, January 2000). Mr. Poonawalla showed his concern that the world’s best pesticides, fungicides and fertilizers are denied to the Indian floriculturist. He felt that these should be readily available, without import duties to the end user, otherwise quality production would suffer considerably and make the units non-viable (Poonawalla, 1999). Mr. Poonawalla further suggested that the Government can at least issue a special import licence and regulate the amount used by each grower. This could be done by allotting the quantity imported on a pro rata basis among the growers, depending upon the size of their farms (Vijayavargiya, 1998).

In response to the questionnaire relating to the research survey, Mr. Ramesh Poojary, Dy. Manager of the Lonavala based Essar Agrotech Ltd., feels that the Government should make available essential pesticides like Vertimac, Nirmod etc., to the export oriented floriculture units. This would help to maintain the required quality standards and make Indian flowers competitive in the global market place.

(c) High Cost of Technology

In the early 1990s there was a wild rush for investing in floriculture production. A large number of first generation entrepreneurs invested in it, without fully understanding the intricate technicalities of this hi-tech industry. According to Mr. Rajkumar Mirakhur, Chief Technologist, Golden Petals, Pune, it is unfortunate that Indian firms did not do proper homework to locate suitable areas for growing floriculture crops. Indian firms tied up with amateur consultants and commission agents, and brought some good looking projects and set them up without knowing about the viability of such projects. This is the reason, Mr. Mirakhur feels that many such projects witnessed great problems and affected the Indian floriculture industry in
general (Mirakhur, 1998). Mrs. Nancy Laws, a floriculture-marketing expert from the USA, attributes the high production costs in many of the floriculture projects in India to various factors, including mismanagement and lack of know-how on the part of growers. In many cases, Mrs. Laws feels that the cost of technology selected is very high, even though more cost-effective solutions were available. Low technology and lower price greenhouse can also give good quality products, provided the labour is used more productively (Laws, 1997).

The variations in costs of imported versus indigenous greenhouse projects in India have been worked out by NABARD. The average cost of a floriculture project is calculated at Rs. 8.47 crores by NABARD, for 3.44 hectare covered area, which works out to Rs. 2.46 crores per hectare. The plant material and greenhouse construction costs are the two major components accounting for 60-70 percent of the total project cost. The plant material cost per hectare varied within a range of Rs. 43 lakhs to Rs. 60 lakhs, with an average of 52 lakhs. There exists a great variation even in greenhouse structures erected with indigenous technology and those erected with imported technology. The average cost of indigenous greenhouse worked out to Rs. 2.09 crores per hectare, while imported one worked out to Rs. 3.25 crores per hectare (Floriculture Today, April 1999). The report by NABARD further reveals that many Indian firms entered into collaboration with Dutch and Israeli firms for erection of greenhouses, supply of plant material and technology transfer, supply of refrigeration equipment and marketing. In all these cases there was no clause in the agreement for replacement of any of the diseased plant material or replacement of torn polythene sheets, if they are damaged prematurely. On the marketing front the collaborators merely aided in the selling of Indian flowers and they acted as agents, with no buy-back arrangements (Floriculture Today, January 1999). NABARD observed variations in project cost, which were mainly attributed to location. In comparison to Haryana / Punjab to Bangalore / Pune, the greenhouse cost differ by as much as 40 percent, due to additional cooling and heating. A rose plant needs temperature between 18-25° Celsius. Temperatures in the North necessitate costly greenhouse
design modification over simpler Bangalore / Pune structures (Floriculture Today, April 1999).

Mr. J.A. Siddiqui, Chairman of Al-Falah Blossoms, points out that climatically Pune is the best place for cultivation of flowers, particularly Roses, followed by Bangalore and Delhi. When compared to Pune and Bangalore, the maintenance cost in Delhi is higher at around Rs. 7 per stem, whereas in Bangalore it is Rs. 3 per stem and in Pune it is around Rs. 2.50 per stem (Kaur, 1999). An interesting pattern that has emerged is that, while units in Southern India are flourishing, those in the North are not doing so well. Of the 65 floriculture units in production 35 are in the South, particularly around Bangalore, 20 in the West, particularly around Pune-Nasik belt, while only 10 in the North, particularly based around Delhi. According to Mr. Aditya Pittie, Director of Pune-based Pittie Agro Ventures Ltd, Delhi does not have the climate suitable to grow flowers (Bharti, 1999).

