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Analysis of Export Potential and Promotional Measures for Indian Fertilizers

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ABSTRACT

Foreign trade has been considered as an engine of economic growth. The progress of a country to a large extent depends on their ability to trade relatively freely with the rest of world. The rapid export growth not only contributes directly to economic growth but it permits more imports and rapid modernization of production. It is necessary to understand Indian Fertilizers Industry position in world trade and their promotional strategy for integrating India with the world trade. In terms of Indian Fertilizer Industry, Composition of Foreign Trade, Direction of Exports and Imports and Major Problems of Indian Fertilizer Export Sector will be analyzed. Overall the industry specific export-import scenario, avenues and prospects, India's competitive advantages and disadvantages and suitable export strategies to boost the exports of carpet related products will be discussed.

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Introduction

In India which is a developing country every transaction with any country matters a lot to its growth, hence fertilizers might also play an important part which is the main reason of our research. Many producers are there who are unknown to the facts that exporting the fertilizers with proper way will benefit them as well as to the country. This research is based on the same and after going through whole data (some of which are in this paper) can give proper idea about the real facts all about the government / EPC is working for fertilizers and how one can get benefit by going through its different analysis of data and also SWOT analysis .

Key companies in this sector

Market Players / Major Importers:

Following are the major importers in the industry: Pruthvidhara Crop Care Pvt. Ltd., P.R.Corporation, Nahar Agro World, Excel Chemicals, Boom buying Pvt. Ltd, Balaji fertilizer & chemicals, Prithvi Exports, MD Biocoals Pvt. Ltd, Mount Natural fertilizers Ltd., Rgd Enterprise

Market Players/Major Exporters

Milton Chemicals Pvt. Ltd, Regent International, M/S Ojha exports Pvt. Ltd., Adinath Petrochemicals, Sikachinu Chem & Agritech Pvt. Ltd.

ITC-HS CODE FOR INDIAN FERTILIZERS

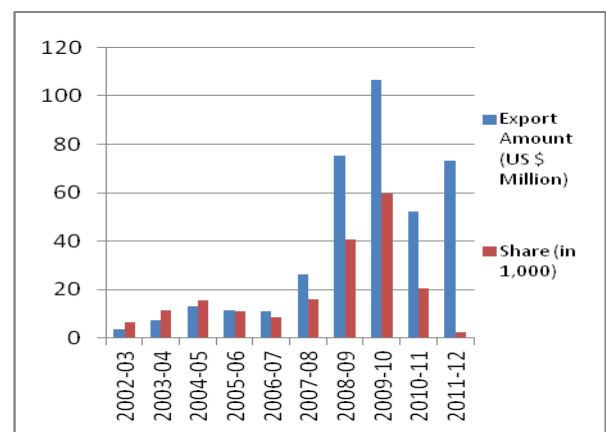
ITC-HS Code	Classification:
FERTILIZERS	
Section	6
Chapter	1

HS Codes Sub-Heading

S.No.	ITC-HS Code	Sub Heading
1.	3101	Animal or Vegetable fertilizers.
2.	3102	Mineral or Chemical fertilizers, Nitrogenous.
3.	3103	Mineral or Chemical fertilizers, Phosphate.
4.	3104	Mineral or Chemical fertilizers, Potosi.
5.	3105	Mineral or Chemical fertilizers, Nitrogen and Phosphorus.

Analysis of export- import data:

OVERALL EXPORT DATA FROM 2002-03 to 2011-12				
Year	Export Amount (US \$ Million)	Share (in 1,000)	Share (%)	Growth (%)
2002-03	3.52	6.7	0.0067	-78.61
2003-04	7.25	11.4	0.0114	105.98
2004-05	13.12	15.7	0.0157	81
2005-06	11.45	11.1	0.0111	-12.72
2006-07	10.92	8.6	0.0086	-4.64
2007-08	26.15	16	0.016	139.42
2008-09	75.32	40.6	0.0406	188.09
2009-10	106.72	59.7	0.0597	41.69
2010-11	52.02	20.7	0.0207	-51.26
2011-12	73.24	2.38	0.00238	40.79



