Chapter 7

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Spices are one of the precious gifts of nature, to the people of India. From time immemorial India is regarded as the legendary land of spices, producing almost all the spices of the world. One or the other spice is grown in different parts of the country. So spices play an important role in the economy of different regions of the country. Besides being an important foreign exchange earner for the country, spices trade is a means of living for a large number of spices growers, spices traders and a source of employment for a large section of rural masses, especially rural women.

In India, Kerala is the leading producer of black pepper and cardamom (small). In Kerala, the living conditions of a large number of small and medium agricultural families are linked to the price movements of pepper and cardamom. Black pepper exports from Kerala had a golden era up to 1999, and Kerala had a dominant position in the supply of cardamom to the world markets until 1980’s. Attractive prices of pepper and cardamom up to 1999-2000 brought immense prosperity to the growers all over Kerala.

However, during the last decade the economics of spices cultivation in Kerala totally changed. After the year 2000, the prices of black pepper started to decline sharply, and black pepper cultivation in Kerala became unremunerative and inattractive. The cardamom growers are also facing declining profit margins due to price pressure. Owning black pepper and cardamom plantations, once regarded as a sign of economic prosperity, have now ceased to be so. The pepper belts in Kerala, once regarded as the paradises of spices growers in Wynad and Idukki districts present a grim picture today. Being unable to make both ends meet and to pay off the
agricultural debts, many pepper and cardamom growers in Kerala, particularly those in Wynad and Idukki districts committed suicide. Many pepper growers also started neglecting pepper vines and restricting further investment in black pepper cultivation.

At the global level also, pepper and cardamom from Kerala are facing stiff competition from other major producing countries like Vietnam (for pepper) and Guatemala (for cardamom). India’s dominant position in the global supply of pepper and cardamom has now declined and it is getting relegated to further lower levels, thus losing our big heritage in the pepper and cardamom trade. Thus, the spices trade in Kerala is facing a crisis; or more specifically there is a pepper crisis and a cardamom crisis.

As spices trade is an important foreign exchange earner for the country, and a source of employment for a large section of rural masses and as Kerala is leading in the cultivation of black pepper and cardamom, it is necessary to examine the problems and prospects of the spices trade in Kerala. A study of the challenges and opportunities posed before the spices trade in Kerala by the WTO agreements and India’s Free Trade agreements is also important.

The present study has been undertaken to examine the problems and prospects of spices trade in Kerala. The study also intends to examine the impact of WTO agreements and India’s Free Trade agreements on the spices trade in Kerala. The assessment has been made considering the perceptions of spices cultivators and traders and also the relevant statistics published in the area. The study is mainly confined to the three leading spices growing districts of Kerala viz. Wynad, Idukki and Kollam. The main items of spices under study are black pepper and cardamom, which are the leading spices in Kerala, and in the cultivation of which Kerala leads all other states.
The objectives of this study were,

1. To trace the origin and growth of spices trade in India and Kerala.
2. To assess the performance of spices trade in India and Kerala.
3. To study the problems and prospects of spices trade in Kerala.
4. To assess the impact of World Trade Organisation Agreements on spices trade in Kerala.
5. To assess the impact of Free Trade Agreements on spices trade in Kerala.

In line with the objectives, the following hypotheses were framed.

1. Labour problem is a crucial problem affecting the spices trade in Kerala.
2. No significant improvements have been made in the quality and standard of spice produces from Kerala even after the World Trade Organisation Agreements.
3. Indo Sri Lanka Free Trade Agreement has adversely affected the spices trade in Kerala.

The respondents of the study consist of spices cultivators and traders. The details of spices cultivators and traders have been collected from the database maintained by the Spices Board, Kochi, Wynad Social Service Society (WSS), Manandhavadi and Cardamom Growers Association, Vandanmedu. The sample respondents for the intensive study were selected from the three leading pepper and cardamom growing districts of Kerala viz. Wynad, Idukki and Kollam, representing North, Central and South regions of Kerala respectively. There were in all 2080 registered spices cultivators and 36 registered spices traders in Wynad, 1920 spices cultivators and 52 spices traders in Idukki and 800 spices cultivators and 16 spices traders in Kollam as on 31.03.2006. Five per cent of the spices cultivators and 50 per cent of the spices traders were selected at random. Thus, the total number of spices cultivators and traders selected as sample has come to 240(104 for wynad, 96
for Idukki and 40 for Kollam) and 52 (18 for Wynad, 26 for Idukki and 8 for Kollam) respectively.

