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Emerging Trends in Export of Groundnut, Sesame and Castor from India

ANAND AGRICULTURAL UNIVERSITY

Anand - 388110 (Gujarat)

Department of Agricultural Economics and WTO Cell

B. A. College of Agriculture
Anand Agricultural University, Anand (Gujarat)

The Department of Agricultural Economics is an integral part of B. A. College of Agriculture, Anand Agricultural University, Anand established in 1947. The prime mandate of the department is to impart education in the field of Agricultural economics coupled with research and extension activities. Accordingly, the department imparts teaching to undergraduate as well as post graduate level. Different courses related to agricultural economics are taught in B. A. College of Agriculture, College of Agriculture, Vaso, College of Agricultural Information Technology, Anand and Institute of Distance Education, Anand. The department has 5 research schemes under which various research studies are conducted. Among these, studies on cost of cultivation of major crops are conducted on regular basis whereas socio-economic problems related studies as well as agricultural marketing and finance related studies are also conducted on need base. The findings of these studies are highly useful to farmers, policy makers and agri-entrepreneurs. WTO Cell is functioning at this department since 2009 under which various training programmes related to agri-exports are organised for farmers and other stakeholders on regular basis. Seminars and workshops are also organised in context to objectives of WTO Cell. The department regularly participates in various extension activities like Krushi Mahotsav and farmers training programmes organised by other departments.

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Dr. R. V. Vyas
Vice Chancellor (I/c)

MESSAGE

Over the years, India has developed export competitiveness in certain specialized products, making it the world's 14th largest agricultural exporter. India has now also come up from a food deficit to food surplus country. With its varied agro-climatic conditions and large production base, the country has become a leading exporter of fresh and processed food products. The Indian government is keen to promote export of agro products and has come up with several reforms and schemes to support agri-exporters. The objective of Government of India for doubling the farmers' income invariably requires high level of production as well as improved agri-exports.

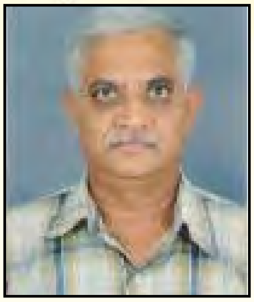
Currently, Gujarat exports a large number of agro-products like groundnut, sesame, cumin, mango, castor and have emerged as the most promising state, with a significant role in improving country's agricultural export. This Book highlights the growth and prospects in export of such products with in-depth analysis and also provides insights for further improvements. Book entitled "Emerging Trends in Export of Groundnut, Sesame and Castor from India" is also aimed for those who are already in agri-export business or willing to start new, can find complete information about potential and prospects along with quality specifications required for international export.

The book will be broadly useful to agri-entrepreneurs, start-ups, technocrats, research scholars, students and farmers.

I congratulate all the authors of this publication for their exemplary team work and efforts.

Date : 3/12/2019

(R. V. Vyas)



Dr. M. V. Patel
Principal & Dean

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PREFACE

Agriculture is a backbone of Indian economy and it also plays a crucial role in Indian exports. Indian agricultural export has undergone significant changes during recent times.

India is the largest producer of oilseeds in the world and the oilseed sector occupies an important position in the country's economy. The diverse agro-ecological conditions in the country are favourable for growing many oilseed crops, out of which groundnut, sesame and castor has great export potential.

This book provides the recent trends in export of groundnut, sesame and castor from India along with major export destinations and direction of trade. The quality specifications required for export and export procedure have also been incorporated. This book will be helpful for farmers, researchers, academicians and those who are associated with agri-export.

I congratulate all the authors for bringing out such a useful publication. I deeply appreciate the contribution of all the scientists of the research team who have put their great efforts in conducting research and preparing this book.

Date : 03/12/2019

(M. V. Patel)

Acknowledgement…

This book is partially based on the results of research study conducted under WTO Cell, Department of Agricultural Economics, B. A. College of Agriculture, Anand Agricultural University, Anand during the year 2018-19.

The purpose of this book is to provide information about the growth and present scenario in exports of groundnut, sesame and castor from India and also to acquaint readers about opportunities and challenges lying in this field. Secondly, farmers and others who are interested in export of these oilseeds are not fully aware about the general specifications and procedure required for export. Therefore, such information has also been included in this book. We hope that this will be helpful to readers in planning and making them successful in agri-export business.

We thank Dr. R.V. Vyas, Vice Chancellor, Anand Agricultural University for giving us an opportunity to prepare this book. Our sincere thanks are also due to Dr. M. V. Patel, Principal and Dean, B. A. College of Agriculture, Anand Agricultural University, for his constant motivation to prepare this publication. We thank all the faculty members of the Department of Agricultural Economics, BACA, AAU, Anand for their kind support in conducting research and prepairing this book.

Finally, we thank Dr. Ritambhara Singh, Assistant Professor, IABMI, AAU, Anand for reviewing our script and providing valuable comments and suggestions.

Any and all errors & omissions are the sole responsibility of the authors.

- Authors

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Abbreviations

APEDA	Agricultural and Processed Food Products Export Development Authority
CAGR	Compound Annual Growth Rate
EPC	Export Promotion Council
FAO	Food and Agriculture Organization of the United Nations
FOB	Free On Board
FTA	Free Trade Agreements
FSG	First Special Grade
g	Gram
GAP	Good Agricultural Practices
GMO	Genetically Modified Organisms
GoI	Government of India
GST	Goods & Services Tax
ha	Hectare
HS Code	Harmonised System Code
II	Instability Index
kg	Kilogram
MDA	Market Development Assistance
mg	Milligram
MRL	Maximum Residue Limit
NMOOP	National Mission on Oilseeds and Oil Palm
PTA	Preferential Trade Agreements
q	Quintal
R and M	Rapeseed and Mustard
Rs	Indian Rupees
SA	South Africa
SEZ	Special Economic Zone
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
USD	US Dollar
USFDA	US Food and Drug Administration
WTO	World Trade Organization

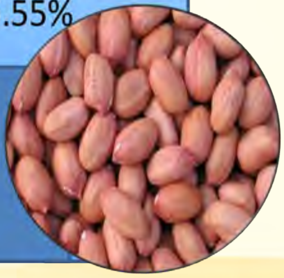
Executive Summary

Groundnut

- India is the second largest producer of groundnut in the world after China with 14.28% share in global production.
- India produced 91.8 lakh tonnes of groundnut from 49.1 lakh ha area with an average productivity of 1868 kg/ha during the year 2017-18.
- Gujarat ranked first in area and production with 34.18% and 42.88% share, respectively whereas Rajasthan ranked second in production with 13.72% share followed by Andhra Pradesh (11.34%), Tamil Nadu (10.61%) and Maharashtra (6.09%).
- Area under groundnut in India has significantly declined by 2.75% per annum during the last decade *i.e.* from the year 2007-08 to 2016-17 due to shifting of cropping pattern in favour of more remunerative commercial crops like cotton.
- India emerged as the largest exporter of groundnut in the world with 18.6% share followed by USA (18.5%) and China (11.3%) during the year 2018.
- India exported 5.04 lakh tonnes of groundnut worth of Rs 3386 crore during the year 2017-18.
- Export of groundnut in terms of value has significantly risen by 13.55% per annum during the year 2008-09 to 2017-18 whereas no significant change was observed in terms of quantity. It means that higher growth in value terms was due to higher prices.
- Growth in export (both in quantity terms as well as value terms) was found instable.

- Second largest producer in the world with 14.28% share
- 91.8 lakh tonnes Production
- Largest exporter in the world with 18.6% share
- 5.04 lakh tonnes Export worth of Rs 3386 crore
- Export Growth=13.55%

India's Strength



- Indonesia emerged as the largest export destination with a share of 46.05% in total export of groundnut from India in value terms followed by Vietnam (9.80%), Philippines (9.29%), Malaysia (7.85%) and Russia (3.00%).

- Russia was found the most stable export market for Indian groundnut with retention probability of 38%.

- Groundnut has vast export potential and to tap this opportunity, more attention is required on quality aspects particularly aflatoxin management. In addition to this, there is tremendous scope for export of peanut snacks and other value added products of groundnut.

Sesame

- India ranks third in global sesame production with 13.05% share whereas Tanzania ranked first (15.38%) followed by Myanmar (13.30%).

- India produced 4.18 lakh tonnes of sesame seeds from 13.98 lakh ha area with an average productivity of 291 kg/ha during the year 2017-18.

- Madhya Pradesh emerged as the largest producing state in the country with 1.24 lakh tonnes of production and 29.7% share followed by Gujarat (18.9%), Rajasthan (17.6%) and Uttar Pradesh (13.4%).

- Area, production and productivity of sesame in India remained almost stable during the last decade *i.e.* from the year 2007-08 to 2016-17.

- India emerged as the second largest exporter of sesame seeds in the world with 17.3% share next only to Sudan (20.3%) during the year 2018.

- India exported 3.37 lakh tonnes of sesame seeds worth of Rs 2991 crore during the year 2017-18.

- Export of sesame seeds from India in terms of value has significantly risen by 8.65% per annum during the last decade.

- Vietnam ranked first with largest share (14.36%) in export of sesame seeds from India in value terms followed by Korea (7.66%), USA (6.89%), Russia (5.90%) and Netherland (4.77%).
- Natherland was found the most stable market for Indian sesame seeds with retention probability of 46%.
- Sesame seed is mainly used as an ingredient in bakery products and snacks. Use in salads and ethnic cuisine is growing. Sesame seed is also increasingly used in vegetarian diets. Therefore, the demand for sesame in world market is ever increasing. Opportunities can also be found in the organic segment, which is growing strongly.

Castor

- India is the world's single largest producer of castor seeds with 87.53% share followed by Mozambique (4.46%) and China (3.07%).
- India produced 14.43 lakh tons of castor from 8.23 lakh ha with average productivity of 1753 kg/ha during the year 2017-18.
- Gujarat has emerged as the largest castor producing state in the country with 72.42% share in area and 85.24% share in production followed by Rajasthan and Andhra Pradesh (including Telangana).
- Production as well as productivity of castor has significantly risen by 6.24% and 3.32% per annum, respectively during the last decade.
- India emerged as the largest exporter of castor oil with 86.1% share in the world market during the year 2018.
- India exported more than 6.9 lakh tons of castor oil worth of Rs 6730 crore during the year 2017-18.
- Export of castor in terms of quantity as well as in terms of value has been significantly risen by 7.19% and 11.93%, respectively during the last decade.

- China ranked first with a share of 40.51% in total export of castor oil from India in value terms followed by Netherland (13.08%) and France (10.50%).

- China was found the most stable market for Indian castor oil with retention probability of 40.1%.

- China imports castor oil from India, converts to derivatives and sells these as high value added products. There is a large scope for improving India's earning from castor by converting the castor oil to various derivatives.

- With the world becoming more environment conscious and with increasing replacement of synthetic products with naturally derived products, castor oil-based derivatives could find increasingly attractive markets worldwide.

Way Forward

- Government of India has already identified clusters for export of groundnut, sesame and castor in the country. Development of these clusters need be taken up on priority base.
- Pesticide and chemical residues are a chief cause of concern for exports. Our exports are sometimes rejected due to residues found that are higher than Maximum Residue Limit (MRL) of importing nations. Therefore, farmers should be trained in quality aspects. Krishi Vigyan Kendras (KVKs) and SAUs should create awareness among farmers and provide necessary training.
- Awareness should be created regarding the judicious and timely use of chemicals. Farmers should be informed about the pesticides which are not permitted in other nations.
- Farmer Producer Organizations are an institutional innovation to help small holders providing scale advantages and use of modern technology. Therefore, farmers growing groundnut, sesame and castor should be motivated to form FPOs and such FPOs should be trained to harness the global market potential.
- Currently, the export demand for organic food products is increasing day by day. India has the largest number of organic growers in the world. They can be linked with export market through contract farming.
- Quality conscious consumers across the world are seeking health and wellness derived from food. This provides an excellent opportunity for diversification and innovation. Entrepreneurs should come forward for value addition and innovation. Government should provide necessary R and D support to them.
- There is great demand for value added products of groundnut, sesame and castor in the world market. Peanut Snacks are among the most popular snacks in the world. Peanut Flour is used in confectionery products, seasoning blends, bakery mixes and nutritional bars. Peanut Butter and Paste also have great export potential.

- Like groundnut, castor derivatives also have huge export market. India and particularly Gujarat has competitive advantage when creating derivatives from castor oil due to highest production and productivity of castor in the world. Over 100 derivatives are known till date and these natural products are replacing synthetic petroleum based products in many industrial applications. There is a tremendous growth opportunity for castor based chemicals, but companies interested must commit to research and development.

- The schemes like Mega Food Parks and SEZ can help in value addition and export. Government should expand such activities with effective implementation to harness the export opportunities and improving country’s economic strength.

1 Introduction

India is the largest producer of oilseeds in the world. Oilseed crops play the second important role in the Indian agricultural economy next to food grains in terms of area and production. Among the various oilseeds, groundnut, sesame and castor have the great export potential.

The diverse agro-ecological conditions in the country are favourable for growing 9 annual oilseed crops, which include 7 edible oilseeds (groundnut, rapeseed & mustard, soybean, sunflower, sesame, safflower and niger) and 2 non-edible oilseeds (castor and linseed). The area, production and productivity of these 9 major oilseeds in India are presented in Table 1. It shows that India produced 3.06 million tonnes of oilseeds (major nine) from 2.47 million ha with an average productivity of 1195 kg/ha. Soybean ranks first in area as well as production with 42.27 and 35.69 per cent share, respectively. Groundnut ranks second in production and third in area with 29.19 and 19.83 per cent share, respectively. Rapeseeds and Mustard ranks second in area and third in production with 24.32 and 26.25 per cent, respectively.

Table 1: Area, production and productivity of major oilseed crops in India (2017-18)

Sr. No.	Crops	Area			Production			Productivity
		Lakh ha	% to Total	Rank	Lakh tonnes	% to Total	Rank	kg/ha
1	Soybean	104.41	42.27	1	109.34	35.69	1	1047
2	Groundnut	48.99	19.83	3	89.43	29.19	2	1825
3	R and M	60.06	24.32	2	80.41	26.25	3	1339
4	Castor seed	8.23	3.33	5	14.90	4.86	4	1810
5	Sesame	15.66	6.34	4	7.44	2.43	5	478
6	Sunflower	3.29	1.33	7	1.94	0.63	6	590
7	Linseed	3.30	1.34	6	1.73	0.56	7	523
8	Niger seed	2.24	0.91	8	0.75	0.25	8	337
9	Safflower	0.81	0.33	9	0.45	0.15	9	557
	Total	**246.98**	**100.00**		**306.38**	**100.00**		**1195**

Source: www.nfsm.gov.in

Per cent share of major oilseeds in area and production in India is presented in Fig.1 and 2, respectively.

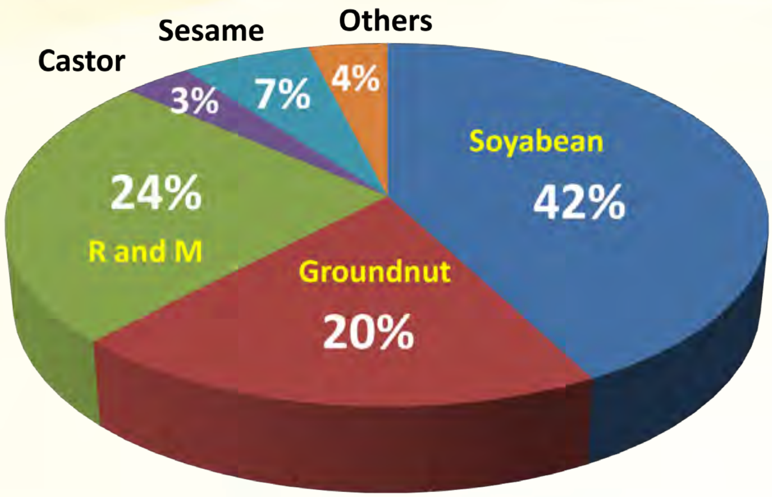


Fig.1: Area share (%) of Major Oilseeds in India

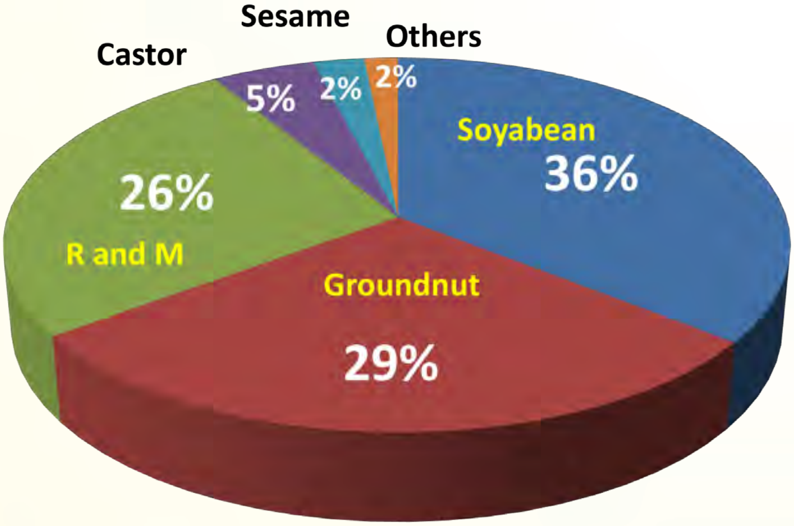


Fig.2: Production share (%) of Major Oilseeds in India

2 Groundnut

Groundnut also called Peanut (*Arachis hypogaea*) is thought to have originated in South America, where it thrives in tropical and subtropical climates. Groundnut is particularly valued for its protein content (24-35%). On equal weight basis (kg for kg), groundnuts contain more protein than meat and about two and a half times more than eggs. Being an oil seed crop, it contains 40 to 49% oil. In addition to protein, groundnuts are a good source of calcium, phosphorus, iron, zinc and boron. The groundnuts also contain vitamin E and small amounts of vitamin B complex. Groundnuts are pressed to derive the oil. The protein-rich press residues are used as animal feed. The composition of groundnut oil varies depending on the growing area.

About 41% of the world groundnut crop is used for oil production, whereas 45% is used directly as human food. Groundnut kernels, usually cooked or toasted, are appreciated worldwide as a flavourful snack food, nutritionally dense due to its high energy, protein and fat content. Groundnuts are also the primary ingredient of many finished products such as peanut butter, confections, nutritional bars, and are used in numerous dishes.

The fruit (pod, nut) is made of an external shell (or hull) (21-29%) and of the nut itself (79-71%), which consists of a thin hull ("skin", seed coat) (2-3%), the kernel (69-73%) and the germ (2.0-3.5%). The term "peanut" may refer to the whole fruit (including the shell), to the kernel with its thin coat, or to the kernel without the thin coat.

2.1 Area, Production and Productivity

Global Scenario

The area, production and productivity of groundnut in the world is presented in Table 2 and Fig.3. As per the USDA's estimate, the global production of groundnut was 46.58 million tonnes from 27.04 million ha with an average productivity of 1.72 tonnes/ha during the year 2017. Among the major groundnut producing countries, China ranked first with 36.69% share of global production followed by India (14.28%), Nigeria (9.12%), USA (6.93%) and Sudan (3.54%). Further, it is worth to notice that India ranked first in area under groundnut in the world but reported less productivity (only 1.36 tonnes/ha) as compared to USA (4.49 tonnes/ha) and China (3.71 tonnes/ha), even less than the world average (1.72 tonnes/ha).

Table 2: Major groundnut producing countries in the world (2017)

Rank	Country	Area		Production		Productivity
		Million ha	%	Million tonnes	%	tonnes/ha
1	China	4.61	17.05	17.09	36.69	3.71
2	India	4.89	18.08	6.65	14.28	1.36
3	Nigeria	2.82	10.43	4.25	9.12	1.51
4	USA	0.72	2.66	3.23	6.93	4.49
5	Sudan	2.22	8.21	1.65	3.54	0.74
6	Senegal	1.25	4.62	1.41	3.03	1.13
7	Burma	0.89	3.29	1.38	2.96	1.55
8	Indonesia	0.58	2.14	1.08	2.32	1.85
9	Chad	0.77	2.85	0.87	1.87	1.13
10	Argentina	0.38	1.41	0.87	1.87	2.27
	World	**27.04**	**100.00**	**46.58**	**100.00**	**1.72**

Source: USDA

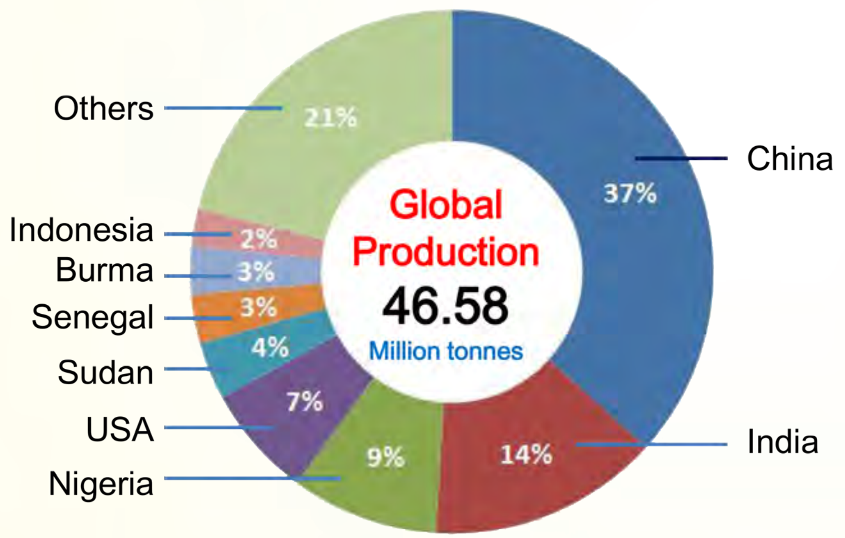


Fig.3: Major Groundnut Producing Countries - 2017

Domestic Scenario

In India, groundnut is considered as the "king of oilseeds". It is available throughout the year due to two-crop cycles, harvested in March and October. The growth and instability in area, production and productivity of groundnut in India during the period from 2007-08 to 2016-17 is presented in Table 3. It shows that the area under groundnut in India has significantly declined by 2.75% per annum. It may be because many farmers have replaced groundnut with more remunerative and suitable commercial crops like cotton. Further, there was no significant rise in production as well as productivity of groundnut during this period. Production of groundnut also reported high instability which has negatively affected the area under this crop.

