

# **ISSUES AND SOLUTIONS OF FRESH FRUIT EXPORT IN INDIA**

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## **Summary**

Although India is a leading fruit producer in the world, the fresh fruit export from India is very small owing to a number of constraints. These constraints relates to production practices, post harvest technologies, issues related to supply chain, market access and non-tariff restrictions and governmental policies. The solutions specific to fresh fruit exports from India have been outlined. Adoption and effective implementation of these solutions should lead to realization of vision related to the enhancement of exports in the near future.

## **1. Introduction**

India is the largest producer of fruits in the world, as its diverse agro-climatic conditions allow production of a wide range of tropical, sub-tropical and temperate fruits. The annual production is estimated to be nearly 46 million tonnes accounting for about 10% of the world production, the shares ranging from 4% of citrus fruits to 46% of mango. Table 1 gives the data on production of major fruits in India and the corresponding figures in the world. Fruit production in India, is practised over an area of 3.79 M ha. It, however, contributes only 1% to the export earnings from agricultural products. Figs. 1 & 2 depict the volume and value of fruit exports from India. Indian fruit production yields and exports grew faster than the average for the world: production at 5.33% compared to 2.2%; yields at 2.14% compared to 0.95%; and exports at 8.21% compared to nearly 2%. India's share in the global exports of fruits is less than 5%. Table 2 indicates the major destinations where the fresh fruits from India are received.

Trade in fruits has become steadily more important over the last decades. The composition, volume, and direction of this trade have changed as incomes and insistence on quality have grown on the demand side, while technology and trade agreements have influenced the supply side. Lower prices and greater availability of produce year-round, in tandem with increasing incomes; have enhanced the array of fruits in the global consumer's basket of goods. Other factors, such as concern for a healthy diet and improved handling and transportation, have furthered the globalization of fruit trade. Globalization of markets is likely to continue as the basic factors of supply are combined with innovations in technology and lower trade barriers, enabling suppliers to meet the preferences of a more affluent clientele. Developed

countries will continue to dominate global trade in fruits, but new varieties will find their way into the diets of the relatively affluent everywhere.

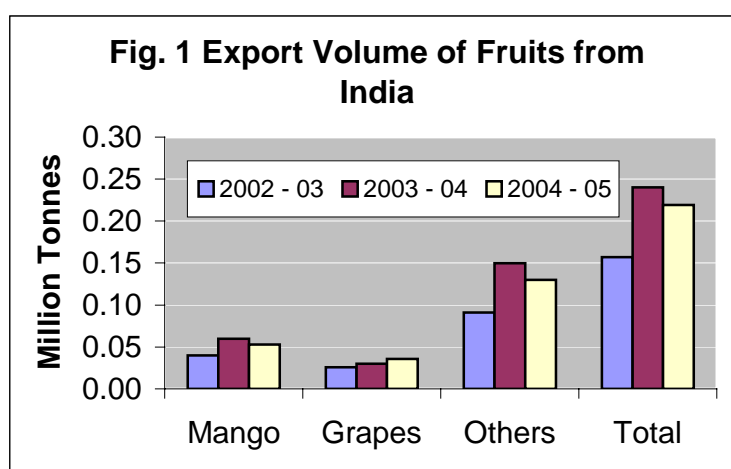
Global imports are forecast to reach 4.3 million tonnes by 2010 with 87 percent or 3.8 million tonnes destined from developed country markets. The EU is expected to remain the world's largest import market, followed by the United States, together accounting for 70 percent of import demand. Europe is expected to remain the main market outlet for tropical fruit, with France a major importer and Netherlands the major European transshipment point for imported fruit.

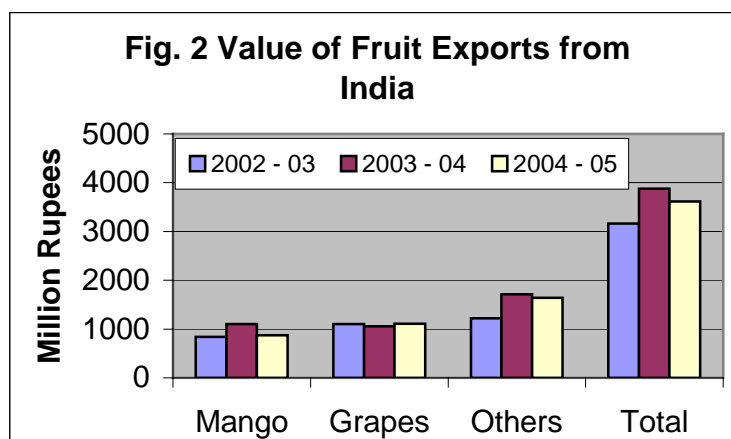
The export market for fresh fruits is highly competitive among the top exporters. Gaining access to foreign markets is critical to countries that are large exporters. Free trade agreements are one means to provide increased market access and encourage increased exports. In addition to negotiating trade agreements, top exporters also use various export promotion and marketing techniques to increase their market share in foreign markets. Specific marketing and promotion techniques will be discussed for India in the following sections.

