SUMMARY

Kerala had trade contacts with several countries of the world right from ancient times. The spices and other items of trade from the state had a profound influence on the course of history and civilisation.

The unique agro-climatic and eco-geographical conditions of the state had considerably helped the domestication of several exotic crops. The state has also been the natural habitat of some of the crops of commercial significance.

The state's leading position in cashew industry is under severe threat on account of the large-scale migration of the industry to adjoining Tamil Nadu because of reasons of lower cost of production. The state government policies have further complicated the situation by increasing cost of production and also decreasing the availability of raw material. The apathy of the industrialists to adopt technological improvements has also proved to be a constraint in the development of the industry, besides the absence of marketing strategies.
Though Kerala is the premier state in the field of export of fish and fishery products it is fast losing its dominant position. This is mainly due to the dwindling annual catches, absence of programmes to increase production, lack of diversification of products and markets and also the dispersion of seafood export industry to other states.

Though Kerala still retains its unique position as the major producer and exporter of some of the spices from the country, its share in the world market has been considerably reduced. This is attributable to the low productivity, low levels of production, uncompetitive prices of spices produced here and the emergence of new sources of supply in the world market. Absence of strategies to diversify markets and products besides other factors like restrictive government policies have created this situation.

The coir industry which is one of the oldest export-oriented industries in the state has been affected by several problems. The fall in demand for coir products in the world market, competition from other products and other producing countries, absence of technological improvements, increasing cost of production, shortage of raw material caused by restrictive policies of the government and absence of marketing strategies have created the present situation in the industry in Kerala.
The tremendous potential for developing non-traditional agricultural products exports has not been adequately recognised. There has been no well-defined policy approach and co-ordination of activities to increase the exports of these items from the state. Efforts to identify specific potential areas for development of exports have not been made. Meat and meat products, fresh fruits, vegetables and flowers, processed fruits and other foods, medicinal plants and botanicals, honey, mushrooms and other miscellaneous items, have been identified as items of potential for development of export from the state.

General Conclusions:

Exports from a country will take place only when the phenomenon of comparative advantages exists between the exporting and importing countries. Agricultural production and


Mr. Janos Horwath has combined and enlarged the concept of comparative advantages outlined by Professor Frank D. Graham and Dr. Raul Prebisch which related to physical productivity per man and wage ratio between countries. Mr. Horwath has explained the new approach as follows:

"A commodity will be exported only if productivity ratio is equal or greater than the wage ratio. Given this structure in order for it to export a commodity for which the productivity ratio is less than the wage ratio, wages must fall. The unpleasant problem of wage cuts can be of course be avoided through higher productivity of labour or if the corresponding cost of reduction can come from other factor of production than labour. The latter approach escapes the limitations of the labour theory of value and thereby facilitates calculations on the basis of all factors of production. For that purpose however, the approach of Graham and Prebisch should be broadened to calculate productivity ratio also in terms of land, capital and entrepreneurship. The new productivity ratio which I label "Composite technological densities ratio will be weighted in accordance with each other factors shown in the production function.

(contd......)
exports are subject to the influence of number of variables like levels of production, yield per unit, area cultivated, vagaries of nature, incidence of pests and diseases, competitiveness of prices, emergence of new sources of supplies and the availability of substitute products. The complex interaction of these variables often leads to a situation of fluctuating demand and supply affecting the prospects of exports.

Cashew, spices and coir which are the traditional items of agricultural exports from Kerala have suffered as a cumulative effect of increasing cost of raw materials, insufficient production to meet internal and export market demands, competition from other producing countries, low productivity, high cost of labour, availability of cheaper substitutes, restrictive government policies, low levels of technology and absence of appropriate marketing strategies. The interaction of the variables which generally influence the export of agricultural commodities is illustrated in diagram 1 (logical model on export of agricultural commodities).

Thus

\[ X_i = f(L_1^{a_1}, K_1^{a_2}, N_1^{a_3}, E_1^{a_4}) \]

Where

- \( X \) = Composite technological densities ratio
- \( i \) = Commodities
- \( L, K, N, A, E \) = labour, capital, natural resources and entrepreneurship

\( a_1 + a_2 + a_3 + a_4 \) = equal units, the proportional share of each factor in the production function.
The low levels of production and productivity could be improved through agro-techniques, cultivation of high yielding varieties, improved cultural practices etc. Higher productivity will thus bring down the unit cost of the produce enabling the country to offer products at competitive prices. The high cost of labour input in production could be reduced by improved technology and other steps to improve productivity. Restrictive government policies could be transformed to supportive policies by adopting pragmatic approach. The absence of appropriate marketing strategies could be overcome by suitable planning of marketing operations through promotional and publicity programmes, product innovation, product modification and other inputs. Inconsistent quality and poor image of the product which adversely affect the prospects of exports could be overcome through appropriate planning and organising of quality control operations and other strategies to improve the product image.

The logical model given at diagram 9.1 while analysing the factors limiting the prospects of exports has also presented the corrective steps and strategies to improve the exports of agricultural commodities from the state.

RECOMMENDATIONS

CASHEW

1. All activities relating to production, marketing, product development, research, export promotion etc. should be
brought under a single agency merging all the diverse existing agencies, to ensure efficient and effective co-
ordination.

2. A comprehensive programme for developing exports on a multi-directional pattern has to be adopted on top priority basis.

3. An integrated programme to increase per capita consumption of cashew kernels in the U.S.A., Canada, Japan, United Kingdom, West European countries and other developed mar-
kets should be evolved and implemented.

4. Efforts should be made to expand progressively the internal market for cashew kernels to support and supplement the export market. Consumer packs of appropriate sizes for graded plain as well as salted cashew kernels have to be introduced in the domestic market through retail sales network covering all important urban centres in the country.

5. Exports in bulk packages should be progressively replaced by consumer packs. Tie-ups with leading importers/super-
markets/chain stores in U.S.A., Japan, U.K., West Germany, Canada, Australia, U.A.E. etc. have to be made to market consumer packed cashew kernels (plain and salted and roasted) with brand names.
6. Taking advantage of the policy announced by the government of India, 100 per cent export-oriented units should be set up in the Free Trade Zone/Export Processing Zones at Cochin for producing consumer packed cashew kernels in conformity with the specific requirements of individual importing countries.

7. Price competitiveness should be assiduously maintained in the international market to survive competition from other countries exporting cashew kernels and also from other tree nuts.

8. A strategy to increase the farmers' income by improving yield per unit area should be adopted instead of any approach to increase the prices of raw nuts beyond the parity level of the processing industry.

9. The proposed programme for joint venture with Tanzania for cashew production should be dropped.

10. The new method of processing cashew nuts through 'steam cooking' should be popularised in Kerala to derive the benefits of better visual characteristics of the kernels and the apparent advantage of setting up small sized processing units.

11. Collaborative venture with Japanese importers has to be arranged to market cashew kernels obtained by the 'steam cooking method'. The arrangements could be fashioned on the pattern of the Japanese-U.S. joint venture for promotion of almonds.
12. In the absence of a regional wage policy for cashew industry the Government of Kerala should desist from any move to revive the monopoly procurement of raw cashewnuts.

13. Scientific methods of harvesting, grading and storage of raw cashewnuts have to be introduced to avoid loss and enhance output.

14. Facilities of crop insurance and organised crop protection measures have to be extended to cashew crop.

15. Fiscal incentives, subsidies and price support should be given to the cashew farmers as a short-term strategy till they become self-reliant.

16. Internal utilisation of cashewnut shell liquid should be stepped up with the active involvement of public sector undertakings and large industrial units in the private sector. Price stability of cashewnut shell liquid has to be ensured to increase internal consumption.

17. Any attempt to channelise export of cashew kernels through State Trading Corporation or National Agricultural Co-operative Marketing Federation (NAFED) should be abandoned.

18. The government should extend adequate support to the export trade in times of market crisis through a pre-determined mechanism.
FISH AND FISHERY PRODUCTS

1. A strategy for diversification of markets should be adopted to avoid any demand crisis. Exports to new markets should be encouraged by fiscal incentives.

2. The present narrow product range should be enlarged by adding new products and modifying the existing products.

3. The current form of exporting products in institutional packages should be progressively changed to consumer packages to derive the benefits of brand image and value addition.

4. 100 per cent export-oriented units with emphasis on new products/modified products should be started at the Cochin Export Processing Zone.

5. Quality control should be strictly enforced on products exported and all units processing for exports should be upgraded to meet international standards of hygiene and sanitation.

6. Joint ventures with importers/chain stores in U.S.A. and Japan have to be encouraged with the active support of the government as part of the strategy to expand markets. Potential markets in West Europe, Canada, Australia and Middle East have to be penetrated by consistent marketing efforts supported by the State Export Trade Development Corporations.
7. Government of Kerala should recognise the fact that unless competitiveness is maintained in the export there is hardly any future for us in world trade. All obstacles and restrictive measures should therefore be abolished. The purchase tax now being levied on shrimps should be withdrawn.

8. Credit facilities at concessional rates of interest and liberalised terms should be extended to the seafood export trade.

9. A time-bound comprehensive programme for the development of culture fisheries in the state has to be implemented. Land for aquaculture should be exempted from land ceiling.

10. Private entrepreneurs should be encouraged to enter into multinational ventures for deep sea fishing.

11. Government should re-define its role in the state's fisheries development on pragmatic lines. It should withdraw from the field of processing and export of fishery products and confine to infrastructural developments for the fishing industry in the state.

12. The conflict between traditional/artisanal fishermen and the mechanised boat sector should be resolved amicably.
13. Inputs for fishing and fish culture should be provided at concessional rates. Diesel for fishing boats should be made available at concessional rates.

14. Measures of conservation of fishery resources have to be adopted on a top priority basis. Steps should be taken to regulate the mesh-size of fishing nets, to re-stock backwaters, brackish water lakes and inshore areas by releasing juveniles grown in hatcheries and to impose fishing holiday during fish breeding season.

15. Strict measures should be enforced to prevent aquatic pollution from industrial effluents and other sources.

SPICES

General Conclusions

1. Most of the important spices exported from the country are from Kerala. However, the significant share in the world market enjoyed by the spices produced here has shrunk to low levels. The main reasons for this phenomenon are:

   (a) emergence of new competing countries with sizable production compared to India,

   (b) increased domestic consumption for most of the spices resulting in reduced exportable surpluses,

   (c) uncompetitive prices of our spices in the world market,
(d) low productivity of most of the spices creating high cost of production and higher prices,

(e) instability of prices resulting in wide fluctuations.

In view of the situation created by the above factors, a comprehensive time-bound programme incorporating strategies to increase production and productivity, to re-capture the lost market share, to develop new markets, to maintain consistency of quality, to promote new products and to attain an overall growth rate commensurate to the increasing world demand for spices, has to be adopted on a priority basis.

A new policy approach with emphasis on exporting spice products, spice oils, oleoresins and other value-added items has to be adopted immediately.

PEPPER

1. The multiple functions of development of production, research, marketing, product development, export promotion etc. which are now being looked after by different organisations has to be brought under a single unified agency for effective co-ordination.

2. A strategy for market diversification has to be adopted.

3. Production of pepper should be increased to generate sufficient exportable surplus equivalent to meet 25 per cent of the current world demand.
4. Production has to be increased by improving the yield per unit area cultivated with a view to raising the farmers' income while keeping the prices of the produce competitive in the world markets.

5. Pepper cultivars should be evolved with desirable characteristics like higher oleoresin content and aromatic properties to suit the various pepper products. Emphasis has to be given on growing selected varieties for particular products and market requirements.

6. A comprehensive promotional programme to increase the per capita consumption of pepper in importing countries together with new markets should be organised.

7. Price understanding with the members of the International Pepper Community should be arrived at to stabilise prices of pepper in the world market.

8. The Government of Kerala should exempt pepper from the levy of purchase tax to enable price competitiveness for the item.

9. The specific advantageous characteristics of Malabar black pepper should be consolidated and extended by appropriate agro-techniques.

10. Production of white pepper should be promoted in view of the increasing world demand for the item.
11. A package of incentives including price support should be extended to the pepper farmers on liberal terms.

12. Hundred per cent export-oriented units should be set up in the Export Processing Zone at Cochin for the exclusive production and export of oleoresins, canned green pepper, dehydrated pepper, white pepper and other products.

13. Quality control on pepper exports should be strictly enforced and the lapses in the present scheme removed.

**CARDAMOM**

1. The present strategy to increase production and productivity should be augmented with time-bound programmes.

2. A comprehensive programme to develop exports of cardamom and cardamom products to new markets while increasing the market share in the traditional markets should be adopted.

3. The crop has to be protected against vagaries of nature and incidence of pests and diseases through improved agrotechniques and prophylactic measures.

4. The farmers should be continually supported through incentives and stable prices until they become self-reliant.

5. High yielding, disease resistant varieties of small cardamom with improved quality characteristics should be evolved and propagated.
6. The cardamom growing forest areas should be effectively protected against all kinds of clandestine tree felling, encroachment etc.

7. The prices of cardamom in the international market should be maintained competitive.

GINGER

1. Production and productivity of exportable varieties of ginger should be increased.

2. The directional spectrum of exports should be improved.

3. Product diversification should be made with a view to increasingly switching over to value added items for export.

4. Varieties with desirable characteristics and specific export market demand due to high oleoresin content, lesser moisture and fibre etc. should be grown on selective basis in the state.

5. Farmers should be given incentives and crop insurance cover along with arrangements for marketing the produce.

6. A production programme should be implemented with the objective of avoiding cyclical fluctuations. The farmers should be assured of a minimum support price.
7. A comprehensive programme of publicity to promote the market for ginger products should be undertaken in overseas markets.

TURMERIC

1. Production and productivity of exportable varieties of turmeric should be increased.

2. Varieties with desirable characteristics like high curcumin content should be selectively grown.

3. The farmers should be given liberal package of incentives, crop insurance cover etc.

4. The farmers should also be assured of a minimum support price so that the cyclical phenomenon in the production of turmeric could be avoided.

5. The use of turmeric should be popularised in target markets like U.S.A., West Europe, Middle East, and Japan for culinary cosmetic and medicinal purposes.

6. Research on new uses of turmeric in medicines/toilet preparations should be undertaken.

7. A strategy to export more turmeric products on a progressive basis, in place of raw turmeric should be adopted.
COIR

1. A thorough review of the existing policies of the state government relating to coir should be made immediately with the objective of removing their restrictive effect. The policies have to be recast to ensure that coir exports from the state become competitive in the world markets.

2. The Husk Control Order restricting the movement of husks from area to area within the state should be abolished.

3. Conscious efforts have to be made to 'de-politicise' the industry.

4. The present system of export registration and minimum export prices enforced by the Coir Board has to be critically reviewed. A liberalised approach to allow 'approved units' to export has to be adopted. The pattern followed for marine products, engineering items etc. by approving units to export would be a better alternative (As the approval is given by the Export Inspection Council of India, the Coir Board could discontinue the present system of registration of purchase orders).

5. Mechanisation has to be introduced in the industry on a phased manner.

6. The internal market for coir and coir products has to be progressively expanded considering its crucial importance. A compound growth rate of 10 per cent in domestic consumption has to be attained.
7. The programme to develop new products and find out new uses for coir should be accelerated. The present efforts to improve processing technology and product development should receive special impetus from the State and Central governments.

8. While the policy of co-operativisation in the production and marketing of coir is being vigorously pursued by the government, an efficient mechanism to periodically assess the performance of the co-operative societies should be set up. Private entrepreneurs should also be given all encouragement and support in the field of production and marketing.

9. A comprehensive publicity programme, as part of the marketing strategy has to be organised to re-capture the traditional markets and to develop new markets.

10. Joint ventures for marketing coir products in West European countries with the importers/manufacturers of coir products have to be organised. The second hand machinery from their manufacturing units could be imported into the country to set up mechanised processing units here.

11. The state government in association with the Coir Board should provide all infrastructural facilities to the coir industry with a view to stabilise it on sound production and marketing lines.
12. The increasing competition from other producing countries in the world should be recognised and constant efforts made to improve the quality image of the products from Kerala. The state has also to face competition from other producing states in the country and quality of 'white fibre' products has to be improved by better methods of manufacture.

NON-TRADITIONAL AGRICULTURAL PRODUCTS

1. The Kerala State Export Trade Development Corporation should formulate a strategy for developing non-traditional agricultural exports from the state.

2. The government should extend liberal incentives and infrastructural facilities for expanding exports of fresh fruits and vegetables to Middle East countries.

3. Private capital should be induced to make investment in the non-traditional agricultural products sector.

4. All the expenses for market surveys and overseas publicity should be borne/reimbursed by the government. The units processing/manufacturing non-traditional agricultural products should be given 'tax holidays' and other fiscal incentives till they get stabilised in the world market.

5. 100 per cent export farms should be organised in the private sector for production of fruits, vegetables, flowers etc., exempting them from land ceiling regulations.
6. A comprehensive programme for research and product development should be implemented under nationally recognised institutes.

7. Common facilities for processing of produce wherever capital-intensive equipments/machinery are required, should be provided by the state government.

8. Joint ventures for production/marketing with importers/prospective importers have to be liberally encouraged with a view to successfully meeting competition and also to get easy market entry.

9. As far as possible non-traditional items should be encouraged to be exported as value-added products.

10. The state government should adopt a positive and pragmatic approach by framing suitable policies to help the growth of non-traditional farm exports.

11. All efforts should be made to capture the Middle East markets considering the immense potential.

12. The freight structure should be rationalised to make our exports competitive.

13. Liberal package of incentives should be given to the farmers till they attain self-reliance in the field.