Table 3: Growth and instability in area, production and productivity of groundnut in India

Sr. No.	Year	Area (Lakh ha)	Production (Lakh tonnes)	Productivity (kg/ha)
1	2007-08	62.92	91.83	1459
2	2008-09	61.65	71.68	1163
3	2009-10	54.78	54.29	991
4	2010-11	58.56	82.65	1411
5	2011-12	52.64	69.64	1323
6	2012-13	47.21	46.94	994
7	2013-14	55.05	97.14	1765
8	2014-15	47.69	74.02	1552
9	2015-16	45.96	67.33	1465
10	2016-17	52.96	76.50	1445
	CAGR (%)	**-2.75****	**-0.27**	**2.55**
	II	**7.00**	**20.94**	**16.54**

Source: Department of Agriculture, Cooperation & Farmers Welfare, Government of India

*** Significant at 1% level*

Table 4: State wise area, production and productivity of groundnut in India during the year 2017-18

Rank	State	Area		Production		Productivity
		Lakh ha	%	Lakh tonnes	%	kg/ha
1	Gujarat	16.8	34.18	39.4	42.88	2343
2	Rajasthan	6.4	13.03	12.6	13.72	1966
3	Andhra Pradesh	7.4	14.96	10.4	11.34	1416
4	Tamil Nadu	3.3	6.80	9.7	10.61	2914
5	Maharashtra	6.2	12.51	5.6	6.09	908
6	Karnataka	1.7	3.38	3.5	3.82	2114
7	Madhya Pradesh	2.2	4.56	3.5	3.80	1558
8	Telangana	2.6	5.38	3.3	3.61	1255
9	West Bengal	0.7	1.43	1.7	1.80	2343
10	Uttar Pradesh	1.9	3.77	2.1	2.33	-
	All India	**49.1**	**100.00**	**91.8**	**100.00**	**1868**

Source: Department of Agriculture, Cooperation & Farmers Welfare, GoI

State wise area, production and productivity of groundnut in India during the year 2017-18 are presented in Table 4. It shows that India produced 91.8 lakh tonnes of groundnut from 49.1 lakh ha area with an average productivity of 1868 kg/ha. Gujarat ranked first in area as well as production with 34.18% and 42.88% share, respectively. Rajasthan ranked second in production with 13.72% share followed by Andhra Pradesh (11.34%), Tamil Nadu (10.61%) and Maharashtra (6.09%). On other hand, Tamil Nadu reported the highest productivity (2914 kg/ha) followed by Gujarat (2343 kg/ha) and West Bangal (2343/ha). Despite top ranking in area and production, Gujarat reported lower productivity as compared to Tamil Nadu as most of the crop in the state is cultivated in rain fed condition.

2.2 Export

India is the largest exporter of groundnut in the world. The country has exported 5.04 lakh tons of groundnut worth of Rs 3386 crore during the year 2017-18. Indian groundnuts are available in different varieties: Bold, Java and Red Natal. Apart from raw edible peanuts, India also supply blanched peanuts, roasted salted peanuts, dry roasted peanuts, peanut butter and a variety of peanut based products (IOPEPC).

The growth and instability in export of groundnut from India during the period from 2008-09 to 2017-18 is presented in Table 5 and Fig.4.

Table 5: Growth and instability in export of groundnut from India

Sr. No.	Year	Quantity (Lakh tonnes)	Value (Rs crore)	Price (Rs/tonne)
1	2008-09	2.98	1239	41593
2	2009-10	3.40	1426	41909
3	2010-11	4.34	2178	50222
4	2011-12	8.33	5246	63012
5	2012-13	5.36	4065	75898
6	2013-14	5.10	3188	62546
7	2014-15	7.08	4675	66000
8	2015-16	5.43	4076	75095
9	2016-17	7.26	5444	75021
10	2017-18	5.04	3386	67186
	CAGR (%)	**6.65**	**13.55***	**6.47****
	II	**25.10**	**29.17**	**11.92**

Source: http://apeda.gov.in

** Significant at 5% level,   ** Significant at 1% level*

The results indicate that the export of groundnut in terms of quantity did not show any significant rise during this period. Whereas, export in terms of value has significantly risen by 13.55% per annum. It was due to significant rise (6.47% per annum) in export prices of groundnut during this period. Further, the export of groundnut both in quantity terms as well as value terms reported high instability. However, the instability in prices was found lower. The high fluctuations in groundnut exports might be because of frequent rejections of shipments and ban imposed by various importing countries due to poor quality such as high level of aflatoxin. Thus, more attention is required on quality aspects to tap the vast export potential of groundnut.

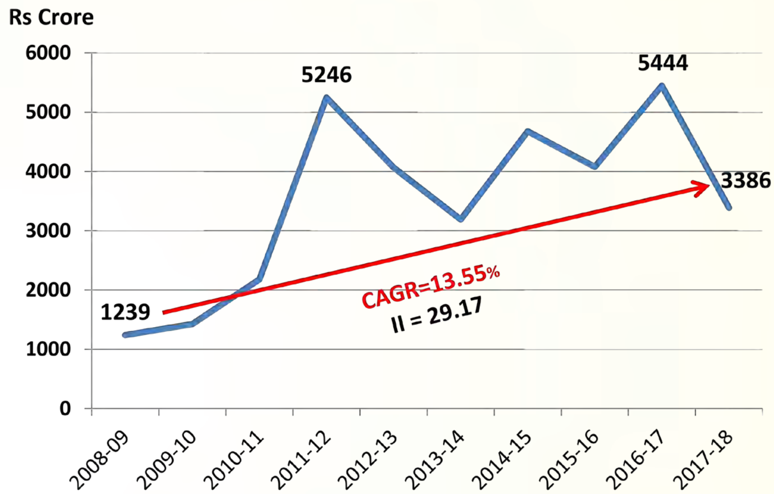


Fig.4: Growth in Export of Groundnut from India

Major export destinations

India exports groundnut to many countries across the world. The details of major export destinations for Indian HPS groundnut during the year 2017-18 are depicted in Table 6 and Fig.5.

India's share in major importers of HPS groundnut during the year 2018 is presented in Table 7. The data revealed that India is the largest exporter of groundnut in the world with 18.6% of total world export. India emerged as first choice for Indonesia as well as second choice for Vietnam and third choice for Russian Federation. In Russian Federation markets, Brazil and Argentina are the major competitors for India whereas in Vietnam market China is the major competitor. This indicates that, India possessed good position in groundnut export and still there are high opportunities to expand it.

Table 6: Major export destinations for Indian HPS groundnut (2017-18)

Rank	Country	Value		Quantity	
		Rs crore	%	Lakh tonnes	%
1	Indonesia	1505	46.05	2.19	45.57
2	Vietnam	321	9.80	0.51	10.58
3	Philippines	304	9.29	0.44	9.19
4	Malaysia	256	7.85	0.34	7.18
5	Russia	98	3.00	0.15	3.07
6	Pakistan	87	2.67	0.15	3.20
7	Ukraine	78	2.38	0.12	2.40
8	Thailand	77	2.35	0.11	2.26
9	Iran	61	1.88	0.10	2.06
10	Netherland	59	1.80	0.07	1.41
	Others (67)	423	12.95	0.63	13.08
	Total	**3269**	**100.00**	**4.80**	**100.00**

Source: http://commerce-app.gov.in

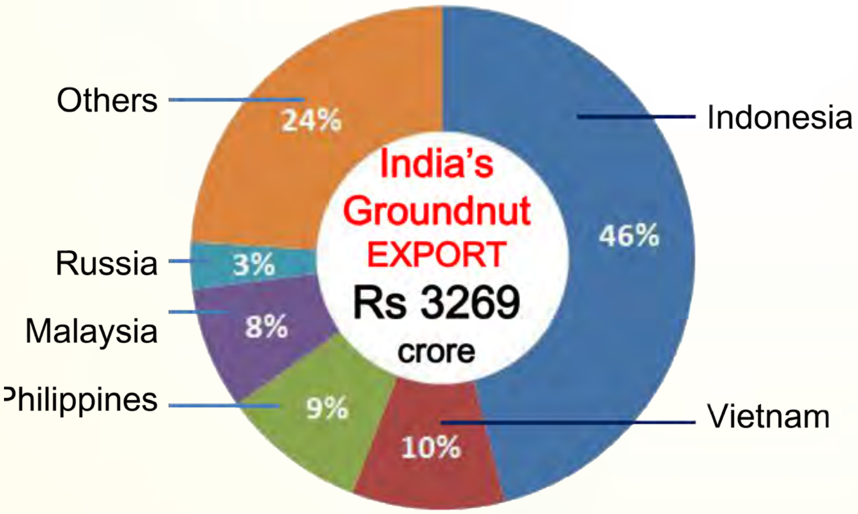


Fig.5: Major Export Destinations for Groundnut (2017-18)

Table 7: India's share (%) in major import markets of HPS groundnut (2018)

Rank	Major Importers	Major Exporters				
	World (100 %)	**India**	USA	China	Netherlands	Brazil
		18.6	18.5	11.3	9.8	9.4
1	**Netherlands** (14.9)	Argentina	USA	Brazil	China	Nicaragua
		50.9	17.7	8.0	6.1	5.3
2	Indonesia (10.7)	**India**	Sudan	China	Mozambique	Tanzania
		64.9	13.5	13.4	6.6	1.1
3	Germany (6.4)	Argentina	USA	Netherlands	Egypt	SA
		54.9	12.4	11.1	5.5	4.0
4	Mexico (5.5)	USA	Nicaragua	China	Brazil	**India**
		68.9	14.2	8.1	7.3	**0.8**
5	Russian Fed. (5.2)	Brazil	Argentina	**India**	Nicaragua	China
		60.0	20.3	**8.6**	5.1	4.2
6	UK (4.1)	Argentina	USA	Nicaragua	Netherlands	China
		28.4	18.9	16.5	13.3	12.3
7	Canada (4.0)	USA	China	Nicaragua	Mexico	Argentina
		77.0	18.2	1.8	1.8	0.6
8	China (3.6)	Senegal	USA	Ethiopia	Argentina	-
		46.0	45.6	6.7	1.7	-
9	Vietnam (3.5)	China	**India**	Madagascar	Brazil	Argentina
		56.9	**30.6**	6.2	2.5	1.2
10	Poland (2.9)	Argentina	Brazil	USA	China	Egypt
		67.9	19.2	4.3	3.9	1.7

Source: Trademap.org

Direction of trade

The direction of trade of Indian groundnut to different importing countries was studied by estimating the transitional probability matrix using the Markov chain framework. Transitional probabilities are presented in Table 8 which provides a broader idea of change of the direction of trade over a period from year 2008-09 to 2017-18.

The transitional probabilities depicted in the Table 8 indicate that Russia and Indonesia were found the stable markets among the major importers of Indian groundnut as reflected by the higher probability of retention at 0.381 and 0.222, respectively. Thus, Russia is the most reliable and loyal market for Indian groundnut with 38.1% retention followed by Indonesia (22.2%). Further, it is also evident that Indonesia lost to the tune of 28.3% to Vietnam, 26.8% to Malaysia and 17.8% to Philippines where as it gained from Malaysia (91.8%), Vietnam (51.0%) and Philippines (48.4%).

Table 8: Transitional Probability Matrix for groundnut export from India (2008-09 to 2017-18)

ID	Country	1	2	3	4	5	6	7	8
1	Indonesia	0.222	0.283	0.178	0.268	0.000	0.000	0.049	0.000
2	Vietnam	0.510	0.000	0.175	0.178	0.030	0.003	0.027	0.077
3	Philippines	0.484	0.000	0.000	0.000	0.000	0.042	0.000	0.475
4	Malaysia	0.918	0.000	0.082	0.000	0.000	0.000	0.000	0.000
5	Russia	0.000	0.000	0.000	0.000	0.381	0.000	0.000	0.619
6	Pakistan	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000
7	Ukraine	0.000	0.944	0.000	0.000	0.000	0.000	0.000	0.056
8	Others	0.000	0.305	0.000	0.000	0.049	0.083	0.000	0.563

2.3 Export Specification

Groundnuts for edible use require considerable processing and sorting to ensure high quality: removal of stones and other foreign matter; removal of shell, removal of kernels that are shrivelled, off-colour, or otherwise unsatisfactory; and grading for size and uniformity. In this process a large measure of hand sorting is needed to get the required quality. Therefore, edible groundnuts are traditionally called ‘Hand Picked and Selected Groundnuts’ or ‘HPS Groundnuts’ (HPSG) in trade circles. In developed countries machines are also used for sorting, but outside the USA machines are rarely used for the entire sorting process.

HPSGs are graded into sizes which confirm to counts per ounce. For instance, 55-60 count means 55 to 60 kernels per ounce. Based on this count, kernels are classified into four broad groups; small (60-80 counts); medium (40-60 counts); large (30-40 counts); and very large kernels (20-30 counts); Usually, counts have a range of 10 for small kernels, a range of 5 for medium and large kernels, and a range of 2 for very large kernels. Similarly, a range of 2 is preferred for nuts-in-shell. HPSGs are normally indicated by country of origin, varietal group and count; for instance, Indian Bold 55/60; US Virginias 28/30; South Africa Natals 60/70; *etc*.

The quality requirements for export of groundnut are presented in Table 9.

Table 9: Basic quality requirements for export of groundnut

Sr. No.	Parameters	Specifications
1	Counts per ounce	• **BOLD:** 35/40, 38/42, 40/45, 45/50, 45/55, 60/70, 70/80 • **JAVA:** 40/50, 45/55, 60/70, 70/80, 80/90, 100/120 • RED SKIN JAVA: 70/80, 80/90
2	Moisture	Max. 7%
3	Admixture of other types/varieties	Max. 1%
4	Foreign material (dust, stones, stems, straw or any other impurity)	Max. 0.5%
5	Oil content	42 to 48%
6	Other	• Free of flavours, odours, living insects and mites • Non-GMO products

Source: http://www.iopepc.org

Groundnut exports from India remained under questions due to high moisture content in it and aflatoxin issue in the consignment. Aflatoxin is a poisonous and cancer-causing chemical that is produced by certain molds (aspergillus flavus and aspergillus parasiticus) which grow in soil, decaying vegetation, hay and grains. Maximum Levels (MLs) of Aflatoxin in groundnut for export varies for country to country. The details are given in Table 10.

Table 10: Maximum Levels of Aflatoxin in groundnut and its products for export

Sr. No.	Product categories	MLs of aflatoxins (µg/kg) (with maximum moisture content of 7%)
1	For exports to EU (for direct human consumption or as an ingredient in foodstuffs)	4
2	For exports to EU (for further processing before human consumption)	15
3	For exports to EU (for bird feed)	20
4	For exports to Russian Federation	5
5	For exports to Japan and Korea	10
6	For exports to Malaysia, Indonesia and countries following Codex	15
7	For exports to Thailand	20

Source: http://apeda.gov.in

Maximum Residue Level of agrochemicals is provided in Table 11.

Table 11: Maximum Residue Level (MRL) of agrochemicals

Sr. No.	Name of Agrochemical	MRL (mg/kg)
1	Aldicarb	0.02
2	Carbendazim	0.1
3	Chlorothalonil	0.05
4	Clethodim	5
5	Cypermethrin	0.05
6	Disulfoton	0.1
7	Fenamiphos	0.05
8	Metalaxyl	0.1
9	Oxamyl	0.05
10	Permethrin	0.1
11	Propargite	0.1
12	Pyrethrins	0.5
13	Quintozene	0.5
14	Tebuconazole	0.05

Source: http://apeda.gov.in

3 Sesame

Sesame (*Sesamum indicum* L.) is commonly known as 'Till' in India. Sesame seed is one of the oldest oilseed crops known. It was a major summer crop in the Middle East for thousands of years. Sesame has many species of which most are native to Sub-Saharan Africa while *Sesamum indicum* is native to India. According to historical accounts, sesame was traded as early as 2000 BC between the Indian sub-continent and Mesopotamia. The popularity of sesame in the ancient world is due to the fact that it is a robust crop that can grow in a wide variety of environments. Thus, trade in sesame flourished since the ancient times.

Sesame seeds contain 50-55% edible oil and 25% protein. Due to the presence of potent antioxidant, sesame seeds are known as "the seed of immortality". It has a rich, nutty flavour that is commonly used as an important ingredient in cuisines across the world. The decorticated sesame seeds are sold mainly to be used as a top coating of a number of baked goods in many countries. The seeds are also used for oil extraction and the flour that remains after oil extraction is used as feed for livestock and poultry. Non-food uses of sesame oil include ingredients in soaps, paints, cosmetics, perfumes and insecticides.

3.1 Area, Production and Productivity

Global Scenario

Sesame is a robust plant that can grow in many types of soils. However, the crop grows best in well-drained, fertile soils with neutral pH. High salt and waterlogged soils are not good for sesame cultivation. India and China are the top sesame producing countries in the world. The white and lighter coloured sesame seeds are produced commonly in West Asia, the Indian subcontinent, the Americas, and Europe. In China and Southeast Asia, darker-coloured sesame seeds are mainly produced.

The production of sesame in the world during the year 2016 is presented in Table 12 and Fig.6. It shows that the global production of sesame was 61.12 lakh tonnes. Tanzania ranked first with 9.40 lakh tonnes of production which accounted for 15.38 per cent share in global production followed by Myanmar (13.30%). India reported third rank with 7.98 lakh tonnes of production and 13.05 per cent share followed by China (10.60%) and Sudan (8.59%).

Table 12: Production of sesame in the world during the year 2016

Rank	Country	Production (Lakh tonnes)	% to Total
1	Tanzania	9.40	15.38
2	Myanmar	8.13	13.30
3	India	7.98	13.05
4	China	6.48	10.60
5	Sudan	5.25	8.59
6	Nigeria	4.61	7.54
7	Ethiopia	2.68	4.38
8	Burkina Faso	2.30	3.76
9	South Sudan	2.02	3.31
10	Chad	1.70	2.78
	World	**61.12**	**100.00**

Source: FAOSTAT

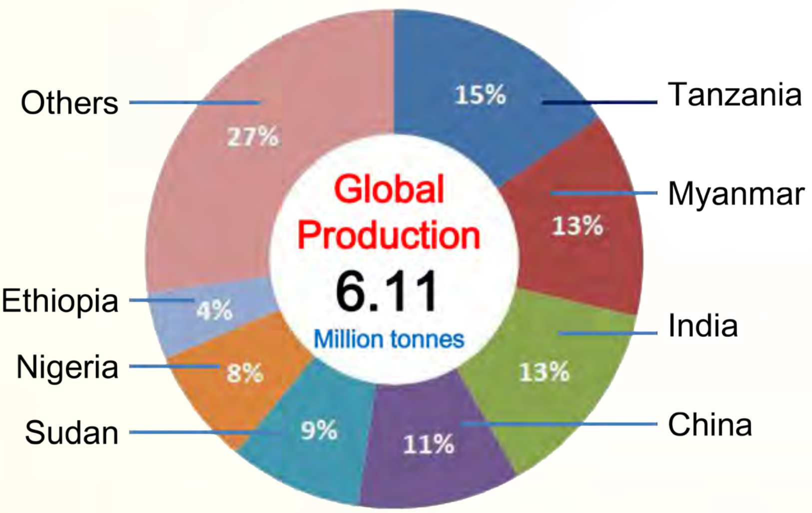


Fig.6: Major Sesame Producing Countries - 2016

Domestic Scenario

Sesame crop is grown in almost all parts of the country. The growth and instability in area, production and productivity of sesame in India during the period from 2007-08 to 2016-17 is presented in Table 13. It shows that the area, production as well as productivity did not show any significant change during this period and remained almost stable.