(d) Lack of Access to Technology Suited to Local Conditions

The climate in India is suitable for growing flowers, but is not outstanding, and in many areas it is either too hot, too cold or too humid, during part of the growing season. In order to maintain quality, investments in quality control equipments have to be made. It is necessary to determine which quality product one wants to produce in the most economical way, keeping in mind the local climate, soil, logistics and investments in production and cold chain infrastructure. The most expensive is not always the best, while the cheapest is also not appropriate in most of the cases. It is necessary that investments be made to suit the requirements of quality production and to minimize the associated risks thereof. According to Mr. Rajkumar Mirakhur, Chief Technologists, Golden Petals, Pune, Indian firms in the past have taken the risk of importing plants without even knowing whether Indian climate is suitable for that or not. There are many flowers that cannot be grown to perfection in India. But Indian growers have imported them and have got only one tenth of what they invested (Mirakur, 1998).

Dr. N.K. Dadlani of the Indian Agriculture Research Institute, New Delhi, observes that flower production in Europe’s temperate climate has totally different
requirements and it should not be assumed that any European company could give the required support to Indian floriculture firms. A few of the collaborators from The Netherlands with experience in Africa and elsewhere have developed some necessary expertise to adapt to the requirements in India. However, some of the Israeli collaborators for Indian firms have not been able to graduate beyond sand based or other non-soil based mediums for floriculture production (*Floriculture Today*, November 1996). Mr. Aditya Pittie, Director, Pittie Agro Ventures Ltd., Pune, pointed out that the foreign consultants experimented at the expense of Indian floriculturists. The heavy forex outgo for technology transfer and consultancy fee has eroded the profitability to a great extent (Bharti, 1999).

**(e) Lack of Technical Personnel**

Export oriented floriculture sector being a hi-tech area needs technical personnel, specialized in production under climate controlled greenhouse conditions, post-harvest handling including conditioning, grading, packing and marketing of perishable products. According to Dr. N.K. Dadhani of Indian Agriculture Research Institute, New Delhi, the curriculum of our Training Institutes, was not oriented for such commercial enterprise and hence good managers are hard to come by. He pointed out that initially for any sector this is necessary, more so for a sector where the ultimate product is highly perishable (*Floriculture Today*, November 1996).

According to a study of export oriented floriculture units in India by NABARD, technical personnel hired in floriculture firms do not have hands on experience in production aspect of hi-tech projects. The report by NABARD suggests that Indian scientists having qualification in horticulture, should be trained in foreign countries, for a few months in specific fields and later they should be employed in floriculture units. Some units have supplemented their firm's management by foreign expertise. The results have been debatable i.e., costs are US $ 60,000 to 80,000 a year, and returns have not always been upto satisfaction. The report pointed out that selection of the right consultant/manager will pay handsome dividends to a project, as the first two years of stabilization are critical (*Floriculture Today*, April 1999). In response to the questionnaire relating to the research survey, Mr. Atul Vashisth,
Managing Director, Samak Farms & Nurseries, New Delhi, feels that Agriculture Universities should provide practical training to students for export oriented floriculture.

(f) High Cost of Capital

Entrepreneurs who have entered the floriculture industry are sore over the high interest rates on loans for floriculture projects. According to Mr. R.P. Singh, Chairman & Managing Director of Global Industries Ltd., the Government should provide soft loans at the rate of 4-6 percent, so that the industry could survive. He pointed out that throughout the world, the agriculture industry is paying an interest rate of only 3-5 percent (Floriculture Today, October 1996). In response to the questionnaire relating to the research survey, Mr. Vijayan N.G., Director of Delhi based UT Agro Products Ltd., feels that the Government should improve the banking system in order to boost the production and export of floriculture products. Mr. Ali Mohamed, V.C. & M.D. of Bangalore based, Goodwill Technologies Ltd., in response to the questionnaire comments that Indian floriculture has not made any significant mark in the global market-place, as the cost of the product and cost of working capital funds is too high. Further, no proper guidelines have been given by, the Reserve Bank of India to Banks, regarding the working capital for pre-shipment and post-shipment. Mr. Ali Mohamed feels that Bank Interest rates should be brought to the international level, to make the industry economically viable.