Both the primary and the secondary data were used for the study. The primary data were collected from the respondents based on structured interview schedule. Discussions were also held with the high level officials of Spices Board, IPSTA, scientists in spices research centers, leading traders and exporters of spices, officials of spice oils and oleoresin industries, trade union leaders in spices industry, office bearers of cardamom growers associations and cardamom auction centres. The secondary data were collected from the publications of Spices Board, RBI Hand Book on All India Statistics, statistics of DGFT, monthly statistics of the Foreign Trade of India by the Director General of Commercial Intelligence and Statistics, Calcutta, statistics from the Directorate of Cocoa, Arecanut and Spices, Calicut, Annual Reports of the Cochin Chamber of Commerce and Industry, Trade Year Book by the Food and Agricultural Organization, International Trade Statistics Year Book by UNO, Statistical Year Book by IPC – Jakarta, UNCTAD Publications and other reports, books and periodicals. The data collected were suitably classified and analysed keeping in view the objectives of the study. For the purpose of analysis, statistical tools such as average, percentage, trend analysis, weighted mean, chi-square test and Friedman’s Repeated Measures Analysis of Variance (F-Test) were used. The weighted mean was used to assess the order of preference associated with the selected variables, while the chi-square test was applied to examine the significance of variation in the opinion among the respondents.

7.1 Major Findings of the Study

The major findings of the study on the basis of the analysis of the data are summarized below.
7.1.1 Performance of Spices Trade in India and Kerala

1. India occupies a predominant position in the world spices trade. India’s contribution to the world spices trade is 44 per cent in quantity and 36 per cent in value.

2. Black pepper, which occupied the prime position in the spice exports from the country with a share of 36 per cent in the total export earnings, lost its leading position after 2005-06, in terms of both quantity and value. Mint products in terms of value with a share of 30.79 per cent and chillies in terms of quantity with a share of 22.59 per cent now occupy this prime position.

3. Kerala accounts for 95 per cent of total area under black pepper cultivation, and 90 per cent of production in the country. In Kerala, Idukki district leads in black pepper production followed by Wynad and Kollam districts with second and third positions respectively.

4. Kerala’s share in the export of black pepper from the country is gradually decreasing.

5. Productivity of black pepper in India is one of the lowest in the world. In India, Karnataka has the highest productivity, followed by Kerala and Tamil Nadu.

6. Kerala is the leading cardamom producing state in India with a share of 77 per cent followed by Karnataka (15 per cent) and Tamil Nadu (8 per cent). In Kerala, Idukki district accounts for 90 per cent of cardamom production.

7. Productivity of cardamom in Kerala is the highest in the country and it shows an increasing trend.

8. The share of the export of cardamom (small) in the total cardamom (small) production in the country is declining.

7.1.2 Problems and Prospects of Spices Trade in Kerala

1. 95 per cent of spices cultivators and 100 per cent of spices traders opined that there is a spices trade crisis in Kerala.
2. A majority of spices cultivators (88.9%) and spices traders (96.2%) observed that black pepper cultivation in Kerala is not profitable now. 71.1 per cent of spices cultivators observed that cultivation of cardamom is also not profitable. But, 80 per cent of spices traders said that cultivation of cardamom is profitable.

3. Regarding the problems of spices trade, most of the spices cultivators and traders assigned first rank to scarcity of labour.

4. A majority of spices cultivators (86.7%) were not interested in enlarging the area under pepper and cardamom cultivation.

5. 61.6 per cent of spices cultivators prefer to cultivate nutmeg and mace, if the present trend of low prices of pepper and cardamom continue. Meanwhile, 16.7 per cent prefer turmeric, 8.4 per cent prefer ginger and the rest prefer other spices. Thus, production and export of nutmeg & mace, in which Kerala is the leading state in the country, is also emerging as an important item of spices trade in Kerala.

6. Most of the spices cultivators (88.3%) and traders (69.25%) said that import of pepper to Kerala is the main reason for the fall in the domestic price of pepper in Kerala.

7. According to 73.3 per cent of spices cultivators and 67.7 per cent of spices traders, Kerala can regain its past glory in the global pepper and cardamom trade.

8. Regarding the measures to be taken for minimizing the adverse impact of import of pepper to Kerala, 66.6 per cent respondents suggested ensuring prompt re-export of imported pepper after value additions, 11.1 per cent recommended imposing quantitative restrictions, another 11.1 per cent recommended imposing port restrictions, while 5.6 per cent recommended prohibiting spice imports and 5.6 per cent expressed other views.

9. 93.3 per cent of spices cultivators and 50 per cent of spices traders do not participate in the futures trading in spices, but 6.7 per cent of spices cultivators and 50 per cent of spices traders do participate in futures trading.
Therefore spices traders participate more in the futures trading in spices, than spices cultivators.

10. 66.7 per cent of spices cultivators are not able to repay the agricultural loans promptly, however 33.33 per cent are able to repay the loans promptly.