Table 13: Growth and instability in area, production and productivity of sesame in India

Sr. No.	Year	Area (Lakh ha)	Production (Lakh tonnes)	Productivity (kg/ha)
1	2007-08	17.99	7.57	421
2	2008-09	18.09	6.40	354
3	2009-10	19.42	5.88	303
4	2010-11	20.83	8.93	429
5	2011-12	19.02	8.10	426
6	2012-13	17.06	6.85	402
7	2013-14	16.79	7.15	426
8	2014-15	17.46	8.28	474
9	2015-16	19.51	8.50	436
10	2016-17	17.12	8.04	470
	CAGR (%)	**-0.73**	**2.09**	**2.83**
	II	**6.84**	**11.44**	**9.67**

Source: Department of Agriculture, Cooperation & Farmers Welfare, GoI

State wise area, production and productivity of sesame in India during the year 2017-18 are depicted in Table 14. It shows that the country produced 4.18 lakh tonnes of sesame from 13.98 lakh ha area with an average productivity of just 291 kg/ha. Madhya Pradesh emerged as the largest producing state with 1.24 lakh tonnes of production and 29.7 per cent share followed by Gujarat (18.9%), Rajasthan (17.6%) and Uttar Pradesh (13.4%). These four states jointly contributed about 80 % share in country's total sesame production.

Table 14: State wise area, production and productivity of sesame in India (2017-18)

Rank	State	Area		Production		Productivity
		Lakh ha	%	Lakh tonnes	(%)	(kg/ha)
1	Madhya Pradesh	4.24	30.33	1.24	29.7	293
2	Gujarat	1.09	7.81	0.79	18.9	723
3	Rajasthan	2.72	19.47	0.74	17.6	270
4	Uttar Pradesh	3.00	21.47	0.56	13.4	187
	Sub-total	11.06	79.08	3.33	79.7	-
	Others	2.92	20.92	0.85	20.3	-
	All India	**13.98**	**100.00**	**4.18**	**100**	**291**

Source: Department of Agriculture, Cooperation & Farmers Welfare, GoI

The average productivity of sesame in India was just 291 kg/ha. All major states reported a very low level except Gujarat (723 kg/ha). The low productivity of sesame is due to its rainfed cultivation in marginal and submarginal lands under poor management and input starved conditions. However, improved varieties and agro production technologies capable of increasing the productivity levels of sesame are now developed for different agro ecological situations in the country. A well-managed crop of sesame can yield 1200 - 1500 kg/ha under irrigated and 800 - 1000 kg/ha under rain fed conditions.

3.2 Export

India is playing a dominant role in international trade of sesame. The country has exported 3.37 lakh tonnes of sesame worth of Rs 2991 crore during the year 2017-18. The growth and instability in export of sesame from India during the period from 2008-09 to 2017-18 is presented in Table 15 and Fig.7. The results indicate that the export of sesame in terms of quantity did not show any significant rise during this period. Whereas export in terms of value has significantly risen by 8.65% per annum. Export prices also did not show any significant rise during this period. Further, the export of sesame reported moderate instability during this period.

Table 15: Growth and instability in export of sesame from India

Sr. No.	Year	Quantity (Lakh tonnes)	Value (Rs crore)	Price (Rs/tonne)
1	2008-09	1.97	1494	75858
2	2009-10	2.16	1494	69270
3	2010-11	3.60	2308	64074
4	2011-12	3.88	2642	68044
5	2012-13	2.99	2881	96194
6	2013-14	2.57	3583	139195
7	2014-15	3.76	4717	125587
8	2015-16	3.28	3011	91710
9	2016-17	3.09	2708	87694
10	2017-18	3.37	2991	88793
	CAGR (%)	**4.10**	**8.65***	**4.38**
	II	**18.13**	**24.05**	**23.56**

Source: http://apeda.gov.in

** Significant at 5% level*

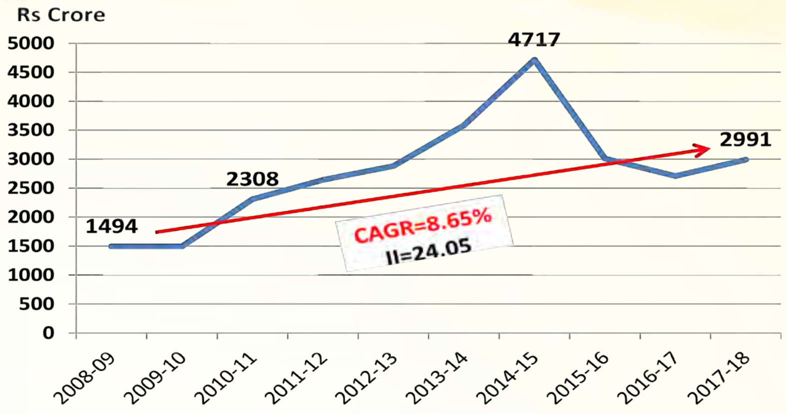


Fig.7: Growth in Export of Sesame from India

Major export destinations

India exports sesame to many countries across the world. The details of major export destinations for Indian sesame seeds during the year 2017-18 are depicted in Table 16 and Fig.8. The major countries have been ranked on the basis of export value. Amongst these countries, Vietnam emerged as the largest export destination with export value of Rs 430 crore contributing 14.36% in total export of sesame seeds from India followed by Korea (7.66%), USA (6.89%) and Russia (5.90%). India's share in major importers of sesame during the year 2018 is presented in Table 17.

Table 16: Major export destinations for Indian sesame (2017-18)

Rank	Country	Value		Quantity	
		Rs crore	%	Lakh tonnes	%
1	Vietnam	430	14.36	0.55	16.48
2	Korea	229	7.66	0.29	8.77
3	U S A	206	6.89	0.21	6.09
4	Russia	176	5.90	0.14	4.20
5	Netherland	143	4.77	0.15	4.48
6	Iran	141	4.73	0.15	4.43
7	Greece	113	3.79	0.12	3.57
8	Taiwan	106	3.55	0.15	4.34
9	Germany	105	3.50	0.11	3.26
10	Indonesia	103	3.43	0.10	3.12
	Others (111)	1239	41.43	1.39	41.25
	Total	**2990.93**	**100.00**	**3.37**	**100.00**

Source: http://commerce-app.gov.in

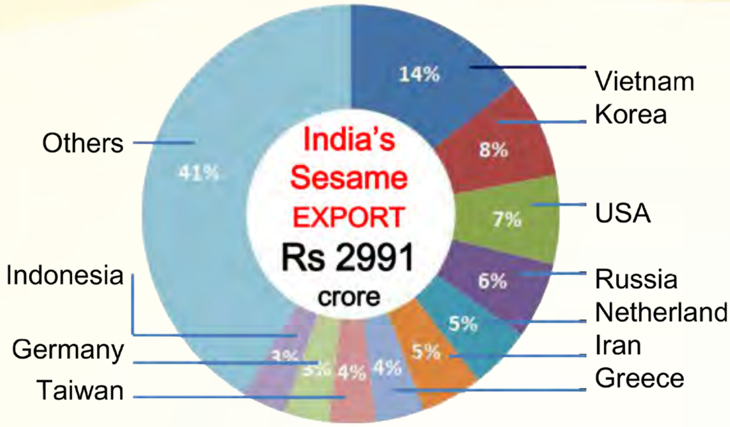


Fig.8: Major Export Destinations for Sesame (2017-18)

Table 17: India's share (%) in major import markets of sesame (2018)

Rank	Major Importers	Major Exporters				
	World	Sudan	**India**	Ethiopia	Nigeria	Niger
	(100 %)	20.3	**17.3**	11.4	8.1	5.5
1	China	Sudan	Ethiopia	Niger	Togo	Tanzania
	(35.6)	30.4	20.3	15.6	11.9	7.9
2	Japan	Nigeria	Burkinafaso	Tanzania	Paraguay	Myanmar
	(7.1)	29.3	19.3	7.7	6.4	6.2
3	Turkey	Nigeria	Sudan	Chad	Ethiopia	Guinea
	(6.6)	51.2	19.4	11.0	8.0	2.1
4	Korea	China	**India**	Nigeria	Pakistan	Togo
	(4.1)	50.8	**35.0**	4.7	3.8	2.3
5	Vietnam	**India**	Nigeria	Pakistan	China	Brazil
	(3.6)	**68.1**	16.5	10.5	1.9	1.5
6	Iran	Pakistan	UAE	**India**	Sudan	Afghanistan
	(3.1)	44.2	20.4	**18.1**	3.5	3.2
7	Israel	Ethiopia	**India**	Nigeria	Brazil	-
	(3.1)	77.6	**14.9**	2.9	1.3	-
8	Egypt	Sudan	**India**	Nigeria	Chad	Ethiopia
	(2.6)	81.4	**10.8**	2.5	2.1	1.5
9	USA	**India**	Guatemala	Mexico	Pakistan	Ethiopia
	(2.5)	**54.7**	17.8	8.0	4.2	3.3
10	Saudi Arabia	Sudan	**India**	Ethiopia	UAE	Yemen
	(2.4)	79.8	**7.4**	4.5	2.8	1.7

Source: Trademap.org

It shows that India is the second largest exporter of the sesame with 17.3 % share in world's total import. It was observed that India emerged as first choice for Vietnam and USA, whereas second choice for Korea, Israel, Egypt and Saudi Arabia and third choice for Iran. India has not found prominent place as exporter to some of the major importing countries like China, Japan and Turkey.

Direction of Trade

The direction of trade of Indian sesame seeds to different importing countries was studied by estimating the transitional probability matrix using the Markov chain framework. Transitional probabilities are presented in Table 18 which provides a broader idea of change of the direction of trade over a period from year 2008-09 to 2017-18.

Table 18: Transitional Probability Matrix for sesame export from India (2008-09 to 2017-18)

ID	Country	1	2	3	4	5	6	7	8
1	Vietnam	0.173	0.001	0.107	0.127	0.029	0.179	0.062	0.323
2	Korea	0.000	0.257	0.214	0.000	0.000	0.000	0.000	0.529
3	U S A	0.000	0.000	0.233	0.000	0.000	0.000	0.294	0.473
4	Russia	0.846	0.000	0.000	0.000	0.000	0.076	0.000	0.078
5	Netherland	0.000	0.000	0.387	0.006	0.460	0.000	0.148	0.000
6	Iran	0.000	0.000	0.000	0.388	0.200	0.411	0.000	0.000
7	Greece	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.000
8	Others	0.177	0.149	0.000	0.003	0.021	0.003	0.005	0.641

The transitional probabilities depicted in the Table 18 indicate that Netherland is the most reliable and loyal market for Indian sesame with 46.0% retention followed by Iran (41.1%), Korea (25.7%), USA (23.3%) and Vietnam (17.3%). Further, it is also evident that Vietnam lost to the tune of 32.3% to others, 17.9% to Iran and 12.7% to Russia where as it gained from Russia (84.6%) and others (17.7%).

3.3 Export Specifications

Export specifications of sesame seeds set by Indian Oilseeds and Produce Export Promotion Council (IOPEPC) are presented in Table 19.

Table 19: Export specifications of sesame seeds

Whitish Sesame Seeds				
Grade	**Whitish seeds**	**Other colour seeds**	**FFA (free fatty acids)**	**Purity**
99 / 1	Min 99%	Max 1%	Max 2% (also possible Max 1 %)	Min 98% (also possible Min 99%, 99.5%, 99.9% and 99.97%)
98 / 2	Min 98%	Max 2%		
95 / 5	Min 95%	Max 5%		
Black Sesame Seeds				
Grade	**Black seeds**	**Other colour seeds**	**FFA (free fatty acids)**	**Purity**
99 / 1	Min 99%	Max 1%	Max 2% (also possible Max 1%)	Min 98% (also possible Min 99%, 99.5%, 99.9%)
98 / 2	Min 98%	Max 2%		
Crushing Quality Sesame Seed (Mixed grade (brown, brown/black, from whitish)				
Grade	**Oil content**		**FFA**	**Purity**
-	Min 48%		Max 2%	Min 98% or 99%

Source: http://www.iopepc.org

Grade designation and quality of sesame seeds as per **AGMARK** standard are presented in Table 20.

Table 20: Grade designation and quality of sesame seeds as per AGMARK standard

Sr. No.	Parameters	Grade		
		Special	Good	General
1	Foreign matter (%) Max	0.5	1.0	2.0
2	Immature, Shrivelled/dead seeds (%) Max	1.0	2.0	3.0
3	Damaged & discoloured seeds (%) Max	Nil	1.0	2.0
4	Total impurities (above 1+2+3) (%) Max	1.5	3.0	7.0
5	Admixture of other varieties/types (%) Max	5.0	10.0	15.0
6	Moisture content (%) Max	5.0	6.0	7.0
7	General Purity	Free from fungus and insect attack, live insects, obnoxious smell, rodent contamination, excreta, non edible oil seeds, artificial colouration and all other impurities except to the extent specified		

Source: http://apeda.gov.in

4 Castor

Castor is an important non-edible oilseed crop and is grown especially in arid and semi arid region. It is reported to have originated in the tropical belt of both India and Africa. Castor is scientifically known as *Ricinus communis* L., is cultivated around the world because of the commercial importance of its oil**.**

Castor seed contains about 30-50% oil, which is rich in tryglycerides called ricinolein. Castor oil is used as a lubricant in high-speed engines and airplanes. Hydrogenated castor oil is used in polishes, ointments, waxes, printing inks, cosmetic, hair dressings, soaps and disinfectants. It is also used for medicinal and lighting purposes. Castor oil is a potential raw material for many industries *viz.*, paints, lubricants, pharmaceuticals, cosmetics, paper, rubber, food additives, *etc*. Castor oil is used in many veterinary uses. Castor oil cake is rich in protein but due to the presence of `ricin' it is unfit for cattle feed. It is used as manure.

Castor is drought tolerant and grows well in a wide range of rainfall and climatic conditions. It requires moderately high temperatures with low humidity throughout the growing season to produce maximum yields. The castor crop duration varies between 145 and 280 days depending upon the variety.

4.1 Area, Production and Productivity

Global Scenario

The global scenario of castor production during the year 2017 is presented in Table 21 and Fig. 9.

Table 21: Major castor producing countries in the world (2017)

Rank	Country	Production (Lakh tonnes)	%
1	India	15.68	87.53
2	Mozambique	0.80	4.46
3	China	0.55	3.07
4	Brazil	0.13	0.75
5	Burma	0.12	0.70
6	Ethiopia	0.09	0.52
7	Vietnam	0.07	0.39
7	Paraguay	0.07	0.39
9	South Africa	0.06	0.36
10	Angola	0.04	0.23
	World	**17.91**	**100.00**

Source: FAOSTAT

India is the world's single largest producer of castor seed accounting for 87.53% followed by Mozambique (4.46%) and China (3.07%).

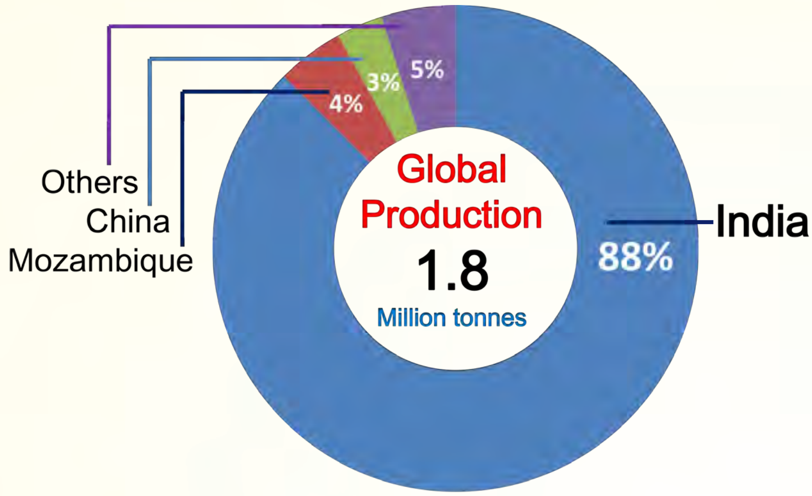


Fig.9: Major Castor Producing Countries - 2017

Domestic Scenario

The growth and instability in area, production and productivity of castor in India during the period from 2007-08 to 2016-17 is presented in Table 22.

Table 22: Growth and instability in area, production and productivity of castor in India

Sr. No.	Year	Area (Lakh ha)	Production (Lakh tonnes)	Productivity (kg/ha)
1	2007-08	7.87	10.54	1339
2	2008-09	8.66	11.71	1352
3	2009-10	7.35	10.09	1373
4	2010-11	8.80	13.50	1534
5	2011-12	14.71	22.95	1560
6	2012-13	12.34	19.64	1592
7	2013-14	10.63	17.27	1624
8	2014-15	10.89	18.70	1717
9	2015-16	10.61	17.52	1652
10	2016-17	8.62	15.54	1803
	CAGR (%)	**2.83**	**6.24***	**3.32****
	II	**20.67**	**20.29**	**2.78**

Source: Department of Agriculture, Cooperation & Farmers Welfare, GoI

** Significant at 5% level, ** Significant at 1% level*

Table shows that the area under castor remained stable during this period whereas, the production as well as productivity of the crop has significantly risen by 6.24% and 3.32% per annum, respectively. It clearly indicates that the rise in production of castor was due to rise in productivity. The results also indicate that the area and production of castor showed moderate to high instability during the period.

The area, production and productivity of castor in major producing states of India during the year 2017-18 are depicted in Table 23. It shows that India produced 14.43 lakh tonnes of castor from 8.23 lakh ha with average productivity of 1753 kg/ha. Gujarat has emerged as the largest castor producing state in the country with 72.42% share in area and 85.24% share in production followed by Rajasthan and Andhra Pradesh (including Telangana).

Table 23: Major castor producing states in India (2017-18)

Rank	State	Area		Production		Productivity
		Lakh ha	%	Lakh tonnes	%	kg/ha
1	Gujarat	5.96	72.42	12.30	85.24	2064
2	Rajasthan	1.31	15.92	1.62	11.23	1237
3	Andhra Pradesh and Telangana	0.58	7.05	0.28	1.94	483
	Others	0.38	4.62	0.23	1.59	605
	India	**8.23**	**100.00**	**14.43**	**100.00**	**1753**

Source: The Solvent Extractor's Association of India

4.2. Export

Castor seed is not exported but castor oil and meal are exported. Castor oil can be extracted from castor beans by mechanical pressing, solvent extraction, or a combination of pressing and extraction. India exported more than 6.97 lakh tons of castor oil worth of Rs 6730 crore during the year 2017-18. The growth and instability in export of castor oil from India during the period from 2008-09 to 2017-18 is presented in Table 24 and Fig.10.

The results indicate that the export of castor in terms of quantity as well as in terms of value has been significantly risen by 7.19% and 11.93% per annum, respectively. The export prices were also increased by 4.42% per annum during this period. Overall, the results indicate that the export of castor oil from India has bright prospects.

Table 24: Growth and instability in export of castor oil from India

Sr. No.	Year	Quantity (Lakh tonnes)	Value (Rs crore)	Price (Rs/tonne)
1	2008-09	3.32	1942	58542
2	2009-10	3.98	2179	54757
3	2010-11	4.24	2983	70276
4	2011-12	4.93	4571	92801
5	2012-13	5.66	4310	76146
6	2013-14	5.45	4364	80109
7	2014-15	5.46	4710	86188
8	2015-16	5.87	4616	78669
9	2016-17	6.00	4533	75482
10	2017-18	6.97	6730	96544
	CAGR (%)	**7.19****	**11.93****	**4.42***
	II	**6.84**	**15.89**	**12.08**

Source: http://apeda.gov.in

** Significant at 5% level, ** Significant at 1% level*

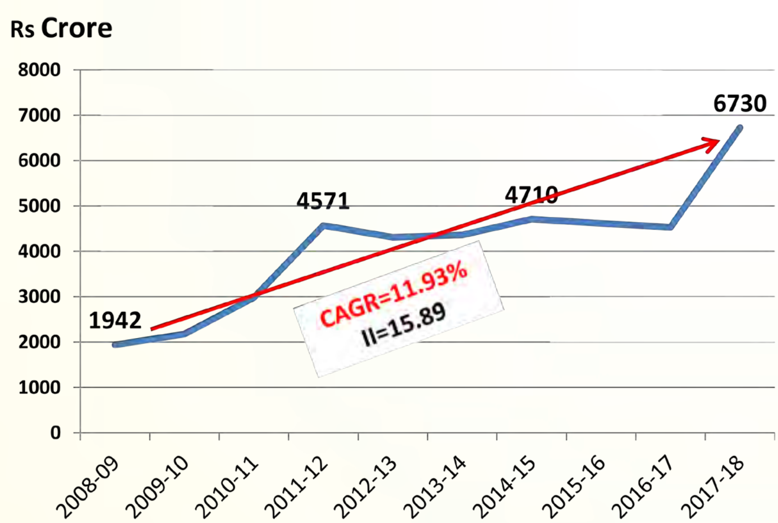


Fig.10: Growth in export of Castor Oil from India

Major export destinations

India exports castor oil to many countries across the world. However, the details of major export destinations for Indian castor oil during the year 2017-18 are depicted in Table 25 and Fig.11.