(g) Lack of Commitment towards Quality on the part of few Exporters

In the early 1990s, the Government of India identified floriculture as a sunrise industry, and through APEDA, promoted export-oriented floriculture in India. As a result, a lot of export oriented floriculture units sprung up in clusters around Delhi, Pune, Bangalore and Hyderabad. At one time there was a mad rush to invest in floriculture. Entrepreneurs set projects without considering the suitability of location, cost of technology, adaptability of plant varieties and technological requirements to suit a particular region. Some of the promoters were never seriously committed to floriculture, and started their projects for the sake of getting money through the primary stock market. When these types of projects started exporting flowers, they
earned a bad name for India, as they were never serious about quality standards and exported their produce, just to show that they were doing overseas business.

According to Mr. O.S. Soni, Senior Manager, Century International, Mumbai, many small companies handling flower exports are not so particular about quality and commitment. The result, he says, is that Indian flowers get a low price in foreign markets. This is because the importers do not distinguish between individual firms and see all the products coming from India as Indian flowers (Floriculture Today, April 1997). Mr. James Reece, Manager Imports, Flora International Co. Ltd., Japan, suggests that Indian exporters need to be more honest when it comes to quality. He also cautioned Indian exporters, not to mix best quality flowers with sub-standard ones, as a single bad flower may lead to downgrading the whole lot. Mr. Reece gave an example of Colombia, where an 80 cm Rose stem normally has 83 cm stem, leaving extra 3 cm to be cut. On the other hand some Indian exporters put even smaller stemmed Roses in high stem length bunch (Floriculture Today, July 1997). Mr. John Paynter, M.D. of Flower Trader Page Munro, in New Covent Garden Market, UK, pointed out that the first time he handled Indian products, the quality was superb. But Indian exporters could not maintain that standard, the quality became poorer and Indian Roses got a bad name. Poor quality, as well as a spasmodic and erratic supply has held the product back. Mr. Sanjay Shah, M.D. of Natureflora, UK, says that his company is involved in Indian roses to a limited extent, particularly when he needs extra supplies. Mr. Shah commented that some Indian Roses are of excellent quality, but on the whole they are not appreciated and are stereotyped as lower quality produce. This is the reason his company relies on Kenya for Rose supplies, rather than India (Floriculture Today, April 1999).

In response to the questionnaire relating to the research survey, Mr. Ramesh Poojary, Dy. Manager in the Lonavala based, Essar Agrotech Ltd., comments that many buyer countries do not identify India as a reliable, steady and high quality supplier. The reason being the lack of unity among growers and a lack of initiative to create our own brand image. Mr. Poojary feels that Indian floriculturists should form a cooperative and export through it, maintaining quality and packaging standards.
According to Mr. Poojary, consistent quality and continued supply form the very basis of successful marketing, which creates a sense of reliability with the importers. Mr. Poojary further adds that attempts for cooperative marketing have been made, however growers are trying to market their produce separately, without looking at the benefits of common brand / collective marketing. In response to the questionnaire, Mr. Vijayan N.G., Director of Delhi based UT Agro Products Ltd., emphasizes that Indian floriculturists should take extra precaution while grading their products, in order to improve the overall image of Indian floriculture products.

6.2 Infrastructure related Problems

(a) Insufficient Cold Room Space at Major Airports

Exporters of cut flowers complain that the cold room space provided for perishables at major airports is inadequate and sometimes they have to keep their produce inside refrigerated vans for lack of space in the cold rooms at the airports. This adds considerably to the costs, as they have to keep the refrigerated vans operating for hours before being unloaded. According to Ms Nita Rathore of Praj Industries, Pune, sometimes the perishable stocks lie unattended at the airports. The cold chain is thus broken, thus drastically affecting the quality as well as the life of flowers and make these useless in the international markets (Floriculture Today, April 1997).

According to Dr. N.K. Dadlani, IARI, New Delhi, the major area of concern has been the inadequate infrastructure facilities at the airports for this highly perishable commodity. He feels that inspite of the good efforts by the government-agencies, the creation of facilities has not matched the pace with which the industry requirements are growing (Floriculture Today, November 1996). Mrs. Nancy Laws, an international floriculture marketing expert from USA, stresses that there should be a single window export clearing office with all modern facilities like X-Ray, at the airport for perishable items like flowers. This perishable export cargo section should remain open 24 hours a day and seven days a week (Laws, 1997).
(b) Lack of Fumigation Facility at Major Airports

A major problem faced by exporters to Japan has been the high cost of fumigation at Japanese ports, in case any sort of pests are detected in the consignment. Sometimes for an average quality flower consignment getting lower prices at Japanese market, the fumigation charges go higher than the available margin, leading to a loss for the exporter (Floriculture Today, July 1997).

