

DISCUSS THE METHODOLOGY OF IDENTIFYING THE BEST PRODUCTS



Indo-German Cooperation on **Agricultural Market Development**

DISCUSS THE METHODOLOGY OF IDENTIFYING THE BEST PRODUCTS



METHODOLOGY TO ADOPT RIGHT PRODUCTS AND MARKET

- Identify the HS Code of your commodity
- Identify the current target markets
- Analyze the import growth in the targeted market
- Who are my competitors in target market?
- Business tools in WTO context



Starting Export

Export in itself is a very wide concept and lot of preparations is required by an exporter before starting an export business. To start export business, the following steps may be followed:

1) ESTABLISHING AN ORGANISATION

To start the export business, first a sole Proprietary concern/ Partnership firm/Company has to be set up as per procedure with an attractive name and logo.

2) OPENING A BANK ACCOUNT

A current account with a Bank authorized to deal in Foreign Exchange should be opened.

3) OBTAINING PERMANENT ACCOUNT NUMBER (PAN)

It is necessary for every exporter and importer to obtain a PAN from the Income Tax Department.

Starting Export

4) OBTAINING IMPORTER-EXPORTER CODE (IEC) NUMBER

- As per the Foreign Trade Policy, it is mandatory to obtain IEC for export/import from India. Para 2.05 of the FTP, 2015-20 lays down the procedure to be followed for obtaining an IEC, which is PAN based.
- An application for IEC is filed online at www.dgft.gov.in as per ANF 2A, online payment of application fee of Rs. 500/- through net Banking or credit/debit card is made along with requisite documents as mentioned in the application form. (For more information.

5) REGISTRATION CUM MEMBERSHIP CERTIFICATE (RCMC)

For availing authorization to import/ export or any other benefit or concession under FTP 2015-20, as also to avail the services/ guidance, exporters are required to obtain RCMC granted by the concerned Export Promotion Councils/ FIEO/Commodity Boards/ Authorities.

Starting Export

6) SELECTION OF PRODUCT

All items are freely exportable except few items appearing in prohibited/ restricted list.

After studying the trends of export of different products from India proper selection of the product(s) to be exported may be made.

7) SELECTION OF MARKETS

An overseas market should be selected after research covering market size, competition, quality requirements, payment terms etc. Exporters can also evaluate the markets based on the export benefits available for few countries under the FTP. Export promotion agencies, Indian Missions abroad, colleagues, friends, and relatives might be helpful in gathering information.

8) FINDING BUYERS

Participation in trade fairs, buyer seller meets, exhibitions, B2B portals, web browsing are an effective tool to find buyers. EPC's, Indian Missions abroad, overseas chambers of commerce can also be helpful. Creating multilingual Website with product catalogue, price, payment terms and other related information would also help.

9) SAMPLING

Providing customized samples as per the demands of Foreign buyers help in getting export orders. As per FTP 2015-2020, exports of bonafide trade and technical samples of freely exportable items shall be allowed without any limit.

Starting Export

10) PRICING/COSTING

Product pricing is crucial in getting buyers' attention and promoting sales in view of international competition. The price should be worked out taking into consideration all expenses from sampling to realization of export proceeds on the basis of terms of sale i.e. Free on Board (FOB), Cost, Insurance & Freight (CIF), Cost & Freight(C&F), etc. Goal of establishing export costing should be to sell maximum quantity at competitive price with maximum profit margin. Preparing an export costing sheet for every export product is advisable.

11) NEGOTIATION WITH BUYERS

After determining the buyer's interest in the product, future prospects and continuity in business, demand for giving reasonable allowance/discount in price may be considered.

12) COVERING RISKS THROUGH ECGC

International trade involves payment risks due to buyer/ Country insolvency. These risks can be covered by an appropriate Policy from Export Credit Guarantee Corporation Ltd (ECGC). Where the buyer is placing order without making advance payment or opening letter of Credit, it is advisable to procure credit limit on the foreign buyer from ECGC to protect against risk of non-payment.(To know more about ECGC.

Harmonized System Code HS Code)

- ❑ The Harmonized System (HS) codes are an international method of classifying products for trading purposes. This classification is used by customs officials around the world to determine the duties, taxes and regulations that apply to the product.
- ❑ The Harmonization Code System (HS-Code) is a system of progressively more specific identifiers for a commodity. This number is an aggregate of a series of codes starting with a broad category assigned a 2-digit identifier. It is then assigned a 4-digit identifier and goes down further.