Table 25: Major export destinations for Indian castor oil (2017-18)

Rank	Country	Value		Quantity	
		Rs Crore	%	Lakh tonnes	%
1	China	2727	40.51	2.90	41.61
2	Netherland	880	13.08	0.92	13.25
3	France	707	10.50	0.74	10.59
4	U S A	642	9.53	0.66	9.45
5	Thailand	273	4.05	0.28	4.10
6	Japan	182	2.71	0.19	2.69
7	Korea	90	1.34	0.09	1.30
8	Brazil	90	1.33	0.09	1.35
9	Italy	84	1.25	0.08	1.24
10	U K	82	1.22	0.08	1.22
	Other (97)	973	14.46	0.92	13.21
	Total	**6730**	**100.00**	**6.97**	**100.00**

Source: http://commerce-app.gov.in

The major countries have been ranked on the basis of value of export. Amongst these countries, China ranked first with export of Rs 2727 crore contributing 40.51% in total export of castor oil from India followed by Netherland (13.08%), France (10.50%) and USA (9.53%). These four countries jointly accounted for about 74% of total castor oil export from India.

Fig.11: Major Export Destinations for Castor (2017-18)

India’s share in major importers of castor oil during the year 2018 was worked out and presented in Table 26. The results revealed that India emerged as the largest exporter of castor oil with 86.1% share in the world market. The India became the first choice for the major importing countries like China, France, USA, Germany, Netherland, Thailand, Japan, UK and Korea, whereas for Italy, India was the second choice. This indicates that India’s position in world’s castor oil market is very strong and there is a great opportunity to expand it.

Table 26: India’s share (%) in major export markets of castor oil (2018)

Rank	Major Importers	Major Exporters				
	World (100 %)	**India**	Netherland	France	Germany	USA
		86.1	4.1	2.7	2.3	1.6
1	China (39.2)	**India**	Thailand	Japan	USA	France
		98.9	1.0	0.1	0.1	-
2	France (11.0)	**India**	Germany	Netherland	Belgium	France
		94.9	2.2	1.6	0.4	0.3
3	USA (10.0)	**India**	Mexico	UK	China	Jamaica
		97.5	1.6	0.2	0.2	0.1
4	Germany (9.3)	**India**	Netherland	France	USA	Belgium
		81.2	14.1	3.3	0.5	0.3
5	Netherland (5.0)	**India**	Germany	France	Belgium	Malaysia
		83.6	13.3	2.0	0.9	0.1
6	Thailand (3.1)	**India**	Japan	Malaysia	-	-
		99.6	0.3	0.1	-	-
7	Japan (2.6)	**India**	Indonesia	USA	-	-
		99.7	0.2	0.1	-	-
8	Italy (2.5)	France	**India**	Germany	Netherlands	Belgium
		47.3	**43.6**	5.5	3.0	0.8
9	UK (1.8)	**India**	Netherland	USA	France	Germany
		85.3	7.5	3.0	1.6	1.5
10	Korea (1.5)	**India**	Japan	Thailand	Malaysia	UK
		91.1	7.8	0.5	0.3	0.1

Source: Trademap.org

Direction of Trade

The direction of trade of Indian castor oil to different importing countries was studied by estimating the transitional probability matrix using the Markov chain framework. Transitional probabilities are presented in Table 27 which provides a broader idea of change of the direction of trade over a period from year 2008-09 to 2017-18.

Table 27: Transitional Probability Matrix for castor oil export from India (2008-09 to 2017-18)

ID	Country	1	2	3	4	5	6	7	8
1	China	0.401	0.154	0.165	0.121	0.045	0.025	0.018	0.071
2	Netherland	0.000	0.000	0.406	0.238	0.000	0.134	0.007	0.214
3	France	0.392	0.368	0.000	0.142	0.098	0.000	0.000	0.000
4	U S A	0.993	0.000	0.000	0.000	0.000	0.000	0.007	0.000
5	Thailand	0.000	0.951	0.000	0.000	0.000	0.000	0.049	0.000
6	Japan	0.600	0.000	0.000	0.000	0.000	0.000	0.047	0.352
7	Korea	0.228	0.000	0.000	0.291	0.462	0.000	0.018	0.000
8	Other	0.576	0.000	0.017	0.000	0.000	0.015	0.014	0.378

The transitional probabilities depicted in the Table 27 indicate that China was found the most stable markets among the major importers of Indian castor oil as reflected by the higher probability of retention at 0.401, *i.e.*, the probability that china retains its export share over the study period is 40.1%. Thus, China is the most reliable and loyal market for Indian castor oil. Further, it is also evident that China lost to the tune of 16.5% to France, 15.4% to Netherland and 12.1% to USA where as it gained from USA (99.3%), Japan (60.0%), others (57.6%), France (39.2%), and Korea (22.8%).

4.3 Export Specifications

The unique structure of castor oil offers interesting properties, making it appropriate for various industrial applications. Castor oil is known to consist of up to 90% ricinoleic, 4% linoleic, 3% oleic, 1% stearic and less than 1% linolenic fatty acids. Castor oil is valuable due to the high content of ricinoleic acid (RA) which is used in a variety of applications in the chemical industry. Refined castor oil (FSG) is used in lubricants, paints, pharmaceuticals, cable insulators, inks, rubber and textiles etc. The export specifications of refined castor oil (FSG) are presented in Table 25.

Table 28: Export specifications of castor oil

Sr. No.	Property	Refined castor oil	Commercial castor oil
1	Appearance	Pale yellow, Viscous, Clear liquid	Yellowish, Viscous, liquid
2	M. I. V.	0.25% Max.	0.50% Max.
3	F.F.A. (as oleic)	1.00% Max	2.00% Max
4	Acid value	2.00 Max.	4.00 Max.
5	Iodine value (Wijs)	82 – 90	82 – 90
6	Saponification value	177 – 185	177 – 185
7	Hydroxyl value	158 – 163	158 – 163
8	Colour on lovibond	Y- 20.0 Max. R - 2.0 Max. (in 5.25” cell)	30.0 units Max. (in 1” cell (Y + 5R))
9	Unsaponifiable matter	-	0.70% Max.

Source: https://www.panagri.in

5 General Procedure for Export

For new comers in export business, it is important to know the general procedure for export which is explained here. This procedure is more over same for all agricultural products as well as non-agricultural products except few additional requirements of certifications and approvals in particular agricultural products. The information about such specific requirements for export of groundnut, sesame and castor is available from APEDA's website.

1 Establishing an Export Firm/Company

Setting up or formation of an Export Firm/Company is the first step to start export-import business. New entrepreneur may start his business as an individual (proprietary concern) or partnership firm or a joint stock company or even forming cooperative society or producers company. Individual (proprietary concern) is the simplest way.

1.1 Basic requirements:

- **Name of Firm**: Find attractive name for your Export Firm. It should be unique, inspiring, meaningful and easy to spell and speak. The word like Exports or International or Overseas are preferable in firm's name.

- **PAN Card**: Once you decided name of your firm, now go for obtaining PAN Card as it is must for getting your IEC number. Apply to concerned Income Tax office for PAN number. In case of proprietorship firm, PAN of person name is valid. In other cases, PAN of company name is required.

- **Company Logo**: Create / Design attractive logo of your firm to showcase your dream/vision

- **Local Registration:** Get Shop Act Licence from local municipal authority or get registered with concerned government authority. If you are engaged in manufacturing, register with District Industry Centre to get SSI number or get Udhyog Aadhar Number. Get membership of local Chamber of Commerce which will be helpful in opening Bank Account as well as getting Certificate of Origin and RCMC.

- **Bank Account**: Open a current account of your firm in any public sector bank or any reputed private sector bank like, ICICI Bank, HDFC Bank, UTI Bank, etc. It is advisable to open current account with a RBI authorized (AD) bank dealing in Foreign Exchange directly and not with any cooperative bank as they don't deal in foreign currency.

- **GSTN**: This is not required at this stage for getting IEC number. It can be obtained at later stage to get tax benefits for exports as export goods are exempt from GST. Exporter can avail this exemption only if registered under GST.

1.3 Build a Corporate / International Image

Your credibility is a key to your global success. Even if you run a small company you should present yourself internationally as a solid and reliable potential partner. A few small subtle changes and touches will add considerably to your global appearance. Use "+91" the international dial code and the word "India" in contact details and business cards.

1.4 Learn about Export/Import Regulations and Terms of Trade

Exporting is complex and competitive. You and your staff should know the differences between domestic and international trade. Spend some time to learn about export procedure, registration, regulations, terms of trade, delivery terms, methods of international payments, International Trade ethics and so on. Hire experienced people or train your staff.

2. Obtaining IEC Number (Importer-Exporter Code)

An IEC is mandatory for undertaking export/ import Business. No export or import shall be made by any person without obtaining IEC number unless specifically exempted. Now the IEC in electronic form called e-IEC is available online. An IEC allotted to an applicant shall have permanent validity unless cancelled by the competent authority. Only one IEC shall be issued against a single PAN.

2.1 Online Procedure for getting online IEC Number

- Visit DGFT website (http://dgft.gov.in/).
- Go to "Online IEC Application".
- Apply on line providing necessary documents and application fees.
- Only one IEC is required for export/import of any number of products for life time.
- Existing IEC can be modified by applying online when required.

3 Obtaining RCMC of concerned Export Promotion Councils (EPCs)

After obtaining IEC Number, it is advisable to obtain Registration-cum-Membership Certificate (RCMC) from Export Promotion Council (EPC) related to the products you want to export. RCMC is required for availing authorization to import/ export and to get export benefits available as per Foreign Trade Policy.

Export Promotion Councils (EPCs) are organizations of exporters, set up with the objective to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products/ projects/services. EPCs are also eligible to function as Registering Authorities to issue RCMC to its members. DGFT has recognised 37 various EPCs/ Commodity Boards/ Authorities based on product groups to help exporters in various aspects. The list is available on DGFT's website.

The basic objective of EPCs is to promote and develop the exports of the country. Each Council is responsible for the promotion of a particular group of products and services. They provide technical as well as financial assistance to their members in order to expand export business.

3.1 Major Functions of EPCs

- To provide commercially useful information and assistance to their members in developing and increasing their exports;
- To offer professional advice to their members in areas such as technology upgradation, quality and design improvement, standards and specifications, product development, innovation, etc.;
- To organise visits of delegations of its members abroad to explore overseas market opportunities;
- To organise participation in trade fairs, exhibitions and buyer-seller meets in India and abroad;
- To promote interaction between the exporting community and the Government both at the Central and State levels; and
- To build a statistical base and provide data on the exports and imports of the country, exports and imports of their members, as well as other relevant international trade data.

3.2 Applying for RCMC

- Application is to be made on line through the website of selected EPCs.
- In case of multi product exporters, or product is not covered by any Export Promotion Council/ Commodity Board etc., RCMC in respect thereof is to be obtained from Federation of Indian Exporters Organization (FIEO).
- Registration fee varies from EPC to EPC. There may be variation in fees for different categories of membership. Normally it ranges from 5000 to 15000 for a particular time period.
- RCMC needs to be renewing when expires.

4 ITC (HS) Code and export/import policy

All the exportable products have been classified according to international standards. In India, 8 digit ITC (HS) Code is used for this purpose and it is available from DGFT's website.

ITC (HS) codes are better known as Indian Trade Classification (ITC) and are based on Harmonized System (HS) of Coding. It was adopted in India for import-export operations. The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. It came into effect in 1988 and has since been developed and maintained by the World Customs Organization (WCO) an independent intergovernmental organization based in Brussels, Belgium, with over 200 member countries.

Fundamentally, the HS is organized logically by economic activity or component material. The HS is organized into 21 sections, which are subdivided into 98 chapters. The 98 HS chapters are further subdivided into approximately 5,000 headings and subheadings. Section and Chapter titles describe broad categories of goods, while headings and subheadings describe products in more detail. Generally, HS sections and chapters are arranged in order of a product's degree of manufacture or in terms of its technological complexity. Natural commodities, such as live animals and vegetables, for example, are described the early sections of the HS, whereas more evolved goods such as machinery and precision instruments are described in later sections. Chapters within the individual sections are also usually organized in order of complexity or degree of manufacture.

The World Customs Organization (WCO) has been administering 6 digits HS codes schedule. The HS codes have been being used by 98% of Import Export trade all over world. The first two digits designate the HS Chapter. The second two digits designate the HS heading. The third two digits designate the HS subheading. HS code 100630, for example, indicates Chapter 10 (*Cereals*), Heading 06 (*Rice*), and Subheading 30 (*Semi-milled or wholly milled rice, whether or not polished or glazed*).

However, each country can modify by adding two digits or four digits as per their requirements without changing first six digits. In other words, first six digits of HS code (HTS code) are same in all countries. For example United States uses 10 digits codes where as India uses 8 digit code. For example, ITC (HS) Code for Mango Fresh is 08045020 which indicates Chapter No (08), Heading (04), Subheading (50) and Country code (20).

Since its creation, the HS has undergone several revisions - ostensibly, to either eliminate headings and subheadings describing commodities that are no longer traded, or to create headings and subheadings that address technological advancements and environmental concerns.

4.1 Export/import policy

Before you export or import any product, it is important to know the export/import policy which is provided on DGFT's website. It classifies the particular product in three groups *viz*., Free, Restricted and Prohibited. Most of the products (about 96%) are free to export. Few products related to agriculture are restricted which can be exported after approval from concerned government authority. Some products are classified as prohibited which are not allowed to export.

5 Selection of Overseas Markets

There are numerous accessible markets worldwide that seem to offer a high potential for exports, however the real questions are; how to select your market and how to target it smartly. Statistical data analysis is essential when selecting the market. You can obtain useful information from various free and paid sources. Some B2B companies are able to provide you with very specific export/import data about products similar to yours and about the most popular markets, at a price.

5.1 Sources of Market Information

- Keep informed. Read everything you can find about world trade.

- Use Internet as it is a great source of information.
- Use multiple source of information
- Collect product-wise and country-wise export data using HS Code.
- Study the EPCs Market Reports and New Letters
- Study the various research bulletins of reputed national/ international journals.
- Look at trade publications, international newspapers, news magazines, and financial reports.
- Read global surveys and ocean freight guidelines.
- Become familiar with the global market trend, current regulations, and government promotional facilities.
- Use your personal source of information.

Sources of Market Information

Government Sources	Government websites / EPCs website and newsletter
	Consulate General / Commercial Missions abroad
	Foreign Government's Trade Centers in India
	International / Regional Organizations Like WTO, SARC
Private Sources	Trade directories like SESA
	Trade and Business Associations
	Trade Journals
	B2B Portals
	Suppliers and Customers
	Consultants and Research Agencies
Primary Research	Personal Visits / Trade Fairs
	Survey and Product Reports

5.2 Study FTAs /PTAs to be more competitive

A Free Trade Agreement (FTA) and Preferential Trade Agreement (PTA, limited FTA) is usually an agreement between two or more countries where partner countries exchange trade concessions in goods & services. There are 398 FTAs/RTAs in force in the world as per WTO Reports. India too has entered into 10 FTAs (18 countries), 6 PTAs (50 countries) and one unilateral scheme (GSP) for LDCs (49 countries), for easing exports from India. The information related to FTAs/PTAs is available on www.commerec.gov.in and www.indiatradeportal.in.

Free Trade and Preferential Trade Agreements (FTA/PTA)

S. No.	Acronym	Groupings	Member Countries	
			No	Names
Free Trade Agreements (FTA)				
1	SAFTA	South Asia Free Trade Agreement	7	India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives
2	ISLFTA	Indo Sri Lanka FTA	2	Sri Lanka, India
3	IMCECA	Indo Malaysia CECA	2	Malaysia, India
4	ISCECA	India Singapore CECA	2	Singapore, India
5	JICEPA	Japan India CEPA	2	Japan, India
6	IKCEPA	India Korea CEPA	2	South Korea, India
Preferential Trade Agreements (PTA)				
1	APTA	Asia Pacific Trade Agreement	5	Bangladesh, China, India, Republic of Korea, Sri Lanka.
2	GSTP	Global System of Trade Preferences	44	Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Democratic People's Republic of Korea, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Republic of Korea, Romania, Singapore, Sri Lanka, Sudan, Thailand, Trinidad and Tobago, Tunisia, Tanzania, Venezuela, Viet Nam, Yugoslavia, Zimbabwe.
3	BIMSTEC (Under negotiations)	Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation	7	Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal.
4	IBSA (Under negotiations)	India Brazil and South Africa	3	India, Brazil and South Africa.

Source: www.indiatradeportal.in

Changes in duties affects and shape competition & business growth in very significant ways and a careful analysis & deeper understanding of the current provisions and future trends is essential in today's free market trade environment to maximise profits. Issues usually discussed under these agreements cover customs duty elimination or reduction, removal of quantitative restrictions, easing of customs procedures, improved market access, movement of people and investment treatment. Other issues include standards, rules of origin, dispute settlement, TBTs, IPR, Government procurement rules.

5.3 Generalized System of Preferences (GSP)

GSP is a non-contractual instrument by which industrialised (developed) countries unilaterally and based on non-reciprocal extend tariff concessions to developing countries. This includes New Zealand, Belarus, European Union, Japan, Russia, Canada, Norway, Switzerland, Bulgaria and Collect Export data.

5.4 Key Points for Market Selection

- Know the market's requirements
- Assess your target customers
- Examine your competitors
- Evaluate the markets based on the export benefits available for few countries under the FTP and various Free Trade Agreements to know comparative advantage.
- Visit www.wto.org for WTO Agreements.
- Visit www.indiatradeportal.in for FTA and PTA
- Visit www.dgft.gov.in for Export Benefits (MEIS/SEIS)
- The right selection of export market is a thoughtful exercise.

5.5 Understand every market is different & changes every few years

We have deliberately emphasised this issue as a separate topic. To disregard it is one of the most common failures in International Trade. Your products may be in high demand in one market and be absolutely unsalable in another. Packaging you've introduced for your US customers will most likely be unattractive for potential Indonesian customers. Without an understanding of market trends and demands, their nuances and uniqueness, business traditions, culture and people's mentality it will be "mission impossible" to successfully develop that market.

You also need to understand that every market changes every few years. Technology, globalisation, privatisation, lifting of trade barriers and softing of import/export regulations are major factors which affect International Trade. And while you might think that these factors are too hard to keep in mind when considering your offshore activities, they can certainly influence each market radically and you may need to adjust your marketing and export strategies according to the current situation in each market.

5.6 Be prepared to customise your products to meet customers' needs and demands

Domestic success of your products doesn't necessarily mean global success. For example, the major competitive advantage of Australian juice in Russia was the packaging - it was the only juice on the market packed in plastic bottles. However, after several months of sales it was discovered that the target audience was limited... due to the packaging. 90% of end-users simply could not afford to buy a 2L bottle. Looking to customer's need 1L PET packaging was launched. After that the export sales increased by 80% within six months.

6. How to find Overseas Buyers

6.1 Key Points

- **Create your multilingual website with product catalogue**: Having a dynamic corporate web site is a "must" for International Trade. Nine out of ten of your potential buyers will seek and learn about your company and its products through the Internet prior to actually approaching you and if they can't find or are not impressed by your web site, they may very likely choose and deal with your competitors. Provide compete and comprehensive information about your products and indicate your general terms of trade on your web site. Provide visitors with direct contact details. Introduce a facility to receive export inquiries. Develop an attractive web site which will not only represent your company and products but also save your time and money.

- **Take advantage of free advertisement on Internet**: There are numerous free online trade boards, import-export directories, forums, etc. Spend some time and post online offers on these sites. Not only will it increase your chances of being found by potential buyers but will also add value to your web site's Search Engine ranking.

- Register with various **B2B portals.**
- Visit websites of concerned **EPCs** regularly. Follow trade leads and other related information provided by EPCs.
- Participate in **international trade fairs** and **buyer-seller meets.**
- Get help of your **relatives** staying abroad.
- Contact **agents** of foreign buyers in India.
- Appoint an **overseas agent** in buyer's country.
- Contact **Indian Missions** abroad.
- Contact Overseas Chambers of Commerce

7. Export Pricing and Costing

Export pricing is the most important factor in for promoting export and facing international trade competition. It is important for the exporter to decide the prices keeping in mind all export benefits and expenses. In competitive environment, lower price helps in maximizing sales. The "green & clean" image of your product is a great competitive advantage. In International Trade the price is not really high in the decision making process. In FMCG usually, packaging is the first priority followed by quality and then price.

7.1 Determining Export Pricing

Export Pricing can be determined by the following factors:

- Range of products offered.
- Prompt deliveries and continuity in supply.
- After-sales service in products like machine tools, consumer durables.
- Product differentiation and brand image.
- Frequency of purchase.
- Presumed relationship between quality and price.
- Specialty value goods and gift items.

- Credit offered.
- Preference or prejudice for products originating from a particular source.
- Aggressive marketing and sales promotion.
- Prompt acceptance and settlement of claims.
- Unique value goods and gift items.