(c) Interrupted Power Supply and High Power Tariff

Due to interrupted electric power supply, generator sets have to be put up, as the hi-tech greenhouses need uninterrupted power supply to run the climatic control equipments. Thus growers spend a considerable amount of money on running these generators. Moreover, continuous power supply is required for cold storages, where perishable flowers are retained. Growers have been demanding that floriculture units be provided electricity at agriculture rates and diesel be supplied to export oriented units at subsidized rates to run the greenhouses, cold stores and refrigerated vans. Sometimes the exporters have to keep their refrigerated vans running for hours at airport terminals, waiting for cold room space for the highly perishable flowers. Mr. F.M. Poonawalla of the Pune based Fila Rozil Exports Pvt. Ltd., pointed out that floriculture units are being billed at industry rates, when they should have been billed at agriculture rates. He also cited the problem of erratic electric supply (Vijayavargiya, 1998).

In response to the questionnaire relating to the survey, Mr. M. Wasim Khan of the Delhi based Rajdhani Nursery, which exports live plants to Saudi Arabia, UAE and Oman, feels that the electric tariff rate is too high and floriculture farms should get electricity at subsidized rates. Mr. Khan also wants that the Government should provide subsidised diesel to floriculture farms, as electric supply is too erratic.

(d) Bad Domestic Roads

Indian exporters are unhappy over the pathetic condition of the approach roads to their farms. Cut flowers being one of the most perishable and delicate among the floricultural products, are very much prone to bruising, howsoever carefully they may have been packed. Road bumps on the way to the airport, particularly on the
approach roads from the farm to the main highways, cause considerable bruising of
the flowers. According to Mrs. Nancy Laws, a US based international marketing
expert, a small bruise on an “A” class rose flower may push it back to “B” class,
which results in a drop of price, by as much as 30% (Laws, 1997).

In response to the questionnaire relating to the research survey, Mr. K.K.
Mohanan, Director, Archana Florists Pvt. Ltd., New Delhi, thinks that the bad inland
transportation is one of the reasons why India has not made any significant mark in
the global market place. In response to the questionnaire, Mr. K.V.N. Murthy,
President of Bangalore based Sri Vasavi Florex & Industries Ltd., feels that the
Government should provide hard top roads in rural areas where the units are located
and other basic infrastructure facilities, in order to boost further production and
exports of floriculture products.

6.3 Transportation related Problems

(a) Costly Air Freight

High cost of air-freight has been a major cause for financial problems faced
by the Indian floriculture industry. According to Mr. Nancy Laws, a floriculture
marketing expert from USA and consultant to FAO and ITC-UNTAD / WHO, freight
constitutes 40 percent of the total cost of flowers. She believes that this is one of the
reasons why short-stemmed Roses, which command lower prices, are not exported
from India. She feels apprehensive that a hike in air-freight subsidies to Indian
exporters, may invite countervailing duties from the European Union Nations (Laws,
1997). At present APEDA grants air-freight subsidy to exporters at the rate of Rs. 10
per kg or 25 percent of the Air-freight rate for export to West Asia, South East Asia
and CIS countries, and at the rate of Rs. 25 or 25 percent of Air freight rate,
whichever is less for export to Europe, other than CIS countries, North America and
Far East (Floriculture Today, January 1999).

But the above scheme was designed when air-freight was around Rs. 50 per
kg. Since then, there has been a steep rise and the present charges are around Rs. 70-
90 per kg (Bharati, 1999). Moreover, Indian exporters feel that the net subsidy is very
marginal, particularly as the airlines charge the tariff on volume basis for flowers, which are too voluminous, while APEDA grants subsidy on Gross weight basis, which is too low. More so if the flowers get a grade lower than expected at the port of destination, the exporters face heavy losses. Mr. F.M. Poonawalla of Fila Rozil Exports Pvt. Ltd., suggests that 50 percent of the actual air-freight should be subsidized by APEDA (Floriculture Today, January 1999).