For example:

04: Dairy Products, bird's egg, natural honey, edible products of animal origin. (2 digit)



0401: Milk and cream, not concentrated nor containing added sugar or other sweetening matter. (4 digit)



04011000: Milk and cream containing fat not exceeding 1%.

04012000: Milk and cream containing fat > 1% but < 6% by wt.

04013000: Milk and cream containing fat > 6% by wt.

(6 digit)

Use of HS Code

- Classify physical goods for shipment to a foreign country;
- Complete required shipping documentation such as shipper's letter of instructions, commercial invoice or certificate of origin;
- Determine import tariff (duty) rates and figure out if a product qualifies for a preferential tariff under a free trade agreement;
- Conduct market research and obtain trade statistics;

List of HS Code [2 digit level] important for GMS region

S.No.	HSCode	Commodity
1	'030617	Frozen shrimps and prawns
2	'030799	Molluscs
3	'080132	Cashew nuts, without shell, fresh or dried
4	'080610	Grapes, fresh
5	'090111	Coffee,
6	'100620	Rice, husked (brown)
7	'120740	Sesamum seeds,
8	'151530	Castor oil&its fractions
9	'230400	Soya-bean oil-cake&
10	'240120	Tobacco, unmanufactured,

Comparative advantage?

**Revealed Comparative Advantage
RCA**

Revealed Comparative Advantage

- ❑ It is defined as a country's sectoral share divided by the world sectoral share.
- ❑ The values of an RCA indicate the country's competitiveness vis-à-vis the world.
- ❑ It also helps to assess a country's export potential.
- ❑ The RCA indicates whether a country is in the process of extending the products in which it has a trade potential



Revealed Comparative Advantage

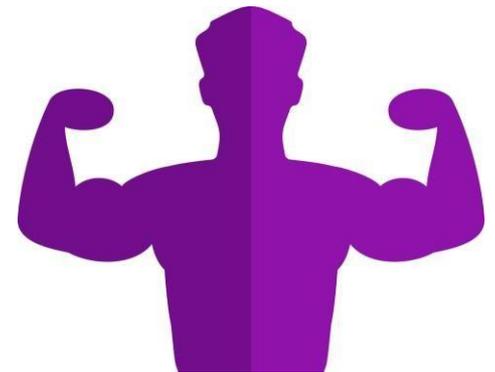
- The RCA index of a country i for product j is often measured by the product's share in the country's exports in relation to its share in world trade:
- $RCA_{ij} = (x_{ij}/X_{it}) / (x_{wj}/X_{wt})$
- Where x_{ij} and x_{wj} are the values of country's i 's exports of product j and of world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports.

Revealed Comparative Advantage

- ❑ The benefit of comparative advantage is **the ability to produce a good or service for a lower opportunity cost.**
- ❑ A comparative advantage gives companies the ability to sell goods and services at lower prices than their competitors, gaining stronger sales margins and greater profitability.

Lessons of Comparative Advantage

- ❑ Comparative Advantage is **the economic basis for specialization and trade.**
- ❑ If individuals and countries specialize in producing the goods in which they have the comparative advantage and trade for the goods in which others have the comparative advantage, both parties will be better off.



Importance of Comparative Advantage

- ❑ The values of RCA indicate the country's competitiveness vis-à-vis the world.
- ❑ An RCA value of greater than 1 for a certain product signifies that the country has exported that commodity more intensively than the rest of the world in that year and generally this is taken as a proxy measure of a country's competitiveness.

Example

- ❑ Example: in 2010, soybeans represented 0.35% of world trade with exports of \$42 billion.
- ❑ Of this total, Brazil exported nearly \$11 billion, and since Brazil's total exports for that year were \$140 billion, soybeans accounted for 7.9% of Brazil's exports.
- ❑ Because $7.9/0.35 = 22$, Brazil exports 22 times its "fair share" of soybean exports, and so we can say that Brazil has a high revealed comparative advantage in soybeans.

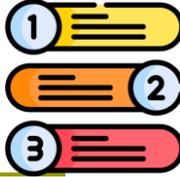
Select the product with high comparative advantage for exports



RCA?