7.2 Export Costing

Before quoting price to overseas buyer, exporter should carefully work out all expenses. Export costing is basically consists of fixed cost and variable cost comprising various elements viz., cost of production or purchase price, cost of grading-packing, storage, inspection/certification charges, banking charges, commission of agent, payment terms, interest on working capital etc. Whereas cost of transportation to port/airport, main carriage charges (ship or air cargo), cargo insurance, custom clearance etc. will depend on export destination/market and delivery terms called INCOTERM. It is advisable to prepare an export costing sheet for each product, market and INCOTERM. It will help exporter to quote the price according to the buyer's need.

8. INCOTERMS 2010

To avoid conflicts and difficulties, importers and exporters – or buyers and sellers – must have a common understanding of the terms and conditions under which they trade. International Commercial Terms, known as "INCOTERMS", are internationally accepted delivery terms defining the responsibilities of exporters and importers in the arrangement of shipments and the transfer of liability involved at various stages of the transaction.

Developed and administered by the International Chamber of Commerce in Paris (ICC), INCOTERMS are universally recognised and adhered to by the major trading nations of the world. The first version of INCOTERMS was introduced by ICC in 1936, and has been edited and updated six times since. The latest edition of which came into force on 1 January 2010, is known as INCOTERMS 2010. There are currently 11 INCOTERMS in use and they are categorised in four groups, designated by the first letter of the term (acronym). Each INCOTERMS is applicable to specific mode of transport as shown in the following Table.

Group	Term	Stand for	Mode of Transport			
			Land	Ocean	Air	Multi
E	EXW	Ex Works	√	√	√	√
F	FCA	Free Carriage	√		√	√
	FAS	Free Alongside Ship		√		
	FOB	Free On Board		√		
C	CFR	Cost and Freight		√		
	CIF	Cost Insurance and Fr		√		
	CPT	Carriage Paid to	√		√	√
	CIP	Carriage and Ins. Paid To	√		√	√
D	DAT	Delivered At Terminal	√	√	√	√
	DAP	Delivered At Place	√	√	√	√
	DDP	Delivered Duty Paid	√	√	√	√

INCOTERMS are designed in such a way that risk and cost in export transaction progressively transfers from exporter to importer as shown in the diagram.

8.1 Group E - Departure

Under EXW you - the Seller - minimise the risk by only making the goods available at your own premises.

(1) EXW – Ex Works (... named place)

EXW represents minimum involvement of seller and the maximum involvement of the buyer in the arrangement of the transportation of the goods from seller's premises (factory, warehouse etc.). When EXW is used, you should remember that the export of the goods is NOT guaranteed and the buyer may, for example, keep the goods in seller's country and/or re-sell it to a third party.

8.2 Group F - Main Carriage Not Paid By Seller

Under F Terms you - the Seller - arrange and pay only for the pre-carriage in the country of export and not for main carriage.

(2) FCA - Free Carrier (...named place)

FCA requires seller to take responsibility for all risks and costs until the goods are delivered to the named place and collected by the carrier nominated by the buyer. Under FCA seller is responsible for the export customs clearance. The carrier may be responsible for collecting the goods from seller's premises or seller may be responsible for delivering the goods to the carrier, dependent on the agreed conditions. The buyer is responsible for loading the goods.

(3) FAS - Free Alongside Ship (...named port of shipment)

Under FAS, seller must deliver the goods to the named port and place them alongside the ship. Seller is responsible for the export customs clearance and the buyer - for loading the goods onto the vessel.

(4) FOB - Free On Board (...named port of shipment)

FOB is one of the most common terms used in international trade. Under FOB seller is responsible for delivering goods to the named port, export customs clearance and loading them onto the vessel. If during the loading onto the ship, the goods would fall on the wharf or into the water, you seller is responsible for losses, but if the goods fall on the deck of the ship, the losses are the buyer's responsibility.

When the F Terms are used, you should remember that:

- FAS and FOB are mono-modal terms and can only be used when the main carriage is by sea freight.
- Under FOB you are responsible for handling, loading, stowage and other port charges, while under FCA, these charges are for the buyer's account.

8.3 Group C - Main Carriage Paid By Seller

Under C Terms, the Seller arranges and pays for the main carriage but without assuming the risk of the main carriage.

(5) CFR - Cost and Freight (...named port of destination)

Under CFR, seller is responsible for export customs clearance, delivering the goods to the named port of destination and unloading the goods from the ship, including all port charges.

(6) CIF - Cost, Insurance and Freight (...named port of destination)

CIF is very similar to CFR with the addition of insurance to seller's responsibilities.

(7) CPT - Carriage Paid To (...named place of destination)

Under CPT, seller is responsible to deliver the goods to any place nominated by the buyer in the country of destination. Although seller is responsible for inland freight in the buyer's country, the buyer is responsible for the import customs clearance and all duties, taxes and other costs in the country of destination.

(8) CIP - Carriage & Insurance Paid to (...named place of destination)

CIP is very similar to CPT with the addition of insurance to your responsibilities.

When the C Terms are used, you should remember that:

- CFR and CIF are mono-modal terms and can only be used when the main carriage is by sea freight (Table 4). It is a common mistake when, under these terms, the place located in a middle of continent is named as a port of destination. Terms "CFR Vienna" and/or "CIF Moscow" are incorrect terms.

- CIF and CIP are the only two terms, under which you are compulsorily responsible for insurance. Under all other terms, the buyer considers insurance as an optional responsibility.

- C Terms are quite different from other INCOTERMS. They are the only terms when the point of transferring costs responsibilities and the point of transferring risks are segregated. In other words, although you are responsible for costs until the goods arrive to the named port or place of destination, the risks shift to the buyer at the port of loading or even earlier, when the goods are delivered to the carrier. If it was agreed that the carrier is collecting the goods from your premises then the risks transfer to the buyer at that point.

- From these perspectives, the C Terms are much more beneficial for exporter than for buyer, as exporter selects the carrier and control the costs and timing of the main carriage without undertaking any risks, while the buyer takes all risks for a period of main carriage during which he has no means of controlling or limiting those risks.

8.4 Group D – Arrival

Under D Terms, the Seller's cost/risk is maximised because he must take the goods available upon arrival at the agreed destination.

(9) DAT - Delivered At Terminal (...named port)

Under DAT, seller bears cost, risk and responsibility until goods are unloaded (delivered) at named quay, warehouse, yard, or terminal at destination. Demurrage or detention charges may apply to seller. Seller clears goods for export, not import.

(10) DAP - Delivered At Place (...named place)

Under DAP, seller bears cost, risk and responsibility for goods until made available to buyer at named place of destination. Seller clears goods for export, not import.

(11) DDP - Delivered Duty Paid (...named place of destination)

Under DDP seller is responsible for all costs and risks involved in delivering the goods to a named place of destination, import customs clearance and other payments of domestic duties in the buyer's country. Buyer is responsible for unloading only. Literally, seller provides "door-to-door" delivery and bears the entire risk of loss until goods are delivered to the buyer's premises.

Sr. No	INCOTERMS 2010	Responsibility in Export Contract								
		In Seller's Ciuntry					In Buyer's Country			
		Trans-port to Port	Custom Clear-ance	**Load-ing and Ter-minal Han-dling**	Freight of Main Carriage	Marine Insur-ance	**Unload-ing and Ter-minal Han-dling**	Custom Clear-ance	Trans-port to buyer's premise	અન્ય પરચુરણ ખર્ચ
1	**EXW** Ex Works									
2	**FCA** Free Carriage									
3	**FAS** Free Alongside Ship									
4	**FOB** Free On Board									
5	**CPT** Carriage Paid to									
6	**CIP** Carriage and Ins. Paid To									
7	**DAT** Delivered At Terminal									
8	**DAP** Delivered At Place									
9	**DDP** Delivered Duty Paid									
10	**CFR** Cost and Freight									
11	**CIF** Cost Ins. and Freight									

Seller's Responsibility **Buyer's Responsibility**

INCOTERMS 2010 and distribution of responsibility in transportation of goods

9 Payment Terms

You have made an outstanding deal, but if you haven't been paid – you've lost. That's why setting up the right terms of trade (payment term) is a crucial part of your exports. When negotiating the terms of payment you always face a dilemma:

- If you insist on more secured payment terms, you may very well reduce your sales opportunities
- If you agree on more flexible payment terms, you run a high risk of the payment being delayed or refused.

So, appropriate selection of payment terms is must which can significantly minimise risks and have no adverse effect on sales.

Various payment terms used in export contracts are as under.

1) Advance Payment
2) LC (Letter of Credit)
3) Documentary Collection (Draft)
    a. Sight Draft (Documents against Payment - DP)
    b. Time Draft (Documents against Acceptance -DA)
4) Open or Ongoing Account
5) Consignment Sale
6) Mixed Payments
7) Counter Trade / Counter Purchase

9.1 Cash in Advance

If your buyer is prepared to pay you in advance – you are lucky – you have the money and you still have total control of your goods - you risk nothing at all. However, unless you are a well-known company with established brands, buyers will not accept these terms, at least not for a new transaction. They would have the same doubts as you do – will I get my goods after I have paid?

Don't press your buyer for cash in advance, unless you know that you might experience difficulties in selling the goods to another customer if the deal is cancelled. If your goods are non-standard or goods you are selling need to be specifically customized, the best way to secure the payment is to have money in your bank account prior to commencing customisation.

9.2 Letter of Credit (LC)

An Exporter if dealing with an unknown customer at the other end may not have any prior exposure to the credit worthiness of the Customer and would normally insist on Confirmed Letter of Credit to be opened by the Customer before shipping the goods. In case of high value transactions with known customers too; exporters prefer to get paid through Letter of Credit.

9.3 Documentary Collection (Bill of Exchange / Draft)

When there has been sufficient relation between an Exporter and the Customer (Importer) and the customer's credit worthiness is known through previous records, the Exporter might decide to extend credit and accept payment on bill of exchange basis. This system is also called as Documentary Drafts.

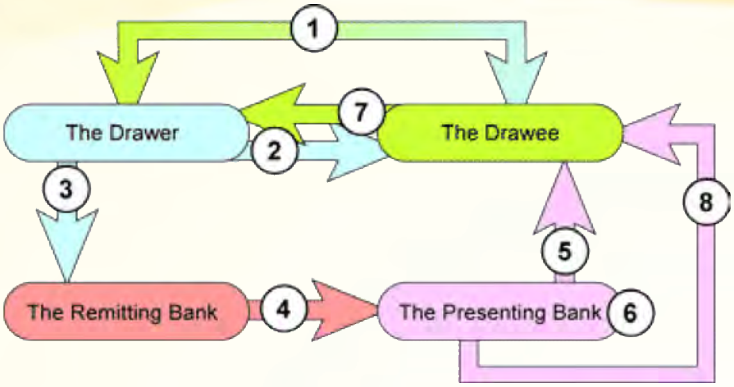
Documentary Collection or Draft is the term when you ship the goods before the payment is made and then draw a draft on the buyer, not on the bank, like under L/C. Under documentary collections banks have no responsibility for the payment.

There are two types of documentary collections - sight draft, also known as "Documents Against Payment", and time draft, also known as "Documents Against Acceptance".

9.3.1 Sight Draft (Documents against Payment - DP)

"Sight draft" is payable by the buyer immediately after notification by the buyer's bank of the receipt of the draft and transport documents.

Under this method of payment you (the Drawer) negotiate the terms with the buyer (the Drawee), specify the documents required for the payment, ship the goods and draw the draft on the buyer. The draft and the documents required for the payment are presented to your bank (Remitting Bank) and after examination are forwarded to the buyer's bank (Presenting Bank). The Presenting Bank holds the title documents (usually the transport documents) and will release them to the buyer only after the payment was made. Sight draft procedure is shown in the diagram below.



1. The Drawer and the Drawee negotiate terms and conditions of the transaction
2. The Drawer ships the goods
3. The Drawer draws a draft and presents it to the Remitting Bank along with other documents
4. The Remitting Bank examines the documents and the draft and forwards them to the Presenting Bank
5. The Presenting Bank notifies the Drawee of receipt of the documents
6. The Presenting Bank holds the documents until the payment is made by the Drawee
7. The Drawee examines the documents and makes the payment for the supplied goods
8. The Presenting Bank releases the documents to the Drawee

Sight drafts have some similarity with L/C. You deal with documents and through banks, and the buyer cannot take the possession of the goods before the payment is occurred.

However, the payment is not guaranteed. If the buyer for any reason refuses to pay, you have to deal with goods "on the water" or stacked in the customs zone in a foreign country. It can be very costly to ship your goods back or to sell them urgently. In both cases, there are substantial additional expenses (warehousing, cost of transportation to a new destination, significant discount, etc.). In some cases, the buyer who failed to pay was one of the bidders at the resulting auction and had bought the goods for a fraction of the initial price.

It is also possible, that the buyer will delay the payment. Although legally the payment has to be made immediately upon receipt of the draft by the buyer's bank, the buyer may hold the payment until the goods are delivered.

9.3.2 *Time Draft (Documents against Acceptance - DA)*

Unlike the sight draft, when dealing with time drafts, the buyer may take possession of the goods before the payment. Under the time draft, you agree on a deferring period, ship the goods and draw a draft. For the title documents to be released, the buyer has to accept the draft by issuing written evidence of his willingness to pay on the agreed maturity date (usually by signing and dating the draft).

Dealing with the 'time draft', always draw a draft against the certain date specified in the other document. (For example, "Payable at 60 days after invoice date/bill of lading date/the draft date")

The time draft, in fact, is very similar to "open account" terms – you have no control over the goods, nor over the payment. The only difference is that, in addition to the contract of sale, you have the buyer's written guarantee to make a payment on a certain date. You have to rely on the buyer. The consequences of the refusal to pay are the same as the consequences of the refusal to pay under "open account" (see below).

Drafts are normally issued in a set of two (First of Exchange and Second of Exchange) or singly (Sola Bill of Exchange). Two drafts are usually drawn to ensure that at least one draft reaches the Drawee when they are dispatched separately. When two drafts are issued they may be numbered "1" and "2" and marked "First of Exchange (Second Unpaid)" and "Second of Exchange (First Unpaid)".

Documentary collection is cheaper then L/C but the risk involved is much greater, especially with the time draft. I wouldn't recommend these terms, unless you are dealing with a well-known trusted buyer or the transaction is insured.

9.4 *Open or Ongoing Account*

When there is a huge volume of continuous business transactions between the Exporter and Importer and exports continue to happen on ongoing basis, the Exporter can simply export on the basis of a purchase order and expect the Importer to pay promptly on due date. This is the usual method adopted by most of the Multi National Companies as well as the large organizations that have sufficient import volumes spread across various countries and are dealing with multiple vendors on ongoing basis. In such cases they just determine the annual volumes to be supplied by each vendor, issue an open purchase order and keep reviewing only the delivery schedule. They offer standard payment commitment on a particular date to all vendors as a global policy. The payment process will be set and determined as a part of their business agreement.

9.5 Consignment Sale

An exporter might sign up a contractor with a distributor overseas to import, hold stock and sell the goods on his behalf. In such a situation, the distributor may not own the stocks and the ownership might continue to lie with the exporter. The distributor would only be an intermediary to sell the stocks and repatriate the money realized back to the exporter and get remunerated in terms of service charges or commission. In such cases there may be a business agreement in place but no fixed payment mechanism may be adopted.

Open Account and Consignment are the most risky payment terms – you ship the goods before the payment is made and don't have any control over the goods or over the payment. You totally rely on the buyer and if the payment has been refused, legal action is the most likely scenario. This usually involves not only significant legal fees but also your time and energy and there is no guarantee that you will recover your money.

The difference between Open Account and Consignment is that sending goods on open account you usually agree on a deferred period of time after which the buyer will pay you in total.

When dealing with the consignment, the goods are shipped but not sold. Legally, you have the title over the goods until you have been paid. Depending on the agreed terms, the buyer can pay upon the sale of all goods or make periodic payments for goods that have been sold by the end of the set period.

9.6 Mixed Payments

Quite often you can compromise with the buyer by using different terms of payment for one transaction. Remember that when you insist the buyer pay in advance when the goods are required to be customised? "Cash in advance" is the least preferred term for the buyer. The solution is mixed payments. You estimate the cost involved in customisation, which has to be prepaid and the balance may be payable under different terms, L/C, for instance.

When you experience difficulties with cash flow and do not have available funds to prepay freight and other pre-shipment expenses, you also may consider mixed payments. Using mixed payments, you can avoid losses, which occur when the buyer refuses the payment under the sight draft. If the mixed payments were negotiated, the proportion has to be clearly indicated in the contract of sale. For example, terms of payment may be 20% cash with the order and remaining 80% by irrevocable Letter of Credit confirmed by first class bank and payable at sight.

9.7 Counter Trade / Counter Purchase

In yet another case of business arrangement called counter trade, exports may be linked with return purchase of some other items from the importer or from another source in the country. The payment may also involve services other than products. This kind of trade becomes a necessity while dealing with countries that do not have sufficient foreign currency.

10 Letter of Credit (LC)

Letter of Credit (LC) has been a cornerstone of international trade dating back to the early 1900s. It continues to play a critical role in world trade today. For any company entering the international market, LC is an important payment mechanism which helps in eliminating certain risks.

LC is a written instrument issued by a bank at the request of its customer, the Importer (Buyer), whereby the bank promises to pay the Exporter (Beneficiary) for goods or services, provided that the Exporter presents all documents called for, exactly as stipulated in the LC and meet all other terms and conditions set out in the LC. LC is also commonly referred to as Documentary Credit.

LC is the most used payment term in International Trade. LC is a perfect procedure to equally protect your interests and your buyer's interests. Using LC as a term of payment, your risk as exporter is almost nothing and at the same time it ensures the buyer that goods are shipped before the payment has occurred. However, you only will be paid if all terms stipulated in the LC are met and all documents specified in the LC strictly comply with agreed conditions and are presented in time.

For you as an exporter, LC is one of the best methods after advance mode of payment for any business transaction as buyer's bank guarantees payment to exporter through his bank on presentation of required documents as per LC.

The International Chamber of Commerce (ICC) publishes internationally agreed-upon rules, definitions and practices governing Letters of Credit, called "Uniform Customs and Practice for Documentary Credits" (UCP). The UCP facilitates standardization of LC among all banks in the world that subscribe to it. These rules are updated from time to time; the last revision became effective from January 1, 1994, and is referred to as UCP 600.

There are various types of LC which are explained as under.

10.1 Revocable LC and Irrevocable LC

A **revocable** LC may be amended or cancelled by the Issuing Bank at any moment and without prior notice to the Beneficiary. This is as simple, as that. Never accept this form of LC in your export arrangements.

An **irrevocable** LC cannot be cancelled or changed without the consent of all parties, including the Exporter. Although UCP 600 requires that LC should indicate whether it is revocable or irrevocable, it also says "in the absence of such indication, the LC shall be deemed to be irrevocable."

10.2 Confirmed LC and Unconfirmed LC

When you export to a country with economical or political instability or if you are unfamiliar with the Issuing Bank, you should require that the LC be confirmed by a first-class bank. If LC is confirmed, the confirming bank is liable for the payment.

10.3 Transferable LC

Transferable LC is a perfect financial tool for middlemen to secure their margin without involving any funds. It allows dealing with more than one beneficiary. When a transferable LC is issued in your favour, you can transfer it to your seller and use it as a payment.

LC can be transferred only if it is expressly designated as "transferable". Transferable LC must correspond with the original LC with the exception of the amount of the LC, any unit price, the expiry date, the last date for presentation of documents, the period for shipment, any or all of which may be reduced or curtailed.

10.4 At sight LC and Usance / Deferred LC

"Payable at sight" means that you'll be paid "immediately" (in fact, it may take up to 7 days) after presentation of the documents stipulated in the LC to the Issuing Bank or to the Confirming Bank if it was confirmed.

If deferred payment was agreed, you'll be paid on the maturity date indicated in the LC after presentation of the documents stipulated in the LC to the Issuing Bank. Don't forget to specify the date from which the deferring period starts (e.g. 60/90/120 days after date of transport document).

10.5 The bill of exchange (the draft)

The bill of exchange (the draft) is an unconditional order in writing, signed and addressed by the drawer (you) to the drawee (the paying bank), requiring the drawee to pay the drawer a certain sum of money according to the terms of the LC. Under LC, always draw the draft on the bank, not on the buyer.

10.6 Advantages of LC to exporter

1) The major advantage of LC to exporter is minimizing of credit risk. In an import and export trade, the geographical distance between importer and exporter is very far; hence ascertaining credit worthiness of buyer is a major threat. In a mode of Letter of Credit, such risk can be avoided.

2) Buyer cannot deny payment by raising dispute on quality of goods, as LC terms and conditions are based on documentation. Some of the fraudulent buyers deliberately delays or hold payments by complaining on quality of goods. In LC terms of business transactions, rejection of export payment by raising complaint on quality of goods cannot be effected.

3) LC provides a security to exporter based on which, the exporter can pre-plan his further business activities to strengthen his business world.

4) Any dispute in transaction can be settled easily, as LC terms and conditions are under the guidelines of uniform customs and practice of documentary credit.