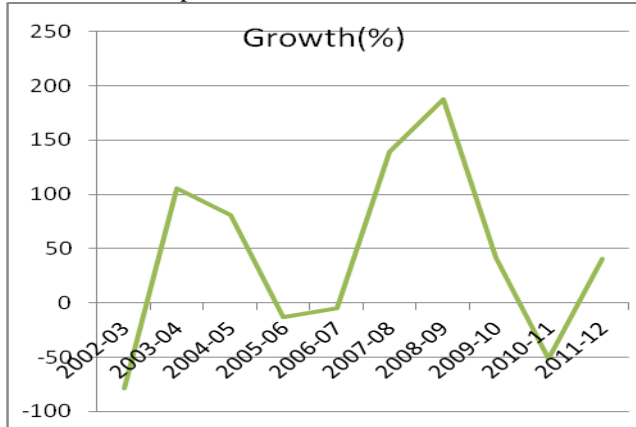
Interpretation:

- From the above diagram, we can see, in the year of 2002-03, 2003-04, 2004-05, 2005-06, the total export amount have gradually increased. As a result, the share of total global export and the growth rate of export have also increased. Followings are the main reason for increase in exports:
 - The exchange rate of dollar is much higher than Indian Rupee. This is also a motivation for Indian exporters to export more and more,

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o Fall of domestic price,



• But in the year of 2006-07, the export value has been decreased from 11.45 to 10.92 (US \$ Million). The reason behind this are discussed in below:

o Collapse of the global credit market, trade recession; slow down in the world economic growth worsened situation. Demand for fertilizers fails and stocks accumulated. Fertilizer manufacturer cut back one production. As a result the overall export is declining.

• In the year of 2008-09, the export value increases to a large extend by 188.09% growth. The reason behind this is discussed in below:

o The world fertilizer prices began drop dramatically in late 2008 after reaching all type high around April.

o The price of Urea, the world's most common nitrogen fertilizers, rose from about \$280 to \$405 per ton in 2007 and reached \$452 in April 2008. As a result the export value increases to a large extent.

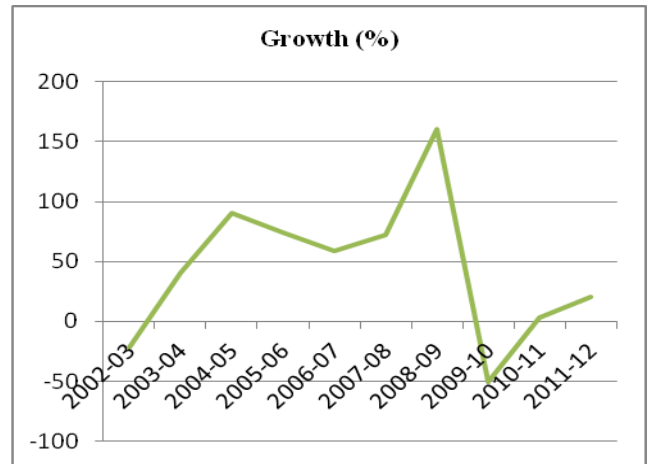
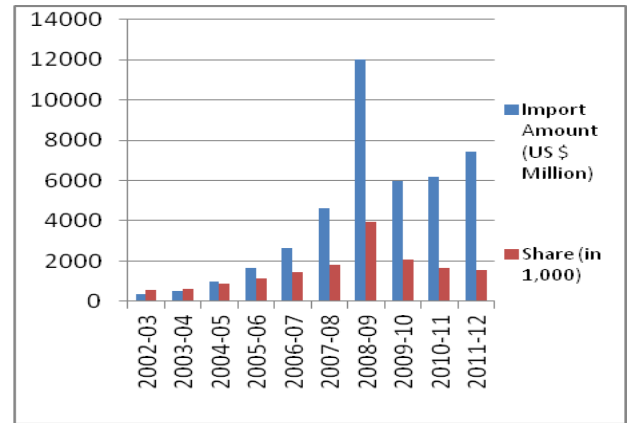
• In the year of 2010-11 the export value decreases to a large extend from \$106.72 to \$52.02. The main reason behind this was:

o In the post recession era the production process decreases due to lack of resources.

o Some countries have automatic electrical station but don't have cheap or enough Uranium and in this case India is suffering in fertilizer production.