11. The domestic consumption of cardamom (small) is on the increase.

12. India was the principal producer and supplier of cardamom (small) to the world markets up to the year 1983. Thereafter, Guatemala emerged as the dominant producer and exporter of cardamom (small) in the world. India’s share in the world export of cardamom is now only a meager three to four per cent.

### 7.1.3 Impact of World Trade Organisation Agreements on Spices Trade in Kerala

1. Most of the spices cultivators (85%) and traders (92%) are only partially aware of the implications of the WTO Agreements on spices trade. Only eight per cent of the traders and none of the cultivators are fully aware of the implications. Again, 15 per cent of the cultivators are not at all aware.

2. Most of the spices cultivators (55%) and traders (69%) said that WTO agreements are not the cause of the spices trade crisis. But, 45 per cent of the cultivators and 31 per cent of the traders said that WTO agreements have caused the spices trade crisis in Kerala.

3. 89 per cent of the spices traders said that Agreement on Agriculture (AOA) adversely affects the spices trade in Kerala. However, 88 per cent of the cultivators are of the opinion that AOA does not affect the spices trade adversely.

4. 56 per cent of the spices cultivators said that, even after the WTO Agreements, they still follow the conventional methods of farming, harvesting and processing of spices. But, 13 per cent said that they have reduced the use of inorganic fertilizers and pesticides and 8 per cent said that they have improved the methods of processing and storing of spices and 23 per cent said that they have resorted to organic farming of spices.
5. Regarding the measures to be adopted to protect the spices trade in Kerala, from the adverse effect of WTO Agreements, 46 per cent of the spices traders said that spices trade in Kerala has to comply with the food safety standards of spice importing countries, 12 per cent are of the opinion that Kerala has to evolve a sui generis system for spice plant varieties, eight per cent are of the opinion that we have to register the geographical indications of our reputed spices, 26 per cent said that we have to resort to the organic farming of spices and eight per cent gave other opinions.

7.1.4 Impact of Free Trade Agreements on Spices Trade in Kerala
1. India has so far signed five Free Trade Agreements (FTAs). They are:
   (i) Indo-Srilanka Free Trade Agreement (ISLFTA)
   (ii) Indo-Singapore Comprehensive Economic Co-operation Agreement (CECA)
   (iii) Indo-Thailand Free Trade Agreement
   (iv) Indo-Nepal Treaty of Trade Transit and
   (v) South Asia Free Trade Agreement
2. Only 3.3 per cent of the spices cultivators and 11.5 percent of the spices trades are fully aware of the implications of India’s FTAs on spices trade in Kerala. The remaining was either only partially aware or not at all aware of the implications of FTAs.
3. 67 per cent of the spices cultivators and 54 per cent of the spices traders said that FTAs are the cause of the spices trade crisis in Kerala. 33 per cent of the cultivators and 46 per cent of the traders said that FTAs are not the cause of the crisis.
4. 77 per cent of spices cultivators and 76 per cent of the spices traders said that ISLFTA is a reason for the fall in the prices of spices, specially pepper in the domestic market in Kerala. 60 per cent of spices cultivators and 50 per cent of spices traders said that, of the various FTAs India has signed, it is the ISLFTA, which adversely affects the spices trade in Kerala.
5. According to 73 per cent of the spices cultivators and 81 per cent of the spices traders, FTAs cause a more serious threat to spices trade in Kerala than WTO agreements. But according to 25 per cent of the spices cultivators and 19 per cent of the traders WTO Agreements cause a more serious threat to spices trade than Free Trade Agreements.

6. The Indo-Singapore Comprehensive Economic Co-operation Agreement, Indo-Nepal Treaty of Trade and Transit, South Asian Free Trade Agreement and Indo-Thailand Free Trade Agreement do not have any significant impact on the spices trade in Kerala.

7.2 Recommendations

Based on the findings of the study, the following recommendations are made for overcoming the problems and increasing the prospects of the spices trade in Kerala.

7.2.1 Impose Port Restrictions (PR’s) and Quantitative Restrictions (QR’s) on the Import of Pepper

The study revealed that import of pepper to Kerala from other pepper producing countries is an important reason for the fall in its domestic prices in Kerala. Therefore, in order to ensure fair price for the pepper growers in Kerala, it is necessary to restrict the import of pepper. For this, port restrictions and quantitative restrictions should be imposed on the import of pepper to the country. Such restrictions would reduce the quantity of imports, and also that the consignments could be properly monitored for quantity and quality by Spices Board, Customs, Plant Quarantine and Health departments. Ultimately, imports would be restricted and the domestic prices of pepper would improve.

7.2.2 Ensure Prompt Re-export of Imported Pepper after Value Addition

A major problem in the domestic market of pepper in Kerala is the sale of imported pepper in the domestic market. Therefore, it should be ensured that pepper imported for value addition and re-export within the prescribed
time should be re-exported and should not be allowed to be sold in the domestic