Spices have figured in the export trade of India from time immemorial. Ancient Kerala had been famous for her spices and it was her fame as the land of spices that brought foreign peoples and cultures to her shores. Towards the beginning of the Christian era, the Greeks and the Romans carried on extensive trade with Kerala in pepper. Pepper formed the bulk of the west-bound cargo from Kerala. Early in the fifth century A.D. when Rome was besieged by the Goths, a part of the ransom demanded was pepper. Marco Polo, the celebrated traveller of the thirteenth century speaks of the flourishing trade in pepper between Kerala and countries of West Asia and China. It is well known that the lure of the Indian spices was largely responsible in the fifteenth century for the discovery of the sea route to India. Indian spices have paved the way for our contacts with the world outside. The balance of trade in those days was much in favour of India. Although spices are now produced by other nations, India still continues to be the major producer in
the production of pepper which is generally known as India's king of spices. In 1975 India accounted for 28.8 per cent of the world export trade in pepper whereas it was 47.5 in 1960.

The one time importance and the present day problems of India's major spice can be better understood by studying the part that Indian production plays in determining India's share of world production and trade in respect of this major spice. Details showing world production and exports with India's share are given in Table-1.

**TABLE - 1**

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<thead>
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</thead>
<tbody>
<tr>
<td><strong>World Production</strong></td>
<td>42</td>
<td>59</td>
<td>90</td>
<td>119</td>
<td>136</td>
</tr>
<tr>
<td><strong>World Export</strong></td>
<td>25</td>
<td>40</td>
<td>70</td>
<td>61.9</td>
<td>86.2</td>
</tr>
<tr>
<td><strong>India's Production</strong></td>
<td>22</td>
<td>28</td>
<td>35</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td><strong>India's Export</strong></td>
<td>13</td>
<td>19</td>
<td>26</td>
<td>19.4</td>
<td>24.5</td>
</tr>
<tr>
<td><strong>India's Production as percentage of world production</strong></td>
<td>52.4</td>
<td>48.3</td>
<td>38.9</td>
<td>23.5</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Export as percentage of world production</strong></td>
<td>52.0</td>
<td>47.5</td>
<td>37.1</td>
<td>31.4</td>
<td>28.8</td>
</tr>
</tbody>
</table>

Note:— 1. India's production of pepper is based on unofficial/Trade estimates which are being relied upon by international agencies and institutions.

In 1950, the world production of pepper was estimated to be 42,000 tonnes of which India accounted 22,000 tonnes which worked out at 53 per cent. In 1960, this share in world production declined to 48.3 per cent and thereafter it went on further declining till it reached 23.5 per cent in the year 1970. However it has gone up to 25.7 per cent in 1975. In the matter of exports of pepper too the Indian share declined from 52 per cent in 1950 to 47.5 per cent in 1960 and its decline went on to reach the level of 28.8 per cent in the year 1975.

In 1950-51, by the beginning of the first Five Year Plan of India, the exports of spices from India amounted to Rs.255.1 million out of an export of all commodities valued at Rs.6469 million, constituting 3.9 per cent. In 1955-56, it declined to Rs.108.7 million out of an export of Rs.6403 million which constituted only 1.66 per cent. In the first year of the Third Five Year Plan (1960-61) a small recovery was made in the share of export of spices which worked out at 2.63 per cent. It is important to note that the unit value realised per kilogram of spices exported from India declined from Rs.6.88 in 1950-51 to Rs.3.50 in 1960-61. This sharp fall in the unit value of about 50 per cent was mainly the result of fall in pepper prices in the year 1960-61. When 15.4 million kilograms of pepper fetched Rs.204 million in 1950-51, 16.2 million kilograms of pepper brought home a sum of Rs.85
million only in the year 1960-61. This decline in the unit price assumes a greater significance when we look into the movement of index number of wholesale prices of all commodities which was 74.1 in 1955-56 and 100 in 1960-61.