**Table 1.** Production of major fruits in India vis-à-vis World

Fruit	Production (Million Tonnes)	
	India	World
Banana	13.304	64
Grapes	1.250	68
Mango	12.733	25
Papaya	2.150	5
Pineapple	1.172	17
Others	14.5942	267
<b>Total</b>	<b>45.203</b>	<b>446</b>

Source : Ministry of Commerce and Industries Data Sheet, 2005  
Government of India





**Table 2. Export of Fresh Fruits in terms of Quantity and Value for the Year 2004 – 2005**

Country	Mango		Grapes		Others		Total	
	Quantity ('000 T)	Value (Million Rs.)	Quantity ('000 T)	Value (Million Rs.)	Quantity ('000 T)	Value (Million Rs.)	Quantity ('000 T)	Value (Million Rs.)
Bangladesh	32.5	297.10	14.7	83.04	58.0	631.50	105.2	1011.64
Germany	-	-	1.1	43.71	0.7	17.43	1.8	61.14
Netherlands	0.5	21.27	6.8	359.50	-	-	7.3	380.77
Nepal	3.4	26.96	1.5	12.20	30.0	242.14	34.9	281.30
Saudi Arabia	-	-	-	-	3.9	84.16	3.9	84.16
South Africa	2.3	74.80	-	-	-	-	2.3	74.80
United Arab Emirates	9.5	270.00	4.3	218.70	2.5	329.00	16.3	817.70
United Kingdom	1.2	71.81	5.2	290.00	2.0	74.50	8.4	436.31
Others	3.0	107.61	2.4	99.59	33.4	261.27	38.8	468.47
<b>Total</b>	<b>52.4</b>	<b>869.55</b>	<b>36.0</b>	<b>1106.74</b>	<b>131.5</b>	<b>1640.00</b>	<b>219.9</b>	<b>3616.29</b>

Source : Ministry of Commerce and Industries Data Sheet, 2005, Government of India

## 2. Constraints for Exports

India continues to be absent or at best a marginal player in most of the leading markets for its export of fresh fruits. Indian players have not succeeded in establishing direct linkages with buyers/consumers in importing countries, as a result of which a large proportion of exports are being further processed and re-exported by other countries. Some of the major concerns for promoting the export relate to:

- Lack of exportable varieties (high fibre content; inappropriate appearance and texture and large size of stone)
- Lack of post-harvest treatment facilities such as of vapour heat treatment
- Lack of packhouses from farm to port

- High cost of obtaining certification for exports like Eurep-Gap

The issues can be categorized into “Supply Chain Issues” which are inherent to the domestic supply chain of food products and “Market Access Issues” – which comprise of various parameters and factors driven by the requirements of the target countries.

### **2.1 Supply Chain Issues**

- Uneconomic scale of operation
- Lack of consistency in supply and quality
- Lack of cost competitiveness due to statutory changes, intermediation and wastages/losses
- Inadequate and inappropriate storage and distribution infrastructure
- Lack of technical support for the agro-industrial sector

### **2.2 Market Access Issues**

- Non-Tariff Barriers
  - Non-tariff barriers can take various forms. Broadly these can be categorized as under:
    - Import Policy Barriers
    - Standards, Testing, Labelling and Certification requirements
    - Anti-dumping & Countervailing Measures
    - Export Subsidies and Domestic Support
    - Government procurement
- Short product life cycle
- Lack of brand image

Most exports from India lack scale – for example the largest fresh produce exporter records annual sales of about Rs. 500 million. The low volume translates into lack of economics in operation and makes exports uncompetitive. Hence, exporters are not able to establish themselves as long term players in the export market, and rely heavily on opportunistic businesses. These factors cumulatively translate into low investments in upgrading skill sets, product innovation, quality improvement and brand building.

### **2.3 Multiple Safety standards**

The emergence of private food safety and quality standards mainly in developed countries is now a well-established fact. These standards operate alongside regulatory systems but in terms of market access and access to the shelves of the leading supermarkets in the rich countries, it become almost mandatory. With these standards becoming a global phenomenon, countries in the developing world face increasing constraints in exporting their food products to markets in the developed countries. An additional dimension of this hypothesis is whether current fruit quality and safety standards are truly based on consumer needs, or whether these standards are determined in isolation by retailers without taking the actual needs of consumers into account?

The primary policy issue is therefore that food safety and quality standards should be fair and transparent in their purpose.