In response to the questionnaire relating to the research survey, Mr. Ramesh Poojary, Dy. Manager, Essar Agrotech Ltd., Mumbai, strongly feels that the Government should negotiate / force the airlines to maintain a subsidized / steady freight rate for export to different destinations. Mr. K.K. Mohanan, Director, Archana Florists Pvt. Ltd., New Delhi, in response to the questionnaire, suggests that the Government should reduce air-freight to 50 percent in order to boost the production and exports of floriculture products. Mr. Mohanan thinks that costly air-freight is one of the reasons why Indian floriculture has not made any significant mark in the global market-place. Mr. Rohit Eswaran of Jayasree Agro Products, Coorg, Karnataka, in response to the questionnaire, strongly feels that high freight costs are enough reason why Indian floriculture could not make any significant mark in the international floriculture market. Mr. Eswaran is highly optimistic that if freight costs are reduced by half, the exports could more than double. In response to the questionnaire, Mr. K.V.N. Murthy, President of Bangalore based Sri Vasavi Florex & Industries Ltd, feels that the Government should give more subsidies on air-freight charges, in order to boost further production and exports of floriculture products.

(b) Non-availability of Air-cargo Space during Peak Seasons

Exporters face problems of cargo space in major international airlines, particularly during peak export seasons like, New Year Day, Valentine's Day, Mother's Day and Christmas. Exporters have to plan and book well in advance as flowers have to compete with other heavy perishable cargo like fresh fruits and vegetables. Exporters complain that airlines have always been reluctant to offer cargo space to cut flowers as they are more voluminous and thus do not give the airlines,
the kind of returns that other heavy cargo gives. Sometimes the flight gets cancelled and perishable consignments like cut flowers start getting deteriorated.

(c) Non-availability of Direct Flights to Major Importing Nations

There are no direct flights from Chennai or Bangalore to Amsterdam as well as the more recent markets of Japan, Singapore & Taiwan. Thus the cargo has to be flown to Mumbai or Delhi before being exported. This affects considerably the quality of perishable flowers. According to Mr. Vibhu Natrajan, Chief Executive of Chennai based Natural Synergies Ltd., this circuitous route results in a 25 percent hike in freight charges alone (Floriculture Today, July 1997). Mr. K.K. Mammen Mapillai, Managing Director of Bangalore based Indo Bloom, pointed out that a producer lost around 40 percent of the produce because of the long relay system from the farm to the end users. In 1996-97, units in Bangalore in particular suffered serious damage to the cargo load at the airport (Floriculture Today, February 1997).

Mr. F.M. Poonawalla of the Pune based Fila Rozil Exports Pvt. Ltd., showed his concern over sending the consignments to Mumbai from Pune, four to five hours before the flight and that too via bad roads, which take a lot of time, thus reducing the quality of fresh cut flowers. He felt that this had resulted in higher rejection rates abroad and thus brought down India’s image as a quality producer. Mr. Poonawalla pointed out that even though Pune is located in the heart of the Maharashtra Agriculture belt, which accounts for significant exports, the Pune airport does not have international flights. He further suggested that Pune should have a separate airport with customs clearance, phyto-sanitation & cold storage facilities, so that agricultural products could be sent directly from Pune (Vijayavargiya, 1998).

(d) Poor Handling of Flowers during Transit

Exporters complain that poor handling of flowers at the airport, results in heavy losses, as cut flowers are a highly perishable commodity. Though the airway bill mentions that the temperature inside the plane will be maintained at 2-4 degree Celsius, but it is never the case. This drastically affects the quality of flowers. Mr. F.M. Poonawalla of Fila Rozil Exports, emphasizes that it is imperative that the
customer receives the flowers in a good condition and get a vase life of at least a couple of weeks (Bharti, 1999).

6.4 Export related Problems

(a) Lack of Access to Information relating to Trends and Preferences in International Markets

Indian exporters complain about the lack of communication on the part of importers, particularly regarding feedback like quality and status reports, so that timely corrective measures may be initiated. Mr. Gautam Goel of Cosco Blossoms Pvt. Ltd., New Delhi, stressed on the need of a closer interaction between Japanese importers and Indian exporters, which would help both sides to carry out operations smoothly and efficiently. He further pointed out that the lack of communication was also evident in some of the price reports from Japan, where short-stemmed Roses of some varieties fetched higher prices, compared to long-stemmed Roses of the same variety (Floriculture Today, July 1997).