In 1965-66 also, in the share of the exports of spices a recovery was made from 2.83 per cent in 1960-61 to 2.9 per cent and the unit value realised out of exports of spices improved from Rs.3.50 to Rs.3.72 over the same period. In 1970-71, exports of spices contributed only 2.05 per cent of our export earnings, showing again a decline. Though the unit value realised was Rs.8.27 per Kg. in that year, one should not lose sight of the devaluation of Indian Rupee in June, 1966, which was responsible for the upward movement of prices. The index number of wholesale prices of all commodities moved up from 100 in 1960-61 (base year) to 190.6 in 1970-71 which moved up steadily to 306.3 in 1974-75.

Table-II gives the movement of export prices of pepper and cardamom with quantities exported for the period 1967-68 to 1975-76.

From the Table No.II it is clear that there were substantial fluctuations in exports in terms of quantity over these years. The unit prices realised out of the exports of these two spices were also subjected to much variations. This mixed trend in prices might be a major reason for varying degrees of production and export of these major two spices of India.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>PEPPER</th>
<th></th>
<th>CARDAMOM</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Rs./</td>
<td>Quantity</td>
<td>Rs./</td>
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<tr>
<td></td>
<td>'000 tonnes</td>
<td>Kg.</td>
<td>tonnes</td>
<td></td>
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<tr>
<td>1967-68</td>
<td>25.06</td>
<td>3.63</td>
<td>1451</td>
<td>49.42</td>
</tr>
<tr>
<td>1968-69</td>
<td>19.95</td>
<td>3.31</td>
<td>1291</td>
<td>52.18</td>
</tr>
<tr>
<td>1969-70</td>
<td>22.30</td>
<td>5.45</td>
<td>1149</td>
<td>77.70</td>
</tr>
<tr>
<td>1970-71</td>
<td>17.97</td>
<td>6.70</td>
<td>1705</td>
<td>65.78</td>
</tr>
<tr>
<td>1971-72</td>
<td>19.25</td>
<td>6.21</td>
<td>2147</td>
<td>37.41</td>
</tr>
<tr>
<td>1972-73</td>
<td>19.96</td>
<td>5.54</td>
<td>1384</td>
<td>49.45</td>
</tr>
<tr>
<td>1973-74</td>
<td>31.65</td>
<td>7.10</td>
<td>1913</td>
<td>63.71</td>
</tr>
<tr>
<td>1974-75</td>
<td>26.34</td>
<td>10.99</td>
<td>1626</td>
<td>81.92</td>
</tr>
<tr>
<td>1975-76</td>
<td>24.23</td>
<td>13.99</td>
<td>1910</td>
<td>100.38</td>
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</table>

Source: Director General of Commercial Intelligence and Statistics, Calcutta.

In the matter of the area cultivated and in the matter of output and exports, decline and recovery are a regular feature in all important countries which are producing spices. Changes in weather conditions, incidence of pests and diseases and above all substantial price fluctuations are mainly responsible for this phenomenon. The spices trade is characterised by the inelasticities of supply and demand, especially of short period supply which results in
wide price fluctuations. The primary producers are the worst sufferers in such a situation and all the countries which are producing spices are developing countries. The developmental efforts of these countries demand more and more imports of manufactured goods and capital goods and equipments, leading to acute problems of foreign exchange and unfavourable balance of trade.

The increasing economic instability which retards economic progress, arising out of short-term fluctuations in the export earnings of the primary products of the developing countries has attracted the attention of a large number of economists many of whom have gone to the extent of questioning the validity of the 'theory of comparative cost' which incidentally, advocates a policy of free trade, at least in so far as the developing countries are concerned. A number of studies undertaken in recent years have gone a long way to prove that free trade has resulted only in impoverishing the developing countries further.