5) Against a LC, an exporter can avail pre-shipment finance from banks or other financial institutions. Many banks extend financial assistance with minimum bank interest, as LC is a 'safe export order'.

6) Assurance to receive money in full and in Time.

7) Normally, under a non LC business term, the buyer may keep on changing delivery schedule as per their requirements time to time. So this change of delivery schedule at importer's interest leads exporter to rearrange his overall daily business activities.

10.7 Disadvantages of LC to Exporter

1) While accepting LC, the exporter guarantees to meet the requirements of buyer as mutually agreed as per the terms and conditions mentioned in LC. So the liability of meeting all required parameters are with exporter failing which bank may not accept documents under such transaction.

2) Bank may debit certain charges against the discrepancy of documents also if proper documentary proof has not been submitted along with other shipping documents. So, if the exporter does not follow strictly with the terms and conditions of LC with 100% compliance of documentation, the payment will not be effected by bank.

3) A best calibre of personnel is required to monitor and navigate the process of LC to provide no room for even minute discrepancy of documents.

4) In LC, the exporter receives payment after shipment. So, if any loss due to fluctuations in foreign currency needs to be beard by exporter.

10.8 Advantages of LC to buyer/Importer

1) While accepting LC, the exporter guarantees to meet the terms and conditions of LC with documentary proof. LC opening bank remits amount only after satisfaction of all terms and conditions of LC with documentary proof. This arrangement protects importer and provides security of shipment to him and reduces the risk of non-performance by the exporter.

2) In LC, bank acts on behalf of buyer. This minimizes time of buyer.

3) Unlike other shipments, a shipment under LC is treated with most care to meet delivery schedule and other required parameters by the exporter. The buyer receives the documents promptly and quickly with complete sets. Unless meeting delivery schedule and prompt documentation, the exporter does not get his payment from opening bank.

4) Based on timely delivery schedule, buyer receives goods on time thereby he can execute his business plan smoothly and efficiently, in turn satisfying his clients promptly and effectively.

10.9 Demerits of LC to Importer

1) LC is operated on the basis of documentation and not on the basis of physical verification of goods.

2) The parties under LC do not have any right to physically verify the contents of goods. So, if the buyer needs to confirm and satisfy on the quality of goods he buys, he can appoint an inspection agency of international repute and instruct exporter to enclose certificate of such inspection by mentioning a condition in LC.

3) Once opened a confirmed and irrevocable LC, the buyer already tied up with the said business credit line and cannot change in between. Due to various reasons, especially on selling price variation, if buyer needs to stop his export order he cannot do so.

4) Compared to other payment mode of transactions, cost of operating LC procedures and formalities are more, which may be an additional expenses to an importer especially on amendment, negotiation etc.

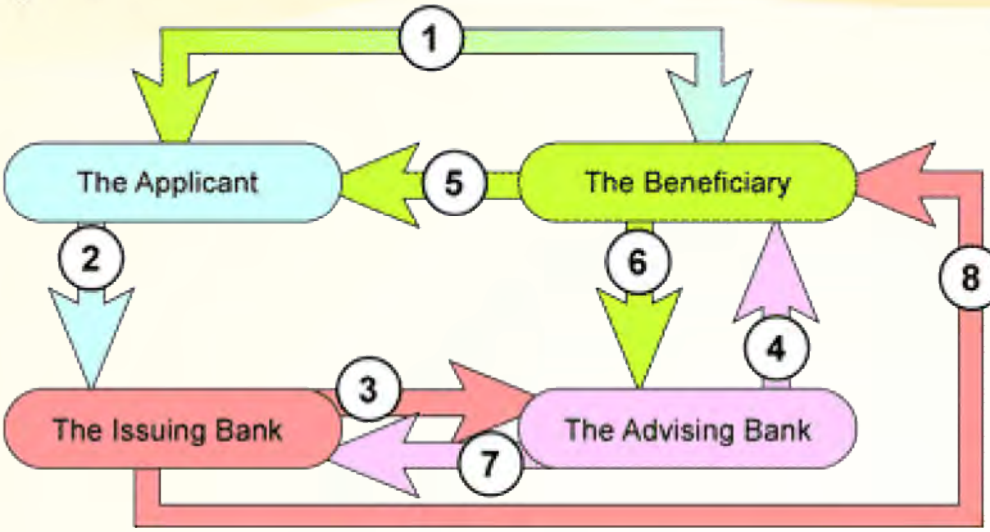
5) Currency fluctuation is another disadvantage of LC. Normally buyer/ importer places purchase orders once in a year and opens LC accordingly. The exchange rate may differ at the time of effecting payment. So, if any loss due to fluctuations in foreign currency contracted under letter of credit, need to be beard by him.

10.10 How LC works?

There are at least four participants, when dealing with LC:

- The buyer – the Applicant
- You (Exporter) - the Beneficiary
- Bank, the payment will come from – the Issuing Bank
- Bank, the payment will go to – the Advising Bank.

The diagram below shows how participants are involved in the process of payment under LC.



1) The Applicant and the Beneficiary negotiate terms and conditions of the LC.

2) The Applicant applies to the Issuing Bank to issue the LC.

3) The Issuing Bank issues the LC and forwards it to the Advising Bank.

4) The Advising Bank checks the apparent authenticity of the LC and advises the LC to the Beneficiary.

5) The Beneficiary checks if the LC complies with the commercial agreements and if all terms and conditions specified in the LC can be satisfied.

6) The Beneficiary assembles the documents specified in the LC, checks the documents for discrepancies with the LC, draws the draft and presents.

7) The Advising Bank bears the draft and the documents against terms and conditions of the LC and forwards them to the Issuing Bank.

8) The Issuing Bank checks if the documents comply with the LC and makes a payment immediately (if the LC is available by sight) or on a certain date (if LC is available by deferred payment).

Another party, which may be involved in the LC procedure, is the Nominated Bank.

Applicant	Importer/Buyer - The party that has contracted to buy goods.
Beneficiary	Exporter/Seller - The party that has contracted to sell goods.
The Issuing Bank	The Issuing Bank issues the LC on behalf of the Applicant (Buyer) and forwards it to the Advising Bank. Or it may authorise the Nominated Bank to negotiate the drafts and/or documents. Negotiation means that the nominated Bank – in this case the Negotiating Bank - gives value to such draft(s) and/or documents, not just examination of the documents.
The Nominated Bank	The Nominated Bank is the bank, which is authorized by the Issuing Bank to pay, to incur a deferred payment undertaking, to accept Draft(s) or to negotiate.
The Advising Bank	The Advising Bank advises you that a LC is received and available to you and informs you about the terms and conditions of the LC. The advising bank is not responsible for the payment of the LC. The Advising Bank is not necessarily a bank where you usually banking. Shop around. Try to find a bank, which has a corresponding bank in your buyer's country and can offer you a better deal in terms of charges involved in the payment under LC.
Accepting Bank	The bank named in a term (usance) LC on which drafts are drawn that has agreed to accept the draft. By accepting the draft, the Drawee Bank signifies its commitment to pay the face amount at maturity to anyone who presents it at maturity. After accepting the draft, the Drawee Bank becomes the Accepting Bank.
Advising Bank	The bank to which the Issuing Bank forwards the LC with instructions to notify the Exporter (Beneficiary).
"available with" Bank	The bank authorized in the LC to effect payment under, accept or negotiate the LC.
Confirming Bank	The bank which, at the request of the Issuing Bank, adds its confirmation to LC. In doing so, the Confirming Bank undertakes to make payment to the Exporter upon presentation of documents under the LC.
Drawee Bank	The bank named in the LC on which the drafts are to be drawn.
Reimbursing Bank	The bank designated in the LC to reimburse the "available with" Bank which submits payment claims under the LC.
Transferring Bank	The bank authorized by the Issuing Bank to transfer all or part of the LC to another party at the Beneficiary's request.

10.11 *Confirmation of LC*

The confirmation of the LC by another bank - the Confirming Bank - means that if the Issuing Bank refuses to make the payment, the Confirming Bank is responsible for this payment.

If you are dealing with a buyer from a country with an unstable political or economical situation, always ask for the confirmation of the LC.

There are additional charges for the confirmation of the LC, which depend on the risk involved in dealing with the particular country. The responsibility to pay for the confirmation is negotiable and usually is paid by the buyer. However, if it wasn't agreed prior to the issuance of the LC, you are the one who will pay for this service.

11 How to get Export Order?

After getting a list of potential buyers, how to get export orders from them is the most difficult task which requires lots of efforts and passions.

11.1 Develop an export plan for each market

Your export plan should focus on the following tasks:

- Market Research
- Product Development
- Trade Regulations and Barrier Assessments
- Export Strategy
- Export Pricing
- Terms of trade and payments
- Logistics and distribution
- Financing
- After-sale strategy

11.2 Sending Samples

After getting genuine inquiry from any probable buyer, provide him customized samples which will help in getting export orders.

11.3 Some useful Tips for finding and Retaining Overseas Buyers

- Do your products require to be certified? Talk to your industry association; export authority or certification company representative and build a personal relationship.
- You will likely need insurance cover. Most major insurance companies deal through agents. Find an insurance broker, who deals with a reliable marine insurance underwriter, in your hometown and build a personal relationship.
- A responsible freight forwarder is a key player in your exports, find these under Export Services. Pay a lot of careful attention to selecting a shipper for your goods and again build a personal relationship.
- When You Export - Market From Strength.
- Develop “Export Inquiries Handling Rules”.
- Respond in 48 hours, even better 24 hours
- Learn about cultural differences. You may offend your potential buyers if you fail to learn and understand cultural differences especially in the Middle East and Asia. For example, you shouldn’t ask about your host’s wife if you have been invited to visit your counterpart’s home in the Middle East. In Asia, if you are invited to a business lunch you should be prepared for a 1-2 hours conversation which has nothing to do with your prospective deal. You’ll be asked about your family, childhood, hobbies, favourite food, etc. and you should respond accordingly and ask similar questions. Asian people want to know whom they are dealing with before any business discussion begins.
- All verbal agreements must be confirmed in writing. This is one of the “golden rules” for your export operations.
- Be aware of frauds. There are people in international trade that are making a good living from fraudulent practices. The most known schemes are non-payment, sample scams and false complaints.
- False complaints about products or services are quite common and often hard to recognise as scams. The best way to protect your company against this problem is to include a very detailed “complaints reporting clause” in the contract.
- Be Market and Customer- Focused.

- Build a strong business relationship. Do not ignore small issues in building business relationships; it's the little things that make the difference. If you send SMS or e-mail on major events and national holydays and on key personnel birthdays, it will add considerable value and strength to the relationship.

- Win buyers through better service.

- Remember that the key attributes of every service are:

  - Speed
  - Sincerity
  - Knowledge and
  - Problem solving

- Win and keep buyers through exceeding expectations. Philip Kotler, the author of several well-known marketing books said: "Meeting customer expectations will only satisfy customers; exceeding their expectation will delight them". This is true. However, the pitfall is, that the better you act, the higher the expectations your customer will expect and one day you find that the task of exceeding the expectations will be too difficult and too costly. You should decide where to draw the line between exceeding the expectation and making a profit.

- Be prepared to meet growing demand. If you can't meet the demand you risk losing the whole market and your reputation. People are not interested in dealing with you if there is no future growth. Be ready to increase production, form alliances or source similar products elsewhere. But be sure they match your quality, service, prices and if possible branding.

- Be prepared to spend time and money**.** Generally, investments that you will need to make in international markets are greater than domestic investments. Exploring and researching foreign markets can take longer and cost more than expected. However the rewards are equally greater.

- Don't try too much at the beginning and don't grow too fast. Concentrate and succeed in one market at a time, moving to the next only after securing market share in the first. Be patient, wait until cash flow is strong enough to justify your expansion.

If you carefully consider and take into account all the above issues then it is most likely that your products will be successful internationally and the demand for them will be grow significantly.

11.4 Preparing Performa Invoice

Prepare and send Performa Invoice to buyer indicating all details viz., product specification, quantity, packing, price, delivery term, payment term, etc. to get confirmed order.

All international transactions are conducted according to the terms and conditions negotiated between you and your buyer. By negotiating terms you secure the deal, minimize risks and protect your company in case of possible trade disputes, claims and/or legal actions. Usually terms of trade are stipulated in the trade contract and clearly indicate your and the buyer's responsibilities.

In order to be effective and to promote certainty in your business relationship with your buyer, it is a good idea to provide for the following details of your deal in any trade contract:

- Date of Contract
- Seller's and Buyer's Names
- Product Name
- Product Description
- Packing
- Quantity
- Unit Price
- Terms of Delivery (Incoterms)
- Terms of Payment
- Delivery Date
- Validity

The contract should be signed by all parties directly involved in the contract. For example, if some responsibilities under the contract fall to a middleman, agent or other third party, this party should sign the contract together with you and the buyer.

The quote, which is written on the company letterhead and encloses all the above terms would generally become binding on you if it was accepted by the buyer in writing or simply marked "Accepted", signed and forwarded back to you.

You have to be very accurate when issuing a quotation and you should always include a "Validity" condition. For example, "This quotation is valid for a period of XX days from the above date".

Typos, errors and omissions of words may occur in the preparation of quotation. In practice, most buyers will unconditionally accept a revision in the event of an error and omission in the quotation. However, some buyers would take the error as is, if it is to their advantage and would force you to negotiate a more favourable price and/or conditions.

As a precautionary measure, it is worthwhile adding the acronym E.&O.E. stated for "Errors and Omissions Excepted" to your quotations to disclaim final responsibility for typographical errors and unintentional omissions.

11.5 Essential Terms

Seller's and Buyer's Names- Always stipulate the full legal name of your company. Also, you are required under the Corporations Act to quote your ACN or ABN on all documents. Check the name of your buyer's company, especially when dealing with a foreign company for the first time.

Unit Price - Price stipulated in the contract must cover all expenses and risks as well as allow for the profit. At the end of the day, you are trading to earn some money.

Terms of Delivery (Incoterms) - Terms of Delivery must indicate the point of destination and should refer to the Incoterms. For example, "CIF Hamburg Incoterms 2010".

Payment Terms - It is important to specify the terms of payment and payment procedure in detail as well as to stipulate all documents necessary to be presented for the payment to occur. Commonly, these details are specified in the appendix or supplement to the contract. In this case, under Payment Terms you should include, for example, "Irrevocable Confirmed Letter of Credit at sight in accordance with Supplement No. 1 hereto which is an integral part of the present contract".

Delivery Date - Indicate the delivery time as a reference to a certain date stipulated in the contract. It may be the date of the contract, but more appropriate the date of the receipt of the confirmation of the letter of credit. For example, “the goods must be delivered no later than X days after the date of the receipt of the confirmation of the letter of credit by the Seller.”

You should check the shipment frequency with the shipping company or with your freight forwarder before negotiating the delivery date and allow for possible delays. Usually major shipping lines would have shipments to most destinations occurring weekly.

Additional Terms - The terms and conditions specified below are not necessary to enclose in a contract, but are very important to avoid uncertainties and minimise your risks.

Claims clause - Claims are common in International Trade. In fact, there are people who make a living out of claims and you have to be aware of that. By including a claim clause in the contract, you may be able to avoid costly litigation in the event of a dispute.

Arbitration Clause - Trade disputes and claims may be settled in different manners. It is better to settle a claim amicably by negotiations outside arbitration or a court. The ICC International Court of Arbitration recommends that all parties wishing to have recourse to ICC arbitration include the following standard clause in their contracts:

“All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules in the International Court of Arbitration in Paris.” Also you may add “The decision made by the Court of Arbitration is final and binding upon all Parties.”

Force Majeure Clause - Force Majeure literally means “greater force”. “Force Majeure” clauses excuse you or the buyer from performing the contract obligations if the failure is caused by conditions beyond your or the buyer’s control. Example “Force Majeure” Clause is as under.

Neither Party shall be liable or responsible for any failure or delay in performance under the present Contract if such failure or delay is caused by Act of God, Government restrictions (including the denial or cancellation of any export or other necessary license), riots, civil commotions, wars, insurrections and/or any other cause beyond the reasonable control of the Party whose performance is affected.

11.6 Negotiations

Negotiating is an art. Your buyers will be pleased if they manage to negotiate any discounts from you. Don't disappoint them. Include at least 10% in your export prices for negotiating. By discounting the price you'll be able to gain better trade terms. However, you have to be careful with allowances. If the price is too high to begin with you may not get the buyer to even commence negotiations.

A reasonable discount in price may be considered after determining the buyer's interest in the product, future prospects and continuity in business. Learn to recognise "genuine" inquiries and beware of "dream" orders.

As a rule, a "genuine" inquiry has a brief introduction, is fairly specific in what it is looking for and will have a company name, contact name and contact details. If you clearly understand that an inquiry you receive isn't worth an answer, just ignore it.

11.7 Confirmation of order

On receiving an export order, it should be examined carefully in respect of items, specification, payment conditions, packaging, delivery schedule, etc. and then the order should be confirmed. Accordingly, the exporter may enter into a formal contract with the overseas buyer.

12 Export Credit Insurance from ECGC

International trade involves payment risks due to buyer/country insolvency. These risks can be covered through ECGC Limited. The credit insurance enables you to expand your exports without fear of loss. You should try to insure payments under documentary collections, consignment and open account terms. You may even consider the insurance of the unconfirmed LC.

The export credit insurance, issued by ECGC in your favour, protects you against non-payments by the buyer or by the Issuing Bank (in case of insuring an unconfirmed LC) due to commercial (insolvency, fraud) or political risk. In case of non-payment, you will usually receive 80-90% of the invoice. The insured payment allows you to obtain export finance from a bank.

ECGC Limited (formerly Export Credit Guarantee Corporation of India Ltd) is a Government of India Enterprise which provides export credit insurance facilities to exporters and banks in India. It functions under the administrative control of Ministry of Commerce & Industry, and is managed by a Board of Directors comprising representatives of the Government, Reserve Bank of India, banking, insurance and exporting community. Over the years, it has evolved various export credit risk insurance products to suit the requirements of Indian exporters and commercial banks. ECGC is the seventh largest credit insurer of the world in terms of coverage of national exports.

ECGC is essentially an export promotion organization, seeking to improve the competitive capacity of Indian exporters by giving them credit insurance covers comparable to those available to their competitors from most other countries. It keeps it's premium rates at the lowest level possible.

12.1 How does ECGC help exporters?

- Offers insurance protection to exporters against payment risks
- Provides guidance in export-related activities
- Makes available information on different countries with it's own credit ratings
- Makes it easy to obtain export finance from banks/financial institutions
- Assists exporters in recovering bad debts
- Provides information on credit-worthiness of overseas buyers

12.2 Need for export credit insurance

Payments for exports are open to risks even at the best of times. The risks have assumed large proportions today due to the far-reaching political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay payment for goods exported. A coup or an insurrection may also bring about the same result. Economic difficulties or balance of payment problems may lead a country to impose restrictions on either import of certain goods or on transfer of payments for goods imported. In addition, the exporters have to face commercial risks of insolvency or protracted default of buyers. The commercial risks of a foreign buyer going bankrupt or losing his capacity to pay are aggravated due to the political and economic uncertainties. Export credit insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business without fear of loss.

12.3 The risks covered under the Standard Policy

Under the Standard Policy, ECGC covers, from the date of shipment, the following risks:

(a) Commercial Risks

I. Risks covered on the overseas buyers:

- Insolvency of the buyer
- Failure of the buyer to make the payment due within a specified period, normally four months from the due date
- Buyer's failure to accept the goods, subject to certain conditions

II. Risks covered on the LC opening Bank:

- Insolvency of the LC opening bank
- Failure of the LC opening bank to make the payment due within a specified period normally four months from the due date

(b) Political Risks

- Imposition of restriction by the Government of the buyer's country or any Government action, which may block or delay the transfer of payment made by the buyer
- War, civil war, revolution or civil disturbances in the buyer's country. New import restrictions or cancellation of a valid import license in the buyer's country
- Interruption or diversion of voyage outside India resulting in payment of additional freight or insurance charges which cannot be recovered from the buyer
- Any other cause of loss occurring outside India not normally insured by general insurers, and beyond the control of both the exporter and the buyer

12.4 Small Exporters Policy - (SEP)

The Small Exporter's Policy is basically the Standard Policy, incorporating certain improvements in terms of cover, in order to encourage small exporters to obtain and operate the policy. It is issued to exporters whose anticipated export turnover for the period of one year does not exceed Rs 5 crore. The Maximum

Liability under the SEP shall be fixed as per laid down guidelines, but shall not exceed Rs 2 crore. The nature of commercial risks and political risks cover is similar to that of the Shipment Comprehensive Risk (SCR) or Standard policy.

Period of Policy: 12 months

Minimum premium: Premium payable will be determined on the basis of projected exports on an annual basis subject to a minimum premium of Rs 5000/- for the policy period and is non-refundable. No claim bonus in the premium rate is granted every year at the rate of 5%.

12.5 Shipments Comprehensive Risks Policy - (SCR)

An exporter whose annual export turnover is more than Rs 5 crore is eligible for this Policy. This is a Standard Whole Turnover Policy wherein all shipments are required to be covered under the Policy.