Indian entrepreneurs have been highly dependent upon their foreign collaborators, right from the selection of the variety of the plant material to marketing the flowers. Ignorance and lack of awareness about the global market trends in demand of various cut flowers, lead to improper selection of varieties. In fact, the collaborators sent the common varieties which were already in excess in the international market, to the Indian entrepreneurs, while exotic varieties which fetch much higher prices were not supplied to the Indian firms (Narasimhan, 1997).

In response to the questionnaire relating to the research survey, Mr. Vijayan N.G., Director of the Delhi based UT Agro Products Ltd., thinks that the ignorance on the part of producers and the lack of communication and interaction with the importers are some of the reasons why Indian firms have not been able to do well in the international markets. In response to the questionnaire, Mr. K.V.N. Murthy, President, Sri Vasavi Florex & Industries Ltd., Bangalore, feels that ignorance of quality standards and trends in the international markets and non-compliance of
international quality standards by Indian growers, are the basic reasons why India has not made any significant mark in the global market-place.

(b) High Rate of EU Duty on Indian Floriculture Products

According to a report published by APEDA, the EU has implemented a Generalised System of Preferences (GSP) scheme for agricultural products, with effect from 1.1.1997. Subsequent to the introduction of the new GSP scheme, the Customs duties at the GSP rates on fresh cut flowers originating from India are 9.6% from November 1 to May 31 and 13.6% from June 1 to October 31. The import conditions for cut flowers depend on the country of origin. Custom duties imposed by the EU add to the product cost and affect the competitiveness of the exporting country. Under the GSP scheme of EU, imports from a number of developing nations are admitted at a lower tariff, and imports from a group of Least Developed Countries (LDC) at a zero tariff. Some ACP (African Caribbean and Pacific) nations and some of the least developed non-ACP nations also qualify for the duty free access. India does not qualify for duty free access, whereas its neighbouring countries like Bangladesh, Nepal, Maldives, Bhutan, Myanmar and Afghanistan enjoy this advantage (Profile on Floriculture, APEDA). Some countries like Israel, Cyprus, Jordan and Morocco enjoy full GSP benefits and pay no duties, but are subjected to quota restrictions on the basis of preferential bilateral arrangements with the EU (Indian Export Bulletin, March 1997).

Indian exporters have to face an unfair tough competition from established players in the floriculture trade like Colombia, Kenya, Ecuador, Zimbabwe and Israel, who started much earlier, while Indian floriculture industry is still in a nascent stage. India has taken up this matter with the EU at several occasions. WTO permits continuity of earlier existing treaties and bilateral agreements. Therefore, the concessions available to the countries with which India is to compete, is likely to continue. For India, concessions over and above GSP, has not received favorable consideration by the EU. However, the Government of India may continue the effort and take up this matter at an appropriate forum.
In response to the questionnaire relating to the research survey, Mr. Ramesh Poojary of the Lonavala based Essar Group company, Essar Agrotech Ltd., feels that the Government should negotiate with the EU to abolish duty on Indian flowers throughout the European nations, which is at present very high as compared to the products from other nations. In response to the questionnaire, Mr. Rohit Bhatia of the Pune based Century International, a BK Birla Group company, feels that the high import duty on Indian cut flowers by the EU market is one of the reasons why Indian floriculture industry has not been able to make any significant mark in the global market-place.

(c) Seasonal demand in European markets

According to a report by APEDA, 80% of the total import of cut flowers by the EU takes place during the winter season i.e. November 1 to May 31. Only 20% Roses are imported in summer, while 80% during winter months. For Carnations and orchids, the percentage of summer imports is 30% and 40% respectively. But for species like Chrysanthemums and Gladiolus the summer months offer negligible export potential in the EU nations (Profile on Floriculture, APEDA). Indian exporters find it difficult to sell their produce in summer to the main European markets, because Europe has a favorable climate to grow flowers during this period. Even the foreign collaborators with buy-back agreement with Indian firms, pick flowers mostly during the winter season, when demand peaks and growing flowers in Europe is a costly affair. Income of most of the floriculture units in India is quite low during the summer months, as the EU market is non-viable due to lower prices and higher duties. Viability of export to Japan is also less due to oversupply from East Asian and European nations.