Overall import data from 2002-03 to 2011-12:

Year	Import Amount (US \$ Million)	Share (in 1,000)	Share (%)	Growth (%)
2002-03	358.72	584.1	0.5841	-21.27
2003-04	503.56	644.4	0.6444	40.38
2004-05	961.62	872.3	0.8723	90.96
2005-06	1676.81	1124.1	1.1241	74.37
2006-07	2668.48	1436.7	1.4367	59.14
2007-08	4609.78	1831.8	1.8318	72.75
2008-09	12011.25	3955	3.955	160.56
2009-10	5991.55	2077.7	2.0777	-50.12
2010-11	6181.26	1671.7	1.6717	3.17
2011-12	7428.4	1533.7	1.5337	20.18



Interpretation:

• From the above diagram, we can see, in the year of 2002-03, 2003-04, 2005-05, 2005-06, 2006-07, 2007-08, the total import amount have gradually increased. As a result, the share of total global import and the growth rate of import have also increased.

• Followings are the main reason of this increase in imports:

- o The low price of imported fertilizers is the prime one.
- o The quality of imported fertilizers has been better to meet the demand of customers,
- o Domestic suppliers has been declining due to shortage and ageing of labor force.

• We can see in the year 2008-09, the growth of fertilizers import increased by 160.56%, which is far more compared to the other past years, due to following reason:

- o Great recession in 2008-09,
- o Lack of domestic resources,
- o Lack of quality engineers, scientists and this country cannot produce high tech goods.

• But in the year of 2009-10, the rate of import is surprisingly decreased to a large extend (160.56% to - 50.12%). The main reasons behind this are discussed in below:

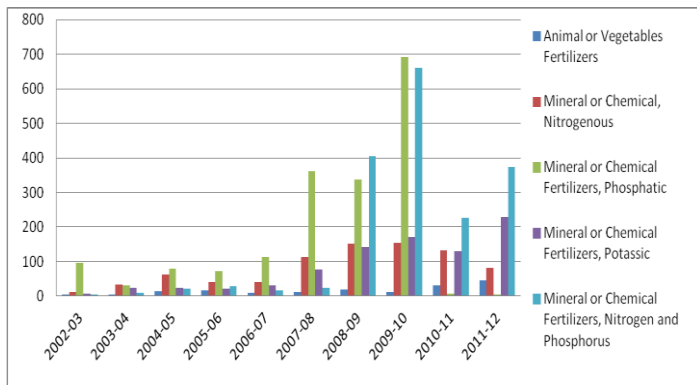
o In the continuous chapter of recession, the demand for fertilizers was about to zero because there was no internal demand in the country.

o In this time the production of all industries (Agriculture and manufacturing Industry) went down tremendously.

• After recession in the year of 2010-11, the post-recession affected very harmfully and the growth rate was very low (- 50.12 to 3.17).

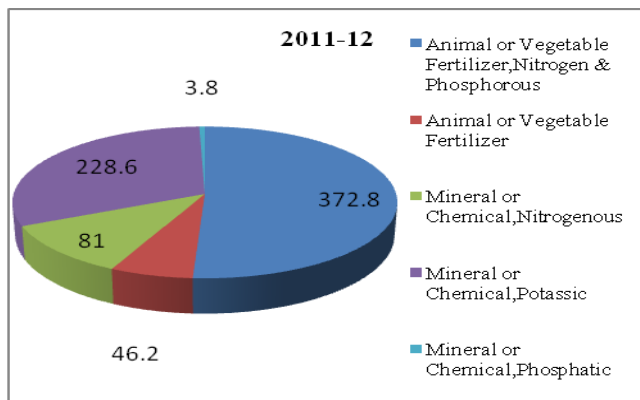
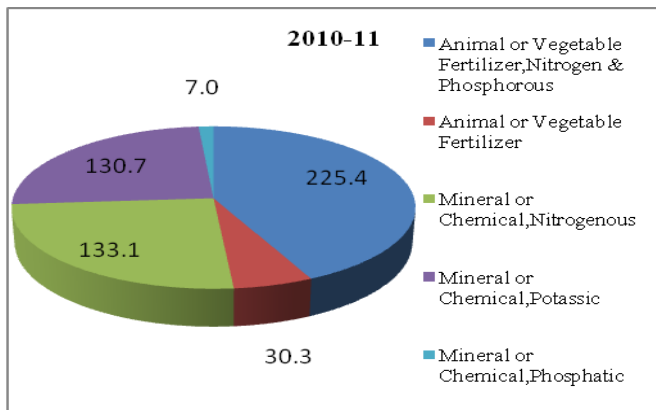
Commodity wise export data (FROM 2002-03 to 2011-12, Export in US \$)