Period of Policy: 12 Months

Minimum Premium: Rs 10,000/- shall be adjusted towards premiums falling due on the shipments effected under the policy and is non-refundable.

How Comprehensive policy Works?

For example, you are an exporter, you obtained an order from XYZ - an overseas buyer to ship them goods for 6 months for USD 6000 (us dollars six thousand). The buyer instructed you to ship goods worth USD 1000 (one thousand) per shipment, each month. Means, you ship six times in each month for USD 1000 per shipment and total of USD 6000 for six months. As per the agreed terms by you and your buyer, credit period you have allowed is 60 days D.A.P (DA). Means, 60 days from the date of particular shipment, your buyer has to pay the amount of USD 1000 to you. Again in next month the buyer has to pay USD 1000 against the second shipment you have shipped to your buyer.

This process continues till the 6th shipment effect. You approaches ECGC and apply with your buyer's (xyz) complete details and their bank address. Based on the available data and market research, ECGC approves a credit limit of USD 2000 against the particular buyer – XYZ. This means, the total outstanding liability of existing buyer (XYZ) should not exceed the limit of USD 2000 at any point of time.

12.6 Important Obligations of the Exporter

- Obtaining valid credit limit approval on buyers and banks from ECGC.
- Premium is payable in advance as per IRDA regulations and sufficient premium deposit is also to be maintained in advance based on your turnover projection at all times during the policy.
- Submission of Monthly declaration of shipments by 15th of the subsequent month.
- Notifying/Declaration of payments for bills that have remained unpaid beyond 30 days from its due date of payment, by the 15th of the subsequent month.
- Filing of claim within 360 days from the due date of the export bill or 540 days from expiry date of the Policy Cover whichever is earlier.
- Initiating recovery steps including legal action.
- Sharing of recovery.

Highlights

- Higher percentage of cover
- Competitive premium rate.
- No Claim Bonus (NCB) of 5% subject to no claim, upto a maximum of 50%.
- Availability of Discretionary Limits on buyers on conditions.

13 Export Finance

Finance is a life and blood of any business whether it is domestic or international. It is more important in case of export as there could be considerable lag in receiving the export order and final payment from the overseas buyer. To promote export, most countries have specific financial institutions to provide credit to their exporters. The export credit is broadly classified as pre shipment and post shipment finance.

13.1 Pre shipment Finance

Pre shipment finance, also called packing credit, is the working capital financed by commercial banks prior to the shipment of goods. This allows the exporter to meet various operational expenses incurred before the goods are ready for shipment.

Purpose

- Purchase raw materials and other inputs for manufacturing
- Import materials from domestic markets to produce goods for export
- Assemble goods
- Store goods at a suitable warehouse facility until shipment
- Pack and label goods
- Pay for documentation
- Pay for pre-shipment inspection charges

Basis of Finance

Pre shipment credit is only issued to that exporter who has the export order in his own name. However, as an exception, financial institution can also grant credit to a third party manufacturer or supplier of goods who does not have export orders in their own name. It is extended in the forms of Indian Rupee as well as in foreign currency.

Eligibility/Documents

- Exporter should have IEC No.
- Exporter should not be in the caution list of RBI.
- Confirmed export order or irrevocable LC or original cable / fax / telex message exchange between the exporter and the buyer revealing the information about the full name and address of the overseas buyer, description quantity and value of goods (FOB or CIF), destination port and the last date of payment.
- Formal application for release the packing credit with undertaking to the effect that the exporter would be ship the goods within stipulated due date and submit the relevant shipping documents to the banks within prescribed time limit.

- Licence issued by DGFT if the goods to be exported fall under the restricted or canalized category. If the item falls under quota system, proper quota allotment proof needs to be submitted.

Quantum of Finance

The quantum of finance is fixed depending on the FOB value of contract/ LC or the domestic values of goods, whichever is found to be lower. Normally insurance and freight charged are considered at a later stage, when the goods are ready to be shipped.

The only guideline principle is the concept of Need Based Finance. Banks determine the percentage of margin, depending on factors such as the nature of order, the nature of the commodity and capability of exporter to bring in the requisite contribution.

In this case disbursals are made only in stages and if possible not in cash. The payments are made directly to the supplier by drafts/bankers/cheques. The bank decides the duration of packing credit depending upon the time required by the exporter for processing of goods.

Duration

The maximum duration of packing credit period is 180 days, however bank may provide a further 90 days extension on its own discretion, without referring to RBI.

13.2 Post Shipment Finance

Post Shipment Finance is a kind of loan provided by a financial institution to an exporter or seller against a shipment that has already been made. It is meant to finance export sales receivable after the date of shipment of goods to the date of realization of exports proceeds. In cases of deemed exports, it is extended to finance receivable against supplies made to designated agencies. Exporters don’t wait for the importer to deposit the funds.

Purpose

- Pay for distributors and agency services
- Conduct promotional activities in the overseas market
- Pay port authorities, customs and shipping agents

- Pay export tax and duty, freight and other expenses
- Pay ECGC and marine insurance premium
- Meet after-sales service expenses
- Pay for expenses in relation to exhibitions and trade fairs within the country

Basis of Finance

Post shipment finance is provided against evidence of shipment of goods or supplies made to the importer or seller or any other designated agency.

Types of Finance

Post shipment finance can be secured or unsecured. Since the finance is extended against evidence of export shipment and bank obtains the documents of title of goods, the finance is normally self liquidating. In that case it involves advance against undrawn balance, and is usually unsecured in nature. Further, the finance is mostly a funded advance. In few cases, such as financing of project exports, the issue of guarantee (retention money guarantees) is involved and the financing is not funded in nature.

Quantum of Finance

Post shipment finance can be extended up to 100% of the invoice value of goods. Banks can also finance undrawn balance. In such cases banks are free to stipulate margin requirements as per their usual lending norm.

Duration

Post shipment finance can be of short terms or long term, depending on the payment terms offered by the exporter to the overseas importer. In case of cash exports, the maximum period allowed for realization of exports proceeds is six months from the date of shipment. Concessive rate of interest is available for a highest period of 180 days, opening from the date of surrender of documents. Usually, the documents need to be submitted within 21days from the date of shipment.

14 Procurement and Packing of Goods

Once you are ready with the infrastructure for exporting goods and have obtained necessary finance, you should proceed to procure the goods for export.

Procuring the goods should be done with extreme care and caution as to the quality and cost. However, procuring the raw materials etc. and manufacturing the goods for export will need extra efforts on your part. If you are an established exporter, you can have the facility of procuring raw materials under the Duty Exemption Scheme.

An important stage after manufacturing of goods or their procurement is their preparation for shipment. This involves labelling, packaging, packing and marking of export consignments. Packing should be of international standards. Good packaging delivers and presents the goods in top condition and in attractive way. It helps easy handling, maximum loading, reducing shipping costs and to ensuring safety and standard of the cargo. Proper packaging and labelling not only makes the final product look attractive but also save a huge amount of money by saving the product from wrong handling the export process.

The export goods should be labelled, packaged and packed strictly as per the buyer's specific instructions.

14.1 Packaging

The primary role of packaging is to contain, protect and preserve a product as well as aid in its handling and final presentation. Packaging fulfils a vital role in helping to get the export products to the market in top condition, as well as in presenting your goods to the overseas buyer in an attractive way. While packaging, quality should not be compromised merely to cut down costs, packaging should also be in conformity with the instructions issued by the importer.

Packaging also refers to the process of design, evaluation, and production of packages. The packaging can be done within the export company or the job can be assigned to an outside packaging company.

Packaging provides following benefits to the goods to be exported:

- **Physical Protection –** Packaging provides protection against shock, vibration, temperature, moisture and dust.
- **Containment or agglomeration –** Packaging provides agglomeration of small objects into one package for reason of efficiency and cost factor. For example it is better to put ١٠٠٠ pencils in one box rather than putting each pencil in separate ١٠٠٠ boxes.

- **Marketing**: Proper and attractive packaging play an important role in encouraging a potential buyer.

- **Convenience** - Packages add convenience in distribution, handling, display, sale, opening, use, and reuse.

- **Security** - Packaging can play an important role in reducing the security risks of shipment. It also provides authentication seals to indicate that the package and contents are not counterfeit. Packages also can include anti-theft devices, such as dye-packs, RFID tags, or electronic article surveillance tags, that can be activated or detected by devices at exit points and require specialized tools to deactivate. Using packaging in this way is a means of loss prevention.

14.2 Packing

Packing refers to the external containers used for transportation. The shape of packing cases play a very important role in packing the cargo, and the nature of packing material to be used will depend upon the items exported As regard specification for the size, weight and strength care must be taken to ensure that the weight of standard case does not exceed 50 Kg. for easy handling of the cargo. Before packing and sealing the goods, it should be ensured that all the contents are properly placed in the case and the list of contents of packing notes should be prepared so that the buyer, the Customs authorities and the Insurance authorities can easily check the contents of each and every case.

The consolidated statement of contents for a number of cases is called the Packing List, which should be prepared in the prescribed standardised format.

14.3 Marking

Marking means to mark the address, number of packages etc. on the packets. It is essential for identification purpose and should provide information on exporters' mark, port of destination, place of destination, order number and date, gross, net and tare weight and handling instructions. It should also be ensured that while putting marks, the law of buyer's country is duly compiled with.

All shipping cases should be marked a number with special symbols selected by the exporters or the importers, so that the competitors cannot find out the details of the customers and the country of destination or supplier's country of despatch. Care should also be taken to ensure that the marking conforms to those written in the invoice, insurance certificate, bill of lading and other documents. The International Cargo Handling Co-ordination, Association has set out for the use of exporters a number of recommendations for the marking of goods carried by ocean-going vessels. They are equally useful for sending goods by other modes of transportation.

The marks should appear in certain order. Essential data should be placed in oblong frames with lines 1.5 cm thick and subsidiary information should be placed in another type of frame. Declaration on large packages should be placed on two continuous sides, and for consignments bound together on a pallet, also on the top. Handling instructions should be placed on all four sides. Similar packages, such as goods in sacks, should be marked on two opposite sides.

14.4 Labelling

Labelling requirements differ from country to country and the same should be ascertained well in advance from the buyer. The label should indicate quality, quantity, method of use etc. Special international care labels have been specified for the textile items by GINITEX, and the same should be scrupulously adhered to.

It is also important for an exporter to be familiar with all kinds of sign and symbols and should also maintain all the nationally and internationally standards while using these symbols. Labelling should be in English, and words indicating country of origin should be as large and as prominent as any other English wording on the package or label.

Labelling on product provides the following important information:

- Shipper's mark
- Country of origin
- Weight marking (in pounds and in kilograms)
- Number of packages and size of cases (in inches and centimetres)
- Handling marks (international pictorial symbols)
- Cautionary markings, such as "This Side Up."
- Port of entry
- Labels for hazardous materials

Labelling of a product also provides information like how to use, transport, recycle, or dispose of the package or product. Only fast dyes should be used for labelling. Essential data should be in black and subsidiary data in a less conspicuous colour; red and orange and so on. For food packed in sacks, only harmless dyes should be employed, and the dye should not come through the packing in such a way as to affect the goods.

15 Quality Control and Pre-shipment Inspection

An important aspect about the goods to be exported is compulsory quality control and pre-shipment inspection. Under the Export (Quality Control and Inspection) Act, 1963, about 1000 commodities under the major groups of Food and Agriculture, Fishery, Minerals, Organic and Inorganic Chemicals, Rubber Products, Refractoriness, Ceramic Products, Pesticides, Light Engineering, Steel Products, Jute Products, Coir and Coir Products, Footwear and Footwear Products / Components are subject to compulsory pre-shipment inspection.

15.1 ISI Certification

Indian Standards Institute now known as Bureau of Indian Standard (BIS) is a registered society under a Government of India. BIS main functions include the development of technical standards, product quality and management system certifications and consumer affairs.

15.2 AgMmark Certification

AgMark is an acronym for Agricultural Marketing and is used to certify the food products for quality control. Agmark has been dominated by other quality standards including the non manufacturing standard ISO 9000.

Products having ISI Certification mark or Agmark are not required to be inspected by any agency. These products do not fall within the purview of the export inspection agencies network. The Customs Authorities allow export of such goods even if not accompanied by any pre-shipment inspection certificate, provided they are otherwise satisfied that the goods carry ISI Certification or the Agmark.

15.3 Benefits of ISI and Agmark Certification

Products having ISI Certification mark or Agmark are not required to be inspected by any agency. These products do not fall within the purview of the export inspection agencies network. The Customs Authorities allow export of such goods even if not accompanied by any pre-shipment inspection certificate, provided they are otherwise satisfied that the goods carry ISI Certification or the Agmark.

15.4 In-Process Quality Control (IPQC)

In-Process Quality Control (IPQC) inspection is mainly done for engineering products and is applied at the various stages of production. Units approved under IPQC system of in-process quality control may themselves issue the certificate of inspection, but only for the products for which they have been granted IPQC facilities. The final certificate of inspection on the end-products is then given without in-depth study at the shipment stage.

15.5 Self-Certification Scheme

Under the self-Certification Scheme, large exporters and manufacturers are allowed to inspect their product without involving any other party. The facility is available to manufacturers of engineering products, chemical and allied products and marine products. Self-Certification is given on the basis that the exporter himself is the best judge of the quality of his products and will not allow his reputation to be spoiled in the international market by compromising on quality. Self-Certification Scheme is granted to the exporter for the period of one year. Exporters with proven reputation can obtain the permission for self-certification by submitting an application to the Director (Inspection and Quality Control), Export Inspection Council of India, New Delhi.

15.6 ISO 9000

The discussion on inspection certificate and quality control is incomplete without ISO-9000. Established in 1987, ISO 9000 is a series of international standards that has been accepted worldwide as the norm assuring high quality of goods. The current version of ISO 9000 is ISO 9000:2000.

15.7 International Agencies

At times, foreign buyers lay down their own standards/ specifications which may or may not be in consonance with the Indian standards. They may also insist upon inspection by their own nominated agencies. These issues should be sorted out before confirmation of order.

16 Cargo Insurance

Export and import require transportation of goods over a long distance.

No matter whichever transport has been used in international trade, necessary insurance is must for ever good. Cargo insurance also known as marine cargo insurance is a type of insurance against physical damage or loss of goods during transportation. Cargo insurance is effective in all the three cases whether the goods have been transported via sea, land or air.

Insurance policy is not applicable if the goods have been found to be packaged or transported by any wrong means or methods. So, it is advisable to use a broker for placing cargo risks.

16.1 Scope of Coverage

The following can be covered for the risk of loss or damage:

- Cargo import, export cross voyage dispatched by sea, river, road, rail post, personal courier, and including associated storage risks.
- Good in transit (inland).
- Freight service liability.
- Associated stock.

However there are still a number of general exclusion such loss by delay, war risk, improper packaging and insolvency of carrier. Converse for some of these may be negotiated with the insurance company. The Institute War Clauses may also be added.

Regular exporters may negotiate open cover. It is an umbrella marine insurance policy that is activated when eligible shipments are made. Individual insurance certificates are issued after the shipment is made. Some LC will require an individual insurance policy to be issued for the shipment, While others accept an insurance certificate.

16.2 Specialist Covers

Whereas standard marine/transport cover is the answer for general cargo, some classes of business will have special requirements. General insurer may have developed specialty teams to cater for the needs of this business, and it is worth asking if this cover can be extended to export risks. Cover may be automatically available for the needs of the trade viz., project constructional works insurers can cover the movement of goods for the project, fine art, precious stones etc. Special Cover can be extended to cover sending of precious stones. Stock through put cover extended beyond the time goods are in transit until when they are used at the destination.

16.3 Seller's Buyer's Contingent Interest Insurance

An exporter selling on, for example FOB delivery terms would according to the contract and to INCOTERMS, have not responsibility for insurance once the goods have passed the ship's rail. However, for peace of mind, he may wish to purchase extra cover, which will cover him for loss or will make up cover where the other policy is too restrictive. This is known as Seller's Interest Insurance.

Similarly, cover is available to importers/buyers. Seller's Interest and Buyer's Interest covers usually extended cover to apply if the title in the goods reverts to the insured party until the goods are recovered resold or returned.

16.4 Loss of Profits/ Consequential Loss Insurance

Importers buying goods for a particular event may be interested in consequential loss cover in case the goods are late and replacements have to be found to replace them. In such cases, the insurer will pay a claim and may receive proceeds from the eventual sale of the delayed goods.

17 Currency Risk Management

Currency risk is a type of risk in international trade that arises from the fluctuation in price of one currency against another. This is a permanent risk that will remain as long as currencies remain the medium of exchange for commercial transactions. Market fluctuations of relative currency values will continue to attract the attention of the exporter, the manufacturer, the investor, the banker, the speculator, and the policy maker alike.

While doing business in foreign currency, a contract is signed and the exporter company quotes a price for the goods using a reasonable exchange rate. However, economic events may upset even the best laid plans. Therefore, the company would ideally wish to have a strategy for dealing with exchange rate risk.

17.1 Currency Hedging

Currency hedging is technique used to avoid the risks associated with the changing value of currency while doing transactions in international trade. It is possible to take steps to hedge foreign currency risk. This may be done through one of the following options:

- Billing foreign deals in Indian Rupees: This insulates the Indian exporter from currency fluctuations. However, this may not be acceptable to the foreign buyer. Most of international trade transactions take place in one of the major foreign currencies USD, Euro, Pounds Sterling, and Yen.

- Forward contract. You agree to sell a fixed amount of foreign exchange (to convert this into your currency) at a future date, allowing for the risk that the buyer's payments are late.

- Options: You buy the right to have currency at an agreed rate within an agreed period. For example, if you expect to receive $35,000 in 3 months, time you could buy an option to convert $35,000 into your currency in 3 months. Options can be more expensive than a forward contract, but you don't need to compulsorily use your option.

- Foreign currency bank account and foreign currency borrowing: These may be suitable where you have cost in the foreign currency or in a currency whose exchange rate is related to that currency.

18 Delivering of Goods and Freight Forwarder

There are many combinations of people and methods that you can use to deliver the goods that were ordered. For this purpose you can use services provided by the freight forwarder.

18.1 Freight Forwarder

A freight forwarder is a person who takes care of the important steps of shipping the merchandise. This person quotes shipping rates, provides routing information, and books cargo space.

Freight forwarders prepare documentation, contract shipping insurance, route cargo with the lowest customs charges, and arrange storage. They are valuable to you as an import/export agent, and they are important in handling the steps from factory to final destination.

They can be found online or by personal referrals. Find someone who can do a good job for you. You'll need someone who you can work with, since this may become a long-term business relationship

18.2 Types of Export Containers

Different types of containers are used in domestic and international trade to move cargo from one location to another. Some types of containers are Standard Dry Containers, Open Top Containers, High cube Containers, Refrigerated Containers (Reefer Containers), GOH Containers (Garments on hanger containers), Open Side Containers, Tank Containers , Half height Containers, Ventilated Containers, Car Carrier Containers, Hard top Containers, Insulated Containers, Tunnel Containers, Platform Containers, Flat rack Containers etc. These containers are used to transport different types of goods as per convenience, coastwise and time saving parameters. For example, Standard dry containers are used to move general dry cargo, temperature sensitive cargo is moved with refrigerated containers, liquid and powder type goods are moved with tank container so on. So each type of container is manufactured as per customer's requirements.

Most of the shipping cargo container length would be 20' or 40' standard in sizes.

18.1 20' Dry Cargo Container

20' containers are commonly used by most of the traders apart from 40' containers. 20' standard dry cargo containers are manufactured with steel which is totally sealed and water proof with plywood flooring.

The inner dimensions

- Length = 5898mm (5.898 meter or 19'4" or 19 feet 4 inches)
- Width = 2352mm (2.352 meter or 7'8" or 7 feet 8 inches)
- Height = 2395mm (2.395 meter or 7'10" or 7 feet 10 inches)

The outer dimensions

- Length = 6058mm (6.058 meter or 19'11" or 19 feet 11 inches)
- Width = 2440mm (2.440 meter or 8' or 8 feet)
- Height = 2600mm (2.600 meter or 8'6" or 8 feet 6 inches)

The cubic volume: 33.200 CBM- cubic meters

Tare weight: 2150 kg

Maximum pay load weight: 21850 kg

Maximum capacity: 33150 kg

18.2 40' shipping cargo dry container

The size and construction design of containers has been standardized; there can be unit variations within each size and type category and by container owner or operator. For example, two 40-foot dry cargo containers could look the same on the outside but might have different cargo handling capacity on the inside because one container was constructed for handling general cargo loaded onto pallets and the other container was constructed to handle garments on hangers so they can be easily off-loaded and placed immediately on the sales floor at your local clothing store.