While world exports in terms of value, increased at an annual average rate of 13.3 per cent between 1953 and 1969, the exports of the developing countries increased only at the rate of 7.7 per cent in the same period. As a result, the share of exports from developing countries in world trade declined from 28 per cent in 1953 to 20 per cent in 1969.¹

The 1972 reports of the Food and Agricultural Organization says that over the past 20 years the developing countries' agricultural exports have been expanding much less rapidly than those of the more developed countries. During the period from 1965 to 1970 export earnings from agricultural commodities rose by 45 per cent for the developing countries compared to an increase of 130 per cent for the developed countries.

This tendency is not something new to the post war period as is evident from the observations made by Gunnar Myrdal. On the average at the end of the period (from the latter part of the nineteenth century to the eve of the Second World War) a given quantity of the primary goods would pay for only 60 per cent of the quantity of the manufactured goods that it would buy at the beginning of the period. Thus in the export trade of primary produce we find that it is a deal between the strong and the crippled and latter is always at the mercy of the former.

The trend of India's foreign trade also shows a similar pattern. Table-III shows the pattern of India's foreign trade during the period 1950-51 to 1974-75.

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</tr>
</thead>
<tbody>
<tr>
<td>Imports (c.i.f)</td>
<td>3,615</td>
<td>4,924</td>
<td>6,204</td>
<td>8,957</td>
<td>1,369</td>
<td>2,955</td>
<td>4,468</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (f.o.b)</td>
<td>3,044</td>
<td>3,118</td>
<td>3,761</td>
<td>7,113</td>
<td>1,971</td>
<td>2,523</td>
<td>3,304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports as percentage</td>
<td>84</td>
<td>63</td>
<td>61</td>
<td>79</td>
<td>105</td>
<td>85</td>
<td>74</td>
<td></td>
<td></td>
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<tr>
<td>of imports</td>
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</tbody>
</table>

**Annual average:**

<table>
<thead>
<tr>
<th></th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>723</td>
<td>609</td>
</tr>
<tr>
<td></td>
<td>995</td>
<td>624</td>
</tr>
<tr>
<td></td>
<td>1,241</td>
<td>752</td>
</tr>
<tr>
<td></td>
<td>1,791</td>
<td>1,423</td>
</tr>
</tbody>
</table>

**Source:**
Commerce, Vol.124, No.3178, 1st April 1972, P.45
The weak bargaining power of the developing countries means that, if there is no serious fall in production and supply in trade between developing and developed nations, the former has to accept the price offered by the latter. Added to this, agricultural products are subject to a greater degree of instability of prices when compared to the products of manufacture. Here the price has proved an ineffective regulator in respect of farm products because farmers continue to produce even when prices tend to fall. This is more true in the case of perennial crops like pepper and cardamom with a special variant and physical conditions imposing a rigidity on supply response. At the same time, when prices fall substantially, the production is badly affected resulting in shortage, owing to the cut made in the inputs by the growers as in the case of perennial crops like pepper and cardamom. In the case of annual crops like ginger the growers may look for alternative crops, even though there are certain constraints in doing so, depending upon the location and topography, the age and the availability of other crops maintained by the growers, especially when mixed gardens exist.

The variable costs of perennial crops are often sufficiently low to give them a substantial advantage over alternative crops as long as the fixed investment itself remains in tact. We can expect crops like pepper and cardamom,
as well as ginger, to show relatively low price elasticities of supply in the short run and considerable cyclical price instability. This problem is compounded further if these commodities face low price elasticities of demand as in the case of almost all varieties of spices. Over and above this, most of the farmers face additional uncertainty regarding yields.

One need not blame the developed nations for this. Even in the home economy what we find is that "if manufacturing and agricultural labourers form two non-competing groups, high protection of manufacturing industries may raise the real wages of the workers in these industries at the expense of the other factors". Within the country, the prosperity of the business community may be attributed to the closed nature of the economy. Being a closed economy they are assured of monopoly or near monopoly conditions (Example: Indian sugar mills, automobile units, cement, paper etc.) as a result of the protective policies of the Government. The agricultural sector, from this point of view is at a disadvantage. So the members of the business community (including the workers in the principal industries in the organised sector) should for that reason support a policy of supporting the prices of farm produce.