- ❑ Mango
- ❑ Turmeric
- ❑ Ginger
- ❑ Cumin
- ❑ Coriander

Steps towards the Right Product-Market Matrix



Identify HS code of your commodity

Trend Analysis of Exports of your HS code

Do I have the comparative Advantage?

Trend Analysis of Major Export Targets

Who are my competitors in target markets?

Do I have competitive Advantage?

Checking on Trade Complementarity of target markets?

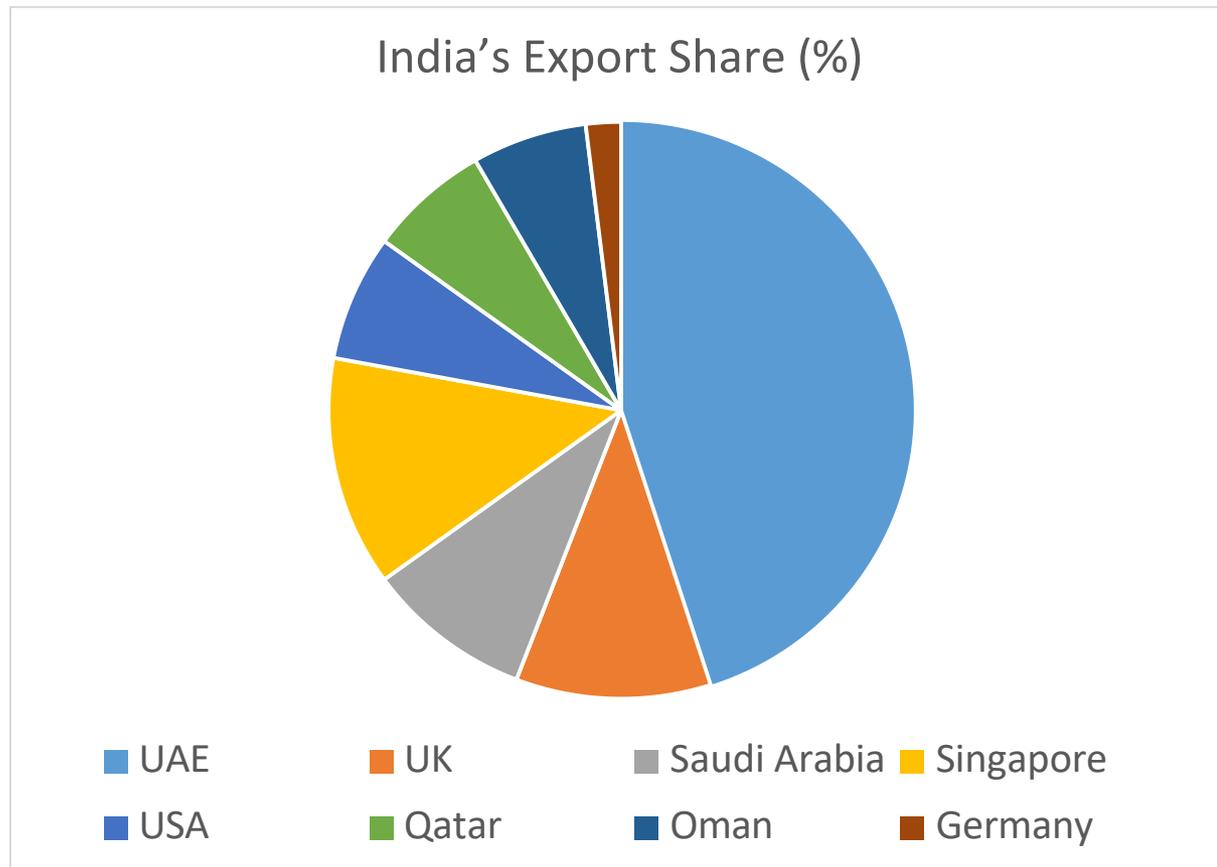
Decision Making tools in WTO era

Status of Current Export Destinations for **Guavas,** **Mangoes (2024)**

Country	India's Export Share (%)
UAE	25.5
UK	6.1
Saudi Arabia	5.2
Singapore	7.3
USA	4
Qatar	3.8
Oman	3.6
Germany	1.1