Year	Animal or Vegetables Fertilizers	Mineral or Chemical, Nitrogenous	Phosphatic	Potassic	Nitrogen and Phosphorus
2002-03	3.4	10.5	97	6	5.6
2003-04	4.7	32.7	31	22.7	9.4
2004-05	14.4	62.6	80	24.9	21.4
2005-06	15.4	40.5	72	22.4	29.1
2006-07	8.3	41.4	112	31.2	17.1
2007-08	11.2	113.5	362	77.4	23
2008-09	19.5	151.9	337	142.4	405.6
2009-10	11.3	155.1	691	172	659.8
2010-11	30.3	133.1	7	130.7	225.4
2011-12	46.2	81	3.8	228.6	372.8

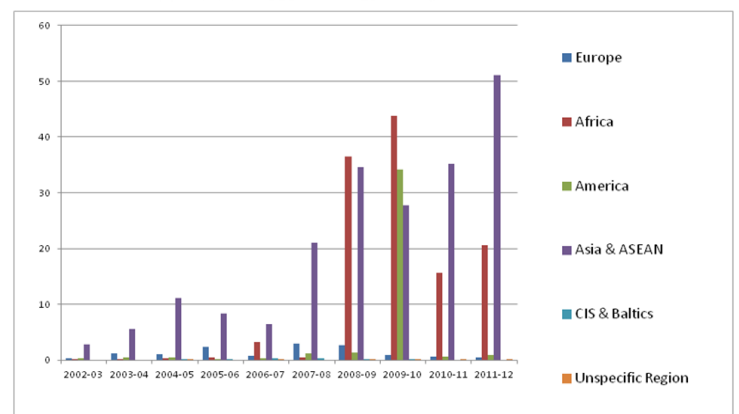


Interpretation:

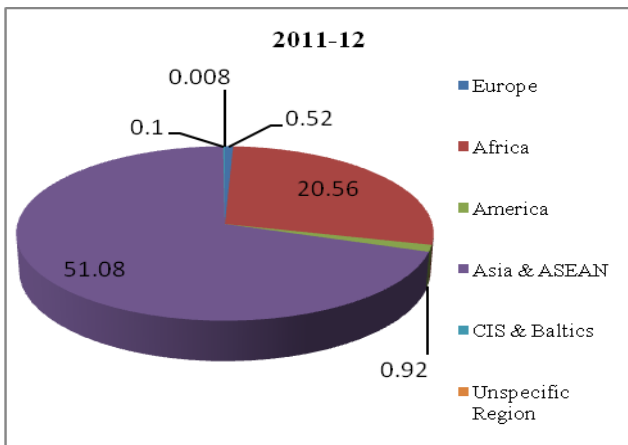
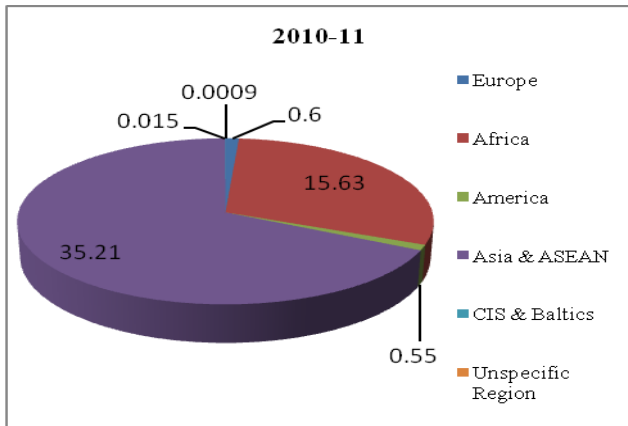
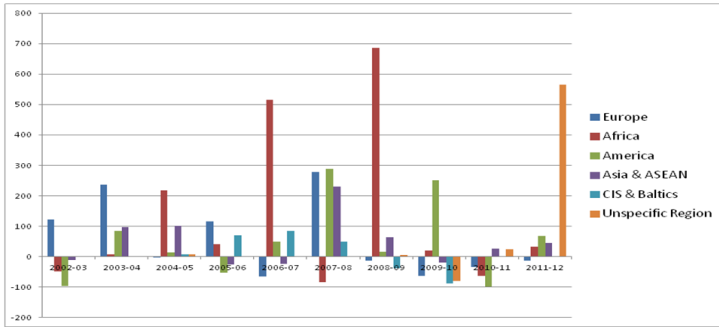
- From the above table and graph we can analyze that ANIMAL OR VEGETABLES FERTILIZERS has shown the maximum growth in the year (2010-11) by 30.3 lacks USD. On an average the Animal and Vegetable fertilizer have shown 30-35 % growth every year except 2006 and 2010. The reasons behind this decline in year 2009-10 are:
 - Indian Currency became stronger, results increase in the price of the commodity causing fall in export.
 - And this year this product is expecting a growth of 46.2 lacks USD which is 16.2 lacks USD more than the previous year exports.
 - For MINERAL OR CHEMICAL, NITROGENOUS FERTILIZERS, It has shown a maximum growth in the year (2009-10) and in 2010-2011 a great fall which may be due to following reason:
 - Indian Currency become stronger, results increase in the price of the commodity.
 - Baan and Unavailability of the Nitrogenous fertilizer
 - For PHOSPHATIC FERTILIZES it has the maximum growth in the year 2009-10 with 691 lacks USD is due to recession and again there is rise in that in the year 2009-2010. But again in the year 2010-11 it goes down as Indian Currency were strong and prices were high so the export decline and the future expectation of these countries would demand to be null. Other then the stronger currency the other reason may be Baan on the chemical uses.
 - For POTASSIC FERTILIZERS it has expected that in the last year 2011-12 it would show the maximum growth almost 90% rise from the year 2010. This is the only fertilizer which has shown a regular growth. This product has shown an average growth of 50-60 %.
 - For NITROGEN AND PHOSPHOROUS FERTILIZERS the export declines about 70% but due to good uses and demand of this fertilizer its export again expected to rise in the year 2011-12 and it is also shown a rise in the first six month of the year. The main reasons for the decline are:
 - Indian Currency become stronger, results increase in the price of the commodity causing less demand in international market.
 - Baan on some commodity
 - Unavailability of some commodity
- Interpretation:** Growth % of Africa in 2008-09 is 6854.97 and in America 2009-10 is 2512.79.



Region wise export



Growth (%)



Interpretation:

- In case of Europe, we can see the amount of total export some while increase and decrease haphazardly because of following reasons:
 - o As the USA is the largest trading partner of EU so EU always import fertilizers from USA. But whenever USA can't fulfill their total demand of fertilizers, EU import fertilizers from other countries like India from where EU gets better quality product.
- In case of Africa, we can see the amount of total export some while increase and decrease haphazardly because of following reasons:
 - o In case of Africa, African nations and India are emerging a lot of similarities and building strong relationship, which benefits them all. Much of economic activity between African countries and India is being let by the private sector out of India.
 - o This is a similar situation in relationship of China and Africa, now the Govt. is leading the charge; as a result the amount of export is increasing continuously but somewhere falls due to some internal domestic problems.

- In case of USA, we can see the amount of total export some while increase and decrease haphazardly because of following reasons:

- o The USA is one of India's largest trading partners. In 2007 USA exported \$17.24 billion worth of goods to India and imported \$24.02 billion worth of Indian goods. So we can see USA is more importing than export from India. In the above chart in the year 2002-03, 2003-04, 2004-05, 2005-06 the export is decreasing but in the year 2007 the export is continuously increased due to good relationship.

- In case of ASEAN Countries, we can see the amount of total export some while increase and decrease haphazardly because of following reasons:

- o The ASEAN-India Free Trade Agreement (AIFTA), which came into force in the starting of this year, has undoubtedly acted as a breeze in building relationships between Southeast Asia and India. Yet both the countries future relationships are likely to depend on mutually beneficial Policies. To reap out the maximum benefits of bilateral corporations both the countries have to make some powerful or impressive changes.