(d) Problems of Price Realizations

According to a report by NABARD on export oriented Indian floriculture industry, there has been a fall in the actual realizations of the export oriented floriculture units, which had earlier assumed of a higher price realization from overseas operations. The reasons being that the overseas marketing costs were higher than the assumptions. Hence almost all the 16 units studied by NABARD ran into
financial problems. Only one of the units reported sizable profits during 1995-96 and 1996-97, one unit realized marginal profits, while the others reported losses. Among the units under the survey, three of the oldest had been incurring losses since their inception (*Floriculture Today*, January 1999). NABARD further reported that price realization, besides being a function of demand and supply, is also a function of quality. The present system of inspection at the auction / buyer’s-end, do not usually allow any scope for different producers getting differential prices for one quality. As Rs. 12 per Rose stem assumption versus Rs. 9 per stem actual is mainly due to quality received at the buyer’s end. This relatively poor quality is due to farm growing practices, cold chain management, exporting procedures and air transshipments (*Floriculture Today*, April 1999).

According to Mr. Raja Bommidala, Managing Director, Bommidala Forex Ltd., if flowers are to be sold through Dutch auctions, the grower has to pay 8 percent commission. Moreover, the grower needs an agent who picks up the flowers from the airport, transports them to the auction and cuts the stem and puts them in water, when inside the auction. This agent works on commission and requires two cents per stem for cutting and caring (Reddy, 1996). Mr. J.A. Siddiqui, Chairman & MD of Al-Falah Blossoms Ltd, feels that the past 3 years had taught the Indian entrepreneurs to look for direct marketing instead of auction houses, where the commission is too high (Kaur, 1999). According to Mr. Hartmut Fischer, Managing Director of UK based, world’s biggest flower trading company, the global consumption of cut-roses has been hit by factors like recession in Europe, in a scenario of over production and falling prices. The prices have been down by an average of 10 percent in Dutch auctions in 1995 (from 1992) for large sized Roses, by 21 percent for small flowered Roses and 34 percent for spray Roses (*Floriculture Today*, January 1997).

Mr. N.K. Bhat, Managing Partner of Indo-American Hybrid seeds, Bangalore, pointed out that the company had sizable dues outstanding, as a number of importers had yet to pay for the consignments delivered. According to Mr. Bhat, the importers contended that consignments were damaged, a claim that was difficult for the company to verify. The carrier airlines refused to take responsibility for the damaged
consignments, thus it was practically impossible for any company to get a refund from the importers (Floriculture Today, March 1997). Mr. F.M. Poonawalla, M.D, Fila Rozil exports, Pune, pointed out that bad recovery problems dog the exporters, as some of the foreign buyers are extremely irregular and even default in paying up (Vijayavargiya, 1998). Mr. Suresh Goel of Cosco Blossoms, New Delhi, showed his concern to the visiting Japanese importers delegation, that Indian produce was being discriminated as it was put at the end of the auctions in Japan. He pointed out that the auction, which started with over 200 buyers, had hardly five buyers left when Indian produce was put to auction. This resulted in lower price realizations (Floriculture Today, July 1997). Mr. A.K. Gupta, General Manager, APEDA, pointed out that indiscriminate price-cutting has resulted in exporters taking to sales rather than marketing-oriented strategy. He pointed out that in this business, one cannot remain alone to compete, rather unitedly one has to deliver larger volumes with consistent quality (Bharati, 1999).

In response to the questionnaire relating to the research survey, Mr. Ali Mohamed, Vice Chairman & M.D. of Bangalore based Goodwill Technologies Ltd., is very critical about the bad experiences he had relating to price realizations from overseas buyers. Mr. Ali Mohamed has given the following information on the questionnaire; (i) In floriculture trade the sale is on consignment basis and no account or purchase order is available, as the sale is purely governed by supply / demand at the international auctions, and (ii) The nature of floriculture business entails significant risks on payment defaults. Mr. Ali Mohamed further commented that no claim policy is available for consignment sale, which means additional unnecessary commercial risks, while the sale on consignment basis has no functional value or pre-determined prices. In response to the questionnaire, Mr. Vijayan N.G., Director, UT Agro Products Ltd., New Delhi, feels that in order to get good price realizations at the international auctions, Indian floriculturists should adopt strategic management of demand and supply. In response to the questionnaire Mr. Rohit Bhatia of the Pune based Century International Ltd., feels that the falling prices of cut-flowers throughout the world since the past 4-5 years, has affected Indian floriculture
industry, which is still in an infant stage. Mr. Bhatia suggests that Indian floriculturists should reduce the costs and improve quality, in order to make a mark in the global market place.

6.5 Other Problems

(a) Procedural Delays in Government Offices

The problems related to delays and complexity involved in various clearing stages in Government offices are many and exporters in general are very much annoyed at the level of red-tapism in Government offices. Exporters feel that it is too cumbersome to avail of the incentives given by the Government, particularly the subsidies. According to Mrs. Nancy Laws, a US based floriculture marketing expert, complex procedures and excessive centralization are the problems of the day. A grower requiring import of planting material in Chennai has to come all along to Faridabad to complete phytosanitary requirements. Dr. Foja Singh, Vice President of TMT (India) Ltd., is concerned at the delay in inspection of imported seed and planting material, which results in death and degradation of the imported material (Reddy, 1996).

According to Mr. F.M. Poonawalla, Managing Director of Pune based Fila Rozil Exports Pvt. Ltd., lack of single window clearance policy of the Government is yet another problem. The agencies involved with hi-tech agriculture at APEDA, which reports to the Commerce Ministry; The National Horticulture Board (NHB), which reports to the Union Agriculture Ministry; and NABARD, which reports to the Finance Ministry. This creates wrong priorities leading to differing decisions. On the issue of subsidies, Mr. Poonawalla is of the view that the subsidy given to hi-tech agriculture is not worth claiming, as the procedures are cumbersome and this results in inordinate delays. He feels that the subsidy should be substantially increased and disbursed, or it should be done away with, and the money thus saved should be used in providing good infrastructure facilities (Floriculture Today, January 2000).
(b) Weak Domestic Market

An export oriented floriculture industry, like the one in India needs a strong domestic market to absorb its non-exportable stuff. The domestic market in India is quite large, but still unorganized. The major markets, which handle the bulk of the trade are located in Mumbai, Delhi, Bangalore and Calcutta. The majority of florists in India, are non-professional and hardly bother to improve the display and storing condition at their shops, the customers are therefore not attracted. Dr. N.K. Dadlani of IARI, New Delhi, feels that development of the domestic market is exceedingly crucial for sustained all round floriculture development (Floriculture Today, November 1996).

The Government should take up development of appropriate marketing infrastructure in the major production zones, considering that the surplus from the Export Oriented Units (EOUs), also gets sold in the domestic market. Providing this support will lead to improved viability of the large number of EOU's, being set up in the country, in clusters around Pune, Bangalore, Delhi and Hyderabad (Raghava, 1999). Moreover, domestic competition or rivalry creates pressure on firms to innovate and improve. Competitors in the domestic market push each other to lower the costs, improve quality and service, and create new products and processes, taking the Nation as a whole to higher planes of competitive advantage (Agarwal, 1998).

(c) Lack of Professional Supporting Companies to Floriculture

India lacks professional supporting companies to the nascent floriculture industry. According to Mr. Raja Bommidala, Managing Director, Bommidala Florex Ltd., if a grower wants a soil sample to be analysed for macro & micro-elements, he can choose between five laboratories, which send different results. Every single research station uses its own extraction methods, noting method and method to calibrate equipment, so the differences are imminent (Reddy, 1996).

(d) Lack of Organized Marketing, Market Surveys and Sales Promotion Activities

In response to the questionnaire relating to the research survey, the Director of Delhi based UT Agro Products Ltd, Mr. Vijayan N.G. pointed out that the lack of
market support is one of the reasons why Indian floriculture has not made any significant mark in the global market-place. In response to the questionnaire, Mr. Rohit Bhatia, Marketing Officer in Pune based Century International (a Division of Century Textiles & Industries Ltd.), feels that aggressive promotion and availability of good market information, could certainly help boost the export of floriculture products from India.

REFERENCES

Bharti, M. & Tanu Vijayavargiya – Flower Power”, Global, New Delhi, April 1999, 92-95.
Mirakhur, Rajkumar – “In my view”, Floriculture Today, New Delhi, June 1998, 6-8, 44.


Report – “Profile on Floriculture”, APEDA, New Delhi, 10-12.