The relative level of agricultural prices influences in the long run, the allocation of production resources and hence, the level and pattern of agricultural production. Price relationships affect relative profitability and economic incentives. Relative profitability is a function of the physical productivity of resources in various uses as well as of the relationship among prices of inputs and outputs. Gunnar Myrdal notices that in almost all the advanced countries the non-agricultural majority of citizens are prepared to accept a price supporting policy. In all the developed countries agriculture has become the most administered sector of the economy with its guaranteed prices, its subsidies, its import duties, its non-tariff barriers and a host of other interventions. In the developed centrally planned economies, planning and administrative controls are of course comprehensive. In 1971, F.A.O. observed that though administered prices in agriculture have become almost universal, the prices of farm products rose everywhere less rapidly, and in some instances far less, than the general level of wholesale price.

Peasant families form the basic units of our society and its importance can never be exaggerated in a subsistence economy. Peasant production is the main alternative

5. F.A.O., Rome, 1972, Agricultural Adjustments in Developed Countries, p.27.
to wage employment. Except in the case of cardamom and a few pepper plantations on a large scale the majority of the producers of India's major spices are small farmers who cannot stand the violent fluctuations of world market prices for the spices. Equally or more important are the problems of the bigger growers of these items of spices. In becoming more a business enterprise as in the case of cardamom estates and pepper plantations, farming becomes in one sense more risky. "As long as current operating expenses constituted no more than say 30 per cent of the value of gross output, a drop of some 20 per cent in the latter in a particular year, due to disease or bad weather caused his income to fall by only a quarter whereas when operating expenses climb to 60 per cent of output a 30 per cent drop in sales will cut his income in half, and out of the income, he has to pay a larger amount than formerly in interest on borrowed capital." 7

Thus the lack of any effective control over the volume of production on the one side and the wide fluctuations in prices in the other, make agricultural production a real gamble and more so in the case of spices.

There is at present, undue emphasis on increasing production in the farm front. The other important aspect ensuring a fair price for the product is often neglected.

stimulus to develop was less than it would have been if the expansionary process had entailed the introduction of new skills and more productive re-combinations of factors.\(^8\)

The problem then centres round the problem of attaining greater efficiency by the introduction of improved varieties of crop, pest control, use of fertilisers and an incentive to production, based on stable and economic prices. Unlike the past, people are developing new attitudes. They regard work not as an alternative to starvation but as an instrument for gaining access to the modern good living. Technological progress has necessitated a much closer dependence by farmers on those who serve their needs for production purposes. The increased awareness of economic and social disparities between the agricultural and other sectors is quite visible. Farm workers become more insistent on their rights. People living on small farms are only too conscious of the inability of their holdings and prices for their products to provide them with an adequate living. They have started reacting to this situation by joining hands with the mass of unemployed. This is particularly true with the educated mass of the rural population. Generally, it is the young adults who leave the farm sector with the result that the farm population is getting older than the average in other occupations. This tendency is not only true in India but in every country.

\(^*\)Before world war II, even in the most industrialised

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countries the farm population was declining at less than 0.5 per cent per annum, while in several more developed economies it was still increasing until the 1930s indeed in Japan and Australia until the 1950s and in Newzealand till the 1960s. 9

In a free economy no producer has any idea of what the real social need is for the product that he is producing, though he is market-oriented in making his decisions, as to what to produce, how to produce and how much to invest in this or that line of production. This sort of situation results in a number of problems. In a planned economy, the inter-sectoral balances and the problems of supply and demand and price formation have to be constantly studied. The need for a well thought out and effective price policy will be much greater in the mixed economy. A massive increase in India's exports in the current decade must constitute an essential component of any strategy to achieve self-reliance. The most important factor of a country's ability to export depends upon whether it is able to offer the commodities at competitive prices. At the same time, prices of export goods can be lowered only to a certain extent and certainly not beyond the critical point, when the losses on unit prices are larger than the income obtained through the increase of the volume of sales. An extreme case is cited by the Marketing Research Corporation of India in its "Survey of