- In case of CIS we can see the amount of total export some while increase and decrease haphazardly because of following reasons:

- o The Relations between India and countries of the CIS Region have shown a close and trustworthy relationship since Soviet era. But bilateral trade and commercial relations are still to achieve its true potential. CIS region constituted 1.04% share in India's total exports; 2.18% share in India's total imports and 1.36% in India's total trade in the year 2008-09.

Capexil (Export Promotion Council for Fertilizers Industry)

CAPEXIL, a premier Export Promotion Council in India was set up in 1958 by the Ministry of Commerce, Government of India to help in the export of chemical based and allied products. This big organization has now close to 4000 members across India who are exporters of 16 broad product categories and represent the best in their fields of export. Their quality products enjoy the preference of all major markets across the globe. It have its Headquarter at Kolkata, and regional offices at Mumbai, Kolkata, New Delhi, and Chennai, and has more than 3500 members across the country.

- CAPEXIL is an advocate for exporters to the Government and the primary focus is to provide export assistance to its member exporters.
- CAPEXIL can help the required needs of an importer anywhere in the world, and also the selling needs of Indian exporters.
- It is an ISO 9001: 2000 certified organization.
- CAPEXIL offers a full range of services to Indian exporters and foreign importers.
- The main service of the EPC includes Market development assistance, Trade Leads, Visa Recommendation, Enquires, Export return filling and MSME, Exporter helpdesk.

Promotional activities of Capexil

CAPEXIL is working continuously to promote the business activities of its Members companies/organizations, undertake the following activities throughout the year.

- Participates in Participates in general and product specific international trade fairs.
- Conduct Buyer Seller Meets and Trades even in abroad.
- Conduct buyer contact programs in India popularly termed as Reverse buyer Seller Meets.

Region Wise Export Data (From 2002-03 To 2011-12)

Region	Europe	Africa	America	Asia & ASEAN	CIS & Baltics	Unspecific Region
2002-03	0.33	0.1	0.27	2.81	0	0
Growth (%)	122.4	-48.59	-96.37	-12.38	0	0
2003-04	1.13	0.1	0.49	5.52	0	0
Growth (%)	237.32	6.52	84.01	96.15	0	0
2004-05	1.08	0.33	0.42	11.12	0.08	0.07
Growth (%)	-3.71	218.45	13.59	101.43	8	7
2005-06	2.33	0.47	0.2	8.31	0.14	0
Growth (%)	114.73	40.98	-53.61	-25.29	68.82	0
2006-07	0.8	3.17	0.29	6.37	0.26	0.02
Growth (%)	-65.8	514.81	48.91	-23.28	84.02	2
2007-08	3.01	0.52	1.13	21.08	0.38	0
Growth (%)	277.97	-83.46	287.53	230.79	48.4	0
2008-09	2.62	36.45	1.31	34.64	0.23	0.05
Growth (%)	-12.76	685.497	15.25	64.28	-39.51	5
2009-10	0.93	43.85	34.14	27.74	0.03	0.012
Growth (%)	-64.47	20.3	251.279	-19.91	-88.18	-79.35
2010-11	0.6	15.63	0.55	35.21	0	0.015
Growth (%)	-35.36	-64.36	-98.38	26.91	0	25
2011-12	0.52	20.56	0.92	51.08	0	0.1
Growth (%)	-13.33	31.55	67.27	45.07	0	566

Awareness Programs, Seminars and other activities in India to build awareness and to boost entrepreneurs in the area of exports.

- It act as a unit for representation of the trade related issues and acts as a connection between the exporting community and the government, policy planners, quasi government organizations.
- Connection between Indian Diplomatic Missions abroad and Foreign Diplomatic Missions in India for promotion of business events and other activities.
- Helps for training courses on International Marketing.