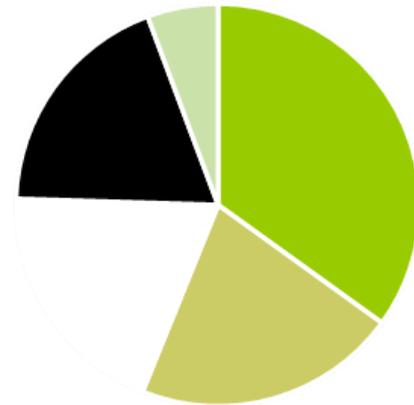
Source: APEDA, 2024

Status of Current Export Destinations for **Guavas,** **Mangoes (2024)**



India's Major Competitor in the World for Mango Export

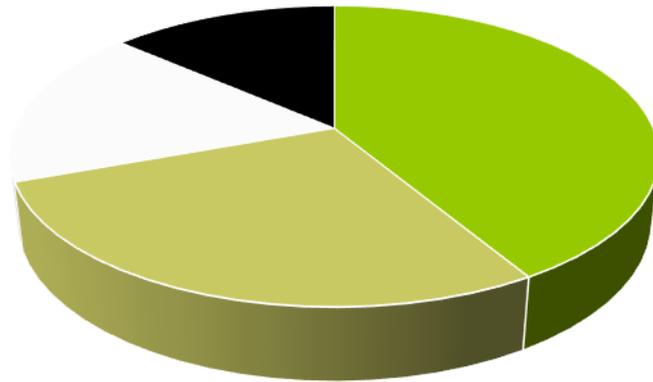
India's major competitors in world
Mango Export



■ Thailand ■ Mexico ■ Peru ■ Brazil ■ Indonesia

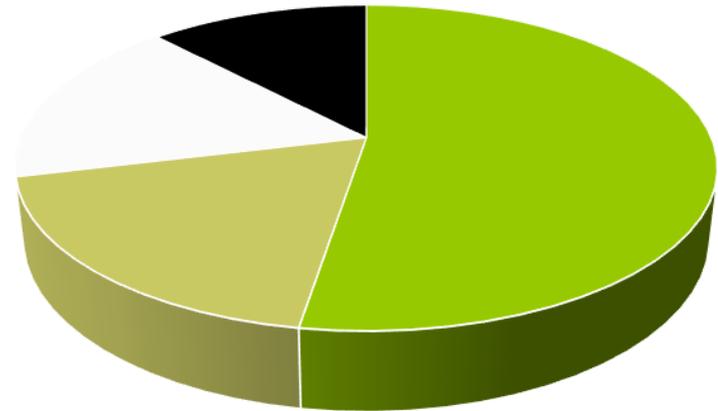
Comparative Competitor

Competitor in UK



■ Brazil ■ Pakistan ■ Ghana ■ Belgium

Competitor in UAE



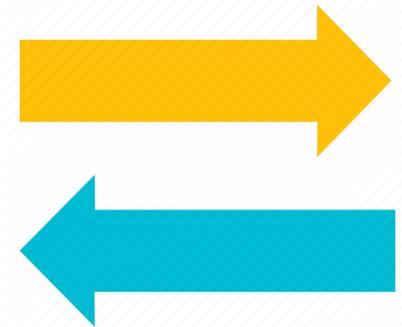
■ Pakistan ■ Egypt ■ Vietnam ■ Thailand

Trade intensity index

Trade intensity index is based on an actual observation of bilateral trade flow, and it measures the intimacy of the trading relationship between any given two countries.

$$I_{ij} = (X_{ij}/X_i) / (M_j/W)$$

**where X_{ij} denotes exports from Country i to Country j ,
 X_i equals the total exports from Country i ,
 M_j is the total imports of Country j , and
 W represents the world trade volume**



DATA REQUIRED

- ❑ **World imports and exports trends**
- ❑ **India's imports and export trends**
- ❑ **Major export and import markets for India**
- ❑ **Market Share in each export market**
- ❑ **Main competitors in the export market**
- ❑ **International Price**
- ❑ **Domestic price**
- ❑ **Tariff & non-tariff barriers**
- ❑ **Existence of Preferential Trade arrangements**



Databases Available at IIFT

- World Trade Atlas**
- India Trades**
- TRAINS**
- UNCTAD**
 - Trademap.org**
 - Macmap.org**

CONCLUSION:

- ❑ Identify HS Code
- ❑ Export and Import Analysis
- ❑ Comparative advantage analysis
- ❑ Competitor analysis
- ❑ Trend analysis
- ❑ Import Export gap analysis
- ❑ Select product and market