## 2.4 Technological Constraints

The major technology related constraints contributing to low productivity of horticultural crops and inferior quality of produce are:

- Vast majority of holdings are small and un-irrigated
- Large tracts of low and unproductive plantations needing replacement / rejuvenation.
- Low productivity of crops due to inferior genetic stocks and poor management.
- Inadequate supply of quality planting materials of improved varieties
- High incidence of pests and diseases
- Heavy post harvest losses and low utilization in processing sector

As a result, the productivity per unit area is low, resulting in high cost of production. Further, the quality of produce in many cases is far from satisfactory. The post harvest losses continue to be high. Full advantage has yet to be taken of several frontier areas *e.g.*, biotechnology, protected cultivation, computer aided management of inputs, integrated nutrient management, leaf nutrient standards, biofertilizers, integrated pest management, etc. There is also need for change both in the content and approach of research which can be taken up in partnership with private sector on aspects like production of hybrids, green house production of fruits, biotechnology, value addition and export. The future growth of horticulture industry will largely depend on new and globally competitive technologies.

## 3. Proposed Solutions

The constraints indicated above could be overcome by careful considerations and formulation of relevant action points. The following solutions have been considered appropriate under Indian conditions (MOFPI, 2005)

### 3.1 Targetted Products

It may be useful to focus on a few products/markets in the initial phase. The product categories may be diversified on the basis of one or more of the following parameters

- India's production advantage (in aggregate terms or for specific varieties). Infact, production strategy should shift to demand driven rather than supply driven
- Current and likely trade volumes in the category, based on underlying demand trends
- Potential for differentiation
- Comparative cost advantage

### 3.2 Improvement of market access

Two key steps for improving market access of Indian fruits in overseas market is to institutionalize the market intelligence network for exporters, harmonize with international standards and develop associated infrastructure for certification and testing.

- Market Intelligence

In order to focus on some key products and markets, it is critical to develop a strong database to enable current and potential exporters to take national decisions. The key information needed by exporters include

- Major importing markets
- India's competitiveness vis-à-vis key competitors
- Existing tariff structure and non-tariff barriers, and likely changes in the context of WTO requirements
- Current status of quality standards and food regulations in target markets for imports of defined products.
- Harmonization with international standards/practices, certification and testing

One of the major challenges for India, following the dismantling of quantitative restrictions on imports is to raise the level of quality standards to become globally competitive. There are variations in standards and regulations adopted by different importing countries which may lead to trade conflicts and disputes. The specific steps in this direction are:

- Substitute post arrival testing of Indian products in the importing country with pre-shipment inspection reports by recognized international agencies
- Encourage importing countries (USA, EU, Japan) to set up offices in India for certification of export consignments
- Encourage food testing laboratories in India to obtain accreditation from international agencies. Given high cost of international accreditation, Government can incentivise laboratories by part funding these costs.
- Introduce certification zoning systems like pesticide free zones; organic production zones; disease free zones to facilitate high value exports from India.
- Promote certification of organic farming for different crops

### **3.3 Supply chain alignment with international requirements**

The supply chain needs to be aligned with the requirements of importing countries which require control and monitoring of quality standards of the raw materials and processed products. The specific action steps to facilitate this are:

- Enable direct farmer-importer linkages by amendment of APMC Act
- Set-up independent world class food testing and inspection infrastructure, particularly in clusters with significant presence of exporters.
- Devise an alternate system of processing grade products specifications based on internationally accepted norms, delinked from fair average quality of table grade products.
- Encourage investment in infrastructure to improve product quality, through part funding these investments, such as financing of bulk coolers.
- Support private sector initiatives for investing in specialized transport infrastructure such as refrigerated vans through specific financing schemes for this purpose

### **3.4 Integration of Government Schemes**

The Government, through various ministries and allied agencies, offers support to exporters through various schemes to part-finance specific investment requirements. The Ministries/allied agencies include Ministry of Agriculture, Ministry of Food Processing, APEDA, MPEDA, Coffee Board, Tea Board, Export Inspection Council etc. It is essential to align the various offerings of the Government, to address various requirements of exporters to avoid duplication of efforts.

The issues of market access, supply chain and Governmental policies have been found to be connected in both time and space coordinates. As a result, there is a growing realization that a comprehensive solution to these issues could be envisioned. As a matter of fact, the conceptualization of modern terminal markets stems from this realization. Government of India and several State Governments have already embarked upon the setting up of such terminal markets.

#### **4. Recommendations**

On the basis of the forgoing discussion on fresh fruit exports from India, the following recommendations could be made:

1. Integrate all schemes offered for export promotion through various Ministries and allied agencies
2. Strengthen food processing infrastructure in identified Agri-Export Zones
3. Encourage food testing laboratories to get accreditation from international agencies
4. Set-up independent world class food testing and inspection infrastructure, particularly in clusters with significant presence of exporters.
5. Devise an alternate system of processing grade products specifications based on internationally accepted norms
6. Promote aggregation of exports to meet the minimum order requirement of importers
7. Develop a strong market intelligence system to aid exporters to take rational decisions
8. Introduce certification zoning systems like pesticide free zones; organic production zones; disease free zones to facilitate high value exports from India
9. Promote certification of organic farming for different crops
10. Build global brands on the back of India's strengths
11. Support a responsive research development infrastructure to provide technological upgradation for sustainance and growth of export market share.

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