Inner dimensions

- Length = 12030mm (12.03meter or 39'5.2" or 39 feet 5.2 inches)
- Width = 2352mm (2.35 meter or 7'8.5" or 7 feet 8.5 inches)
- Height = 2395mm (2.39 meter or 7'10" or 7 feet 10 inches)

Outer dimensions

- Length = 12190mm (12.19 meter or 40' or 40 feet)
- Width = 2440mm (2.44 meter or 8' or 8 feet)
- Height = 2590mm (2.59 meter or 8'6" or 8 feet 6 inches)

The cubic volume: 67.2 cubic meter (2,372cu.ft)

Tare Weight: 3830 kg

Maximum pay load weight: 21710 kg

Maximum capacity: 26650 kg

The information on measurement and weight mentioned may vary slightly from one brand owner to another. Some of the top cargo container owners are NYK, Evergreen, CMA-CGM, Maersk, MSC etc. You may reconfirm exact weight, measurement and other details from container owner or their agent.

18.3 Less Container Load (LCL) and Full Container Load (FCL)

If a shipper does not have enough goods to accommodate in a fully loaded container, he arrange with a consolidator to book his cargo. This type of shipment is called LCL shipment. The said consolidator arranges a full container (FCL) with a main shipping carrier, and consoles the shipments of other shippers. Means the freight forwarder who books a full container accepts goods from different shippers and consolidates all such goods in to one container as a Fully Loaded Container – FCL. The freight forwarder sorts out these goods at destination or at trans-shipment points, meant for different consignees at different ports.

Once after arrival of goods at destination the freight forwarder release goods meant for each consignee separately by collecting necessary charges if any.

18.4 Precautions to be taken while booking LCL

Transit Time of LCL cargo

Firstly, do not expect the cargo arrival time as faster as an FCL shipment. Because, since the cargo is a Less Container Load (LCL), the goods will be stuffed in to the container, once the freight forwarder receives enough cargo to make the container 'full' at place of receipt. Place of receipt may be near loading port or container freight station, away from loading port depends up on location of your factory where the goods to be exported are. Secondly, there may have one or more trans-shipment ports before arriving cargo at final destination. Chances are there for a delay of one or more days at trans-shipment point also. Before appointing a freight forwarder, you need to get a clear idea about the arrival of goods at destination.

Get quote in writing

If any haulage is involved, what would be the inland haulage charges? What is the ocean freight to the port of final destination etc. Since the cargo is a Less Container Load (LCL), Freight forwarders quote the charges per cubic meter basis (CBM basis). Learn, how CBM is calculated if weight is more.

Destination Service Charges – Beware of trap behind

This is a very important tip to be strictly followed by any exporter while booking LCL shipment with a freight forwarder. Get in writing from local freight forwarder about the 'amount of charges, their counterpart at destination collects from your buyer'. This is very important because, different freight forwarders charge different amount as 'Delivery order charges' from the consignee abnormally in the field of LCL shipments. Because, with the understanding between the freight forwarders each other at load port and final destination, the quote at load port may be low, but higher at final destination as 'delivery charges'.

Role of 'Service' in LCL shipments

In a supply chain management system, 'service' plays a major role. You may have a very good relationship with your local freight forwarder. However, the same service is expected to get from all his counterparts in transit as well as at final destination. The same service is required to be delivered to your overseas buyer at destination. So before finalizing freight forwarder, you can collect the local freight forwarders counterpart office address details at final destination. Let your buyer also satisfy with 'no objection in shipping through the said forwarder'.

Survey report to reconfirm Volume of goods

If you do not know the exact volume of LCL shipment which you have shipped, you can demand a copy of survey report issued by the surveyor in CFS. This survey report can be obtained from your shipping carrier. The said volume can be cross checked with consolidator's invoice while paying amount to them.

19 Customs Clearance

In India custom clearance is a complex and time taking procedure that every exporter faces in his export business. Physical control is still the basis of custom clearance in India where each consignment is manually examined in order to impose various types of export duties. High import tariffs and multiplicity of exemptions and export promotion schemes also contribute in complicating the documentation and procedures. So, a proper knowledge of the custom rules and regulation becomes important for the exporter.

Exporters may avail services of Customs House Agents (CHA) licensed by the Commissioner of Customs. They are professionals and facilitate work connected with clearance of cargo from Customs. For clearance of export goods, the exporter or export agent has to undertake the following formalities:

19.1 Registration

Any exporter who wants to export his good need to obtain PAN based Business Identification Number (BIN) from the Directorate General of Foreign Trade prior to filing of shipping bill for clearance of export goods. The exporters must also register themselves to the authorised foreign exchange dealer code and open a current account in the designated bank for credit of any drawback incentive.

All the exporters intending to export under the export promotion scheme need to get their licences, DEEC book etc.

19.2 Processing of Shipping Bill – Non-EDI

In case of Non-EDI, the shipping bills or bills of export are required to be filled in the format as prescribed in the Shipping Bill and Bill of Export (Form) regulations, 1991. An exporter need to apply different forms of shipping bill/ bill of export for export of duty free goods, export of dutiable goods and export under drawback etc.

19.3 Processing of Shipping Bill – EDI

Under EDI System, declarations in prescribed format are to be filed through the Service Centers of Customs. A checklist is generated for verification of data by the exporter/CHA. After verification, the data is submitted to the System by the Service Center operator and the System generates a Shipping Bill Number, which is endorsed on the printed checklist and returned to the exporter/ CHA. For export items which are subject to export cess, the TR-6 challans for cess is printed and given by the Service Center to the exporter/CHA immediately after submission of shipping bill. The cess can be paid on the strength of the challan at the designated bank. No copy of shipping bill is made available to exporter/CHA at this stage.

19.4 Quota Allocation

The quota allocation label is required to be pasted on the export invoice. The allocation number of AEPC (Apparel Export Promotion Council) is to be entered in the system at the time of shipping bill entry. The quota certification of export invoice needs to be submitted to Customs along-with other original documents at the time of examination of the export cargo. For determining the validity date of the quota, the relevant date needs to be the date on which the full consignment is presented to the Customs for examination and duly recorded in the Computer System.

19.5 Arrival of Goods at Docks

On the basis of examination and inspection goods are allowed enter into the Dock. At this stage the port authorities check the quantity of the goods with the documents.

19.6 System Appraisal of Shipping Bills

In most of the cases, a Shipping Bill is processed by the system on the basis of declarations made by the exporters without any human intervention. Sometimes the Shipping Bill is also processed on screen by the Customs Officer.

19.7 Customs Examination of Export Cargo

Customs Officer may verify the quantity of the goods actually received and enter into the system and thereafter mark the Electronic Shipping Bill and also hand over all original documents to the Dock Appraiser of the Dock who many assign a Customs Officer for the examination and intimate the officers' name and the packages to be examined, if any, on the check list and return it to the exporter or his agent.

The Customs Officer may inspect/examine the shipment along with the Dock Appraiser. The Customs Officer enters the examination report in the system. He then marks the Electronic Bill along with all original documents and check list to the Dock Appraiser. If the Dock Appraiser is satisfied that the particulars entered in the system conform to the description given in the original documents and as seen in the physical examination, he may proceed to allow "**let export**" for the shipment and inform the exporter or his agent.

19.8 Stuffing / Loading of Goods in Containers

The exporter or export agent hand over the exporter's copy of the shipping bill signed by the Appraiser "Let Export" to the steamer agent. The agent then approaches the proper officer for allowing the shipment. The Customs Preventive Officer supervising the loading of container and general cargo in to the vessel may give "Shipped on Board" approval on the exporter's copy of the shipping bill.

19.9 Drawal of Samples

Where the Appraiser Dock (export) orders for samples to be drawn and tested, the Customs Officer may proceed to draw two samples from the consignment and enter the particulars thereof along with details of the testing agency in the ICES/E system. There is no separate register for recording dates of samples drawn. Three copies of the test memo are prepared by the Customs Officer and are signed by the Customs Officer and Appraising Officer on behalf of Customs and the exporter or his agent.

The Assistant Commissioner/Deputy Commissioner if he considers necessary, may also order for sample to be drawn for purpose other than testing such as visual inspection and verification of description, market value inquiry, etc.

19.10 Amendments

Any correction/amendments in the check list generated after filing of declaration can be made at the Service Center, if the documents have not yet been submitted in the system and the shipping bill number has not been generated. In situations, where corrections are required to be made after the generation of the shipping bill number or after the goods have been brought into the Export Dock, amendments is carried out in the following manners.

- The goods have not yet been allowed "let export" amendments may be permitted by the Assistant Commissioner (Exports).
- Where the «Let Export» order has already been given, amendments may be permitted only by the Additional/Joint Commissioner, Custom House, in charge of export section.

In both the cases, after the permission for amendments has been granted, the Assistant Commissioner / Deputy Commissioner (Export) may approve the amendments on the system on behalf of the Additional /Joint Commissioner. Where the print out of the Shipping Bill has already been generated, the exporter may first surrender all copies of the shipping bill to the Dock Appraiser for cancellation before amendment is approved on the system.

19.11 Export of Goods under Claim for Drawback

After actual export of the goods, the Drawback claim is processed through EDI system by the officers of Drawback Branch on first come first served basis without feeling any separate form.

19.12 Generation of Shipping Bills

The Shipping Bill is generated by the system in two copies- one as Custom copy and one as exporter copy. Both the copies are then signed by the Custom officer and the Custom House Agent.

20 Documentation and Realization of Export Proceeds

International market involves various types of trade documents that need to be produced while making transactions. Each trade document is differ from other and present the various aspects of the trade like description, quality, number, transportation medium, indemnity, inspection and so on. So, it becomes important for the importers and exporters to make sure that their documents support the guidelines as per international trade transactions. A small mistake could prove costly for any of the parties. For example, a trade document about the bill of lading is a proof that goods have been shipped on board, while Inspection Certificate certifies that the goods have been inspected and meet quality standards. So, depending on these necessary documents, a seller can assure a buyer that he has fulfilled his responsibility whilst the buyer is assured of his request being carried out by the seller.

The three mandatory documents for export include Bill of Lading/Airway Bill, Commercial invoice cum packing list and Shipping Bill (Bill of Export). Other documents often used in international trade are Certificate of Origin, Combined Transport Document, Draft (or Bill of Exchange), Insurance Policy/Certificate, Inspection Certificate etc.

20.1 Air Waybills

Air Waybills make sure that goods have been received for shipment by air. A typical air waybill sample consists of three originals and nine copies. The first original is for the carrier and is signed by the export agent; the second original, the consignee's copy, is signed by the export agent; the third original is signed by the carrier and is handed to the export agent as a receipt for the goods.

Air Waybills serves as:

- Proof of receipt of the goods for shipment
- An invoice for the freight
- A certificate of insurance
- A guide to airline staff for the handling, dispatch and delivery of the consignment

The principal requirement for an air waybill is:

- The proper shipper and consignee must be mention.
- The airport of departure and destination must be mention.
- The goods description must be consistent with that shown on other documents.
- Any weight, measure or shipping marks must agree with those shown on other documents.
- It must be signed and dated by the actual carrier or by the named agent of a named carrier.

- It must mention whether freight has been paid or will be paid at the destination point.

20.2 Bill of Lading (B/L)

Bill of Lading is a document given by the shipping agency for the goods shipped for transportation form one destination to another and is signed by the representatives of the carrying vessel.

Bill of landing is issued in the set of two, three or more. The number in the set will be indicated on each bill of lading and all must be accounted for. This is done due to the safety reasons which ensure that the document never comes into the hands of an unauthorised person. Only one original is sufficient to take possession of goods at port of discharge so, a bank which finances a trade transaction will need to control the complete set. The bill of lading must be signed by the shipping company or its agent, and must show how many signed originals were issued. The bill of lading also forms the contract of carriage.

It will indicate whether cost of freight/carriage has been paid or not i.e., **Freight Prepaid**: paid by shipper or **Freight collect**: to be paid by the buyer at the port of discharge.

To be acceptable to the buyer, the B/L should:

- Carry an "On Board" notation to showing the actual date of shipment, (Sometimes however, the "on board" wording is in small print at the bottom of the B/L, in which cases there is no need for a dated "on board" notation to be shown separately with date and signature.)
- Be "clean" having no notation by the shipping company to the effect that goods/ packaging are damaged.

The main parties involve in a bill of lading are:

- Shipper - The person who send the goods.
- Consignee - The person who take delivery of the goods.
- Notify Party - The person, usually the importer, to whom the shipping company or its agent gives notice of arrival of the goods.
- Carrier - The person or company who has concluded a contract with the shipper for conveyance of goods

The bill of lading must meet all the requirements of the credit as well as complying with UCP 600. These are as follows:

- The correct shipper, consignee and notifying party must be shown.
- The carrying vessel and ports of the loading and discharge must be stated.
- The place of receipt and place of delivery must be stated, if different from port of loading or port of discharge.
- The goods description must be consistent with that shown on other documents.
- Any weight or measures must agree with those shown on other documents.
- Shipping marks and numbers and /or container number must agree with those shown on other documents.
- It must state whether freight has been paid or is payable at destination.
- It must be dated on or before the latest date for shipment specified in the credit.
- It must state the actual name of the carrier or be signed as agent for a named carrier.

20.3 Certificate of Origin

The Certificate of Origin is required by the custom authority of the importing country for the purpose of imposing import duty. It is usually issued by the Chamber of Commerce and contains information like seal of the chamber, details of the good to be transported and so on. The certificate must provide that the information required by the credit and be consistent with all other document.

Certificate of Origin would normally include:

- The name of the company and address as exporter.
- The name of the importer.
- Package numbers, shipping marks and description of goods to agree with that on other documents.
- Any weight or measurements must agree with those shown on other documents.
- It should be signed and stamped by the Chamber of Commerce.

20.4 Combined Transport Document

Combined Transport Document is also known as Multimodal Transport Document, and is used when goods are transported using more than one mode of transportation. In the case of multimodal transport document, the contract of carriage is meant for a combined transport from the place of shipping to the place of delivery. It also evidence receipt of goods but it does not evidence on board shipment, if it complies with ICC 600. The liability of the combined transport operator starts from the place of shipment and ends at the place of delivery. This documents need to be signed with appropriate number of originals in the full set and proper evidence which indicates that transport charges have been paid or will be paid at destination port.

Multimodal transport document would normally show:

- That the consignee and notify parties are as the credit.
- The place goods are received, or taken in charges, and place of final destination.
- Whether freight is prepaid or to be collected.
- The date of dispatch or taking in charge, and the "On Board" notation, if any must be dated and signed.
- Total number of originals.
- Signature of the carrier, multimodal transport operator or their agents.

20.5 Commercial Invoice

Commercial Invoice document is provided by the seller to the buyer. Also known as export invoice or import invoice, commercial invoice is finally used by the custom authorities of the importer's country to evaluate the good for the purpose of taxation.

The invoice must:

- Be issued by the beneficiary named in the credit (the seller).
- Be address to the applicant of the credit (the buyer).
- Be signed by the beneficiary (if required).
- Include the description of the goods exactly as detailed in the credit.
- Be issued in the stated number of originals (which must be marked "Original) and copies.

- Include the price and unit prices if appropriate.
- State the price amount payable which must not exceed that stated in the credit
- include the shipping terms.

20.6 Bill of Exchange

A Bill of Exchange is a special type of written document under which an exporter ask importer a certain amount of money in future and the importer also agrees to pay the importer that amount of money on or before the future date. This document has special importance in wholesale trade where large amount of money involved.

Following persons are involved in a bill of exchange:

- **Drawer:** The person who writes or prepares the bill.
- **Drawee**: The person who pays the bill.
- **Payee**: The person to whom the payment is to be made.
- **Holder of the Bill**: The person who is in possession of the bill.

On the basis of the due date there are two types of bill of exchange:

- **Bill of Exchange after Date**: In this case the due date is counted from the date of drawing.
- **Bill of Exchange after Sight**: In this case the due date is counted from the date of acceptance of the bill.

20.7 Insurance Certificate

Also known as Insurance Policy, it certifies that goods transported have been insured under an open policy and is not actionable with little details about the risk covered. It is necessary that the date on which the insurance becomes effective is same or earlier than the date of issuance of the transport documents.

Also, if submitted under a LC, the insured amount must be in the same currency as the credit and usually for the bill amount plus 10 per cent.

The requirements for completion of an insurance policy are as follow:

- The name of the party in the favour which the documents has been issued.
- The name of the vessel or flight details.

- The place from where insurance is to commerce typically the sellers warehouse or the port of loading and the place where insurance cases usually the buyer's warehouse or the port of destination.
- Insurance value that specified in the credit.
- Marks and numbers to agree with those on other documents.
- The description of the goods, which must be consistent with that in the credit and on the invoice.
- The name and address of the claims settling agent together with the place where claims are payable.
- Countersigned where necessary.
- Date of issue to be no later than the date of transport documents unless cover is shown to be effective prior to that date.

20.8 Packing List

Also known as packing specification, it contain details about the packing materials used in the shipping of goods. It also include details like measurement and weight of goods.

The packing List must:

- Have a description of the goods ("A") consistent with the other documents.
- Have details of shipping marks ("B") and numbers consistent with other documents

20.9 Inspection Certificate

Certificate of Inspection is a document prepared on the request of seller when he wants the consignment to be checked by a third party at the port of shipment before the goods are sealed for final transportation. In this process seller submit a valid Inspection Certificate along with the other trade documents like invoice, packing list, shipping bill, bill of lading etc to the bank for negotiation. On demand, inspection can be done by various world renowned inspection agencies on nominal charges.

20.10 Realization of Export Proceeds

After shipment, it is obligatory to present the documents to the Bank within 21 days for onward dispatch to the foreign Bank for arranging payment. Documents should be drawn under Collection/ Purchase/ Negotiation under LC as the case may be, along with the following documents:

- Bill of Exchange
- Letter of Credit (if shipment is under LC)
- Invoice and Packing List
- Bill of Lading / Airway Bill
- Shipping Bill / Bill of Export
- Declaration under Foreign Exchange
- Certificate of Origin/ GSP
- Inspection Certificate, wherever necessary
- Any other document as required by buyer

Realization of Export Proceeds

- As per FTP 2015-2020, all export contracts and invoices shall be denominated either in freely convertible currency of Indian rupees, but export proceeds should be realized in freely convertible currency except for export to Iran.
- Export proceeds should be realized in 9 months.
- Contact DGFT office for getting benefits of exports such as MEIS and others.

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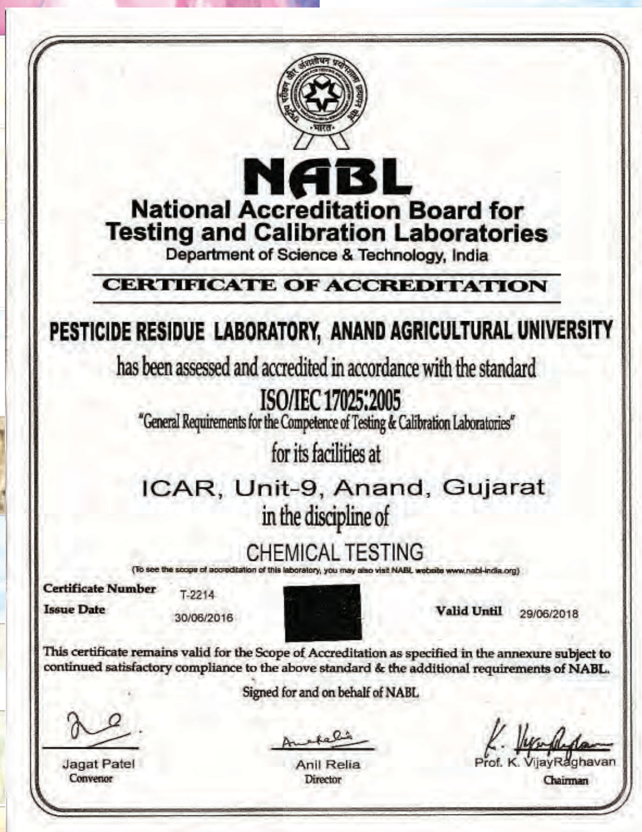

NABL

National Accreditation Board for Testing and Calibration Laboratories

Department of Science & Technology, India

CERTIFICATE OF ACCREDITATION

PESTICIDE RESIDUE LABORATORY, ANAND AGRICULTURAL UNIVERSITY

has been assessed and accredited in accordance with the standard

ISO/IEC 17025:2005

"General Requirements for the Competence of Testing & Calibration Laboratories"

for its facilities at

ICAR, Unit-9, Anand, Gujarat

in the discipline of

CHEMICAL TESTING

(To see the scope of accreditation of this laboratory, you may also visit NABL website www.nabl-india.org)

Certificate Number T-2214

Issue Date 30/06/2016 [redacted] Valid Until 29/06/2018

This certificate remains valid for the Scope of Accreditation as specified in the annexure subject to continued satisfactory compliance to the above standard & the additional requirements of NABL.

Signed for and on behalf of NABL

Jagat Patel, Convenor

Anil Relia, Director

Prof. K. VijayRaghavan, Chairman

The laboratory is actively involved in analysis of market samples like vegetables, fruits, cereals, pulses, animal feed and milk for consumer exposure.

The scope includes vegetables, fruits, cereals, pulses, milk and water.

Core laboratory of the western region of the country under Monitoring of pesticide residues at National level, sponsored by Department of Agriculture and Cooperation, Ministry of Agriculture, Govt. of India

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