Export promotion activities

- Excise Duty Refund: tax imposed by the Central Government on goods manufactured in India.
- This duty is collected at source, which is before removal of goods from the factory premises.
- Fiscal incentives Exemption from Income Tax: In order to enable the exporters to plough back their earnings and promote exports, the Government has given Income Tax exemption to exporters under section 80HHC of the Income Tax Act.
- Advance license are issued to allow duty free import of inputs, which are physically incorporated in export product.
- Duty drawback Scheme (DBK) - Duty drawback is defined as the rebate of duty chargeable on any imported or excisable material used in the manufacture of goods exported from India.
- Marketing Development Assistance (MDA)
- Market Access Initiative (MAI)

Other Measures

- Export processing zones and 100% export-oriented units (EOUs)
- Export Promotion Industrial Park Scheme (EPIP)
- Export houses, Trading Houses and Star Trading Houses
- Export of Services
- Facilities for Deemed Exporters
- Duty Exemption/Remission Scheme

- Export Finance
- Duty Drawback
- Tax relief
- Brand Promotion and Quality Awareness

SWOT analysis of fertilizers industry of India

Strengths <ul style="list-style-type: none"> • Most natural resources and long coastline is available. • Diversified skilled manpower, including entrepreneurial ability. • Growing middle class • Disposable incomes. • Low wages • Younger population 	Weaknesses <ul style="list-style-type: none"> • Lack of Updated technology • Low investments in R & D. • Infrastructural problems in terms of power, ports, roads, railways. • Low literacy levels about the fertilizers (except in a few colleges). • Low productivity and high rate of labor death. • Cost of Transaction and Lending is high.
Opportunities <ul style="list-style-type: none"> • Combination of skilled manpower and lower wage costs act as a catalyst to attract FDI. • Improvement in farm productivity. • Transform into an agro-products exporting power, especially in fruits and vegetables. • Large graying population among wealthier countries would compel them to outsource many of their activities to lower cost suppliers like India. • Availability IT skilled professionals. 	Threats <ul style="list-style-type: none"> • Higher labor productivity, world class infrastructure and large manufacturing base of China could make it difficult for India to gain a larger share of global exports. • India's bilateral trade with China. • Annual trade deficit of \$ 17 billion. • Lower cost competitors.

Policy Measures

A recent study have shown that, increasing in reliability on fertilizers has led to a significant rise in the atmospheric nitrous oxide (N₂O), a major greenhouse gas responsible for global climate change. Indian Climate scientists have realized that the increasing N₂O in the atmosphere is a result of excessive use of nitrogen based fertilizers, which stimulates the microbes in the soil that convert the nitrogen nitrous oxide faster than the

normal rate. India's production of urea is only 22 million tons (mt) which is 5 mt short of demand which needs to be imported. The Union Budget stresses attaining self-sufficiency over next five years, which is a beneficial step for country. Import of equipment for urea related projects has been fully exempted from the basic customs duty of 5 percent for 3 years, plus abolition of customs duty on coal for next 2 years will have positive impact on raw material costs. The final decision to support key growth areas in agriculture such as research, irrigation displays a long-term view towards improving the agricultural situation of India.

Conclusion

The Indian Fertilizer Industry has potential for expansion since adequate skilled manpower & raw-material is available, requirement for capital is almost negligible, Indian Products are acceptable all over the World and are at par on quality and competitive in prices. We have tremendous flexibility and adaptability. We have large range of products to offer. India can supply fertilizers and related products strictly in accordance with the requirement of consumers. The only weakness is marketing and fore-sightedness of the exporters besides resources. Generally the exporters are small in comparison with our competitors thus having limited resources. Indian exporters have so far been producing fertilizers as per orders of Buyers and have not paid much attention or priority on keeping inventory for spot sales. The trend in buying has undergone a radical change switching over to stock buying rather than placing orders. Indian Trade Promotion Organization (ITPO) has been formed by merging Trade Development Authority and Trade Fair Authority of India. The main objective of this organization is to promote exports by show casing the Indian fertilizers in international trade fairs and meets, publicity through mass media and organizing contact programmes.

Study Questions:

- 1) What are the export-import contribution of Fertilizers and related industry in India's foreign trade?
- 2) What are the future trends in this industry and how to deal with the various issues and challenges which are involved?
- 3) What interpretations are being made after doing the SWOT and Industry Analysis of Indian Fertilizer Industry?

4) What roles CAPEXIL plays for the growth of Indian export and import?

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