India's Export Potential of Spices" with respect to dried ginger. The ex-farm cost (exclusive of profit and pre-investment) of ginger as estimated at Rs.1.87 per Kg. and the realised price (F.O.B.) was Rs.3.74 resulting in a loss of Rs.0.74 per Kg. 10

In some cases, a single underdeveloped country occupies so important a place in the world market in respect to one commodity, that an increase of it supply would bring down the price substantially and consequently, increase its export proceeds less than proportionately - perhaps even reduce them. 11 In 1970-71 India exported 1764.64 tonnes of cardamon for an amount of Rs.113.35 million realising Rs.64.22 per Kg. In 1971-72 when the exports were increased to 2297.2 tonnes, the unit value realised was reduced to Rs.36.82 per Kg. 12 If the Government follows a policy of administered prices, the monopolised supply of primary commodities may help to some extent to open certain possibilities of influencing prices to its own advantage in greater measure. This is more so if the Government of the exporting country can afford to buy at stable prices the export goods from the actual producer, independently of the effective foreign demand at any particular moment. 13

In the words of Tiber De Seitorasky "Free trade can be shown to be beneficial to the Universe as a whole but has never been proved to be the best policy also for a single country". The natural play of forces in the market will mean proportionately lower prices for higher production. So long as price is inter-related with supply and demand, changes in either supply or in demand or in both should result in price fluctuations. The producers are more concerned with short-term fluctuations rather than long-term tendencies. The variability of demand and supply and the short run responses are certainly important factors in price fluctuations. The inelasticities of supply and demand, especially of short period supply are the principal factors responsible for the wide price fluctuations. The crucial distinctions lie in the variability of demand and supply and in the short run responses of demand and supply to changes in prices. These factors vary much more among primary products and among manufactures than they do between two classes of goods. It is not the total increase or decrease in the supply or demand that matters but the marginal increase or decrease in supply or demand followed by the speculative thinking on the part of the exporters and importers. In the case of pepper, speculative buying in Singapore exerts a profound influence on the world pepper prices. *For example: Lampong pepper selling at 33 cents in mid June 1969 was reported to be selling at 45 cents*

on 10, September and 70 cents on 22, September 1969. In
the case of spices, two points have to be stressed: (1) Consump­
tion of spices does not change significantly in the short run, (2) There is hardly any spice not affected by fluctua­
tions in prices. What happens is that the inelasticity of
demand on the one side and variations in supply from time to
time result in violent fluctuations in prices, depending upon
spot availability. This is further aggravated by the manipu­
lation of demands placed by foreign countries and other poli­
cies of national restrictions. A.I. Macbean observes that
(often local and political) factors usually lie behind high
export instability. Productivity in agriculture and
industry among the developed countries had improved at a much
faster rate than among the developing countries. One should
not lose sight of the fact that agriculture and relatively
simple manufacturing industries have been enjoying in the
Western countries and America a degree of protection, which
completely protects them against competition from the outside
world.

It has been observed that the potential export
earnings of producers of primary raw materials are very often
restricted by the practice of imposing higher tariffs on

Markets for Spices in North America, Western Europe and
Japan, P.22.
16. Macbean, A.I., Export Instability & Economic Development,
1966, P.56.
17. Patel, H.M. (The Council for Economic Education), A Policy
processed than on raw products, which encourages the import-
ing of such products in raw rather than processed form.\textsuperscript{18} Spices in consumer packets or in the processed form like powder, essential oils or oleoresin seldom find favour with the markets of the developed countries because of the high tariff walls.

Gunnar Myrdal has commented on the strong dislike in the advanced countries to do anything to stabilise the price of the raw materials and agricultural commodities of the developing countries.\textsuperscript{19} As against this viewpoint H.G. Johnson holds that "though the assumption that less developed countries are subject to exceptional instability of export earnings has become an orthodoxy of development economics, the scattered empirical evidence so far presented in support of it has not been strikingly convincing."\textsuperscript{20} The problem has recently been subjected to a major economic investigation by A.I. Macbean who finds that the empirical evidence does not support the orthodox assumption. The empirical study made on the performance of India's export trade in spices proves that the findings of Gunnar Myrdal have greater significance in the Indian context.


\textsuperscript{19} Myrdal, G., Op. Cit., p.46.

\textsuperscript{20} Harry, G. Johnson, Op. Cit., pp.142-143.
Under the existing conditions, the fluctuations in demand can be adjusted only through price variations, but in the case of India's major spices when prices are high, production is increased considerably and increased production in India and elsewhere reduces the prices, adversely affecting the producers. In the case of perennial crops like pepper and cardamom whose production is inflexible in the short run the producers are more concerned with price rather than with the volume of sales. As the principal exporter of these spices, under our study, India is concerned with two variables, namely (1) price and (2) volume of sales. It may well be argued that price is less controllable than volume of production and exports. We should not conceal from ourselves the fact that the natural play of forces in the market will simply mean continued rigidity and stagnation. Prices for the commercial crops will need to be regulated on a consideration of all these aspects.

Having taken into account the general rigidity of the economy, changes in weather conditions, speculative buying and selling and changes in inventories, if price and volume are inter-related by some appropriate measures not only can we solve the problems of violent fluctuations in prices but give good incentive to increased production in a planned way.

India, even after a quarter of a century of independence and more than two decades of planned development, miserably failed in securing stable and favourable prices for her products in which she enjoys a controlling position.\textsuperscript{22} Both in quality and quantity of her spices, India's position is superior. Yet, we continued in strict conformity with our colonial heritage, only to work and produce for the requirements of the developed countries.

To what extent can we rely on the exporters for securing the maximum returns to the producers? The middlemen including the exporters are satisfied so long as they are able to maintain fairly constant rates of profits. In a peasant economy the middlemen have been able to do so on the external prices of exports.\textsuperscript{23}

In a study conducted in this connection by the author in July 1972 it was found that the exporters were not at all concerned with the problem of prices. Seven out of ten were of opinion that export prices did not constitute a problem at all. They were of opinion that except for pepper, the prices were really low and the real problem was that of finding markets for them. In the case of pepper too, there was no problem at all, according to them, since pepper could

\textsuperscript{22} Planning Commission, Government of India, 1961, Third Five Year Plan, p.129.

rely fully upon the rupee payment countries of which the USSR was the most predominant one. They even charged that the producers were not releasing pepper in adequate quantities. The mercantile community cannot be expected to be guided by altruistic or patriotic motives and will expect to receive for its efforts in the export market, a return which stands in a reasonable relation with the profits on domestic sales. 24

Now, the question is whether we can be satisfied with this state of affairs. From the national point of view, certainly not; for the simple reason that we ought to be more interested in the peasants by ensuring reasonable rewards for their efforts. To solve the problem of violent fluctuations in the prices of spices and to maintain a remunerative price level, one should not be guided by the symptoms alone. What is required is to have a proper diagnosis. We should develop pragmatic and experimental habits of modern business or should have Government intervention with far-sighted policies and proper planning. "National Governments should be able to avoid the difficulties of fluctuations by their own policies on the normal or trend values of export prices offsetting fluctuations around these values by alternating accumulations and deaccumulations of international resources." 25

The dire need for policies of price stabilisation has become all the more inevitable, if not unavoidable. Smoothing producers' income results in (1) reduction of personal hardship (2) reduction of uncertainty (3) reduction of other disincentives to increased production (4) avoidance of inflationary trends (effects) (5) reduction of haphazard and socially disturbing effects on income distribution and (6) avoidance of arbitrary Government intervention. "Fluctuations in retained proceeds from exports may also affect the internal distribution of income, and in different ways for different types of economies".26

In advanced countries, notably in U.S.A., the present agricultural price policies have been won as the result of the political power the farmers exert. In the absence of this power the farm sector in most of these countries would for long periods have been poverty stricken and backward. In the words of Gunnar Myrdal, "Prices are manipulated. They are not the outcome only of the forces in the market; they are in a sense "political" depending also on the regulating activity of the State, of quasi-public and private organisations and of private business".27 In a planned economy it is imperative and important for the State to interfere in the price system that should serve the nation's valuations and objectives. This had been for long in existence in the centrally planned economies. In India the sugar-cane

growers are enjoying a fair degree of protection, very often much in excess, with the result that the growers in the North in comparison with their counterparts in the South seem to be indifferent in the matter of increasing the yield per acre. What we require is not a policy of protection as such, but a policy of price stabilisation which might pay off in the long run in terms of modified quantity fluctuations. It should remove most of the incentives for speculations in stock adjustments in the principal world markets in spices, thus modifying one and the more important source of instability in prices. A few national schemes would suffice to take care of the really serious problem of the fluctuations in export earnings. One must take note of the fact that unstable prices will produce unstable outputs in current or subsequent seasons, depending up on the time taken from planting to commercial cropping.

The basic principle of any national scheme of price stabilisation is to break the connection between the price paid in world markets for exports and the prices and income received by the producers. The logic behind this argument is that variations in the quantity of commodities exported have caused as much instability of export proceeds as have variations in world prices. Harry G. Johnson has admitted that the relative inelasticity of demand for certain primary products suitable for output restricting, price-raising commodity agreements would permit the less developed producers
as a group to increase their real income by exploiting their collective monopoly power and so might benefit them considerably more than trade liberalisation would.\(^2\)

Steps have been taken for the formation of community agreements for pepper and cardamom.

The main objectives of these agreements are the following:

1. To coordinate and stimulate research on technical and economic aspects of production.

2. To facilitate the exchange of information on programmes and policies.

3. To develop programmes for increasing consumption in traditional and new markets, including programmes of cooperation in promotion activities.

4. To further joint action for the relation of tariff and non-tariff barriers and for the removal of other obstacles to trade.

5. To keep under constant review developments relating to supply, demand and prices.

6. To carry out investigations into the causes and consequences of fluctuations in prices and suggest appropriate solutions.

7. To improve statistical and other information on production, consumption, trade and prices.

All these objectives are highly commendable. But all that is good to look at need not be necessarily so useful.

or feasible as desired. There are a number of obstacles in the fulfilling of the objectives, whatever might be the attractions of these objectives. The limited number of commodity agreements and the premature collapse of such schemes are indicative of the practical difficulties or the unwillingness on the part of the member countries to pay a substantial premium for the success of the schemes. Export performance is not merely a function of a country's export prices. It also depends on investments in nursing and developing a foreign market and in keeping ourselves well informed of the latest developments in commodity markets all over the world.

We have already noticed that in the short-term, demand for spices is markedly inelastic. Consequently, supplies larger than demand depress prices and prices rise sharply if it is even slightly smaller. "Changes in the business community's view of the relative merits of hand to mouth buying and a cast iron or impregnable stock position are important in price speculations." This leads us to the importance of the distinction between market demand and final demand. For lasting solution the producing countries should be guided by the final demand. The year in which both the market demand and the final demand coincides with each other alone can be taken as the normal year, even though such a thing may not take place so long as the merchant community is under the spell of speculative motive. In the study made by

the author, mentioned elsewhere, six out of ten admitted that they were living upon gains from speculation than from the reward for their services in the channel of distribution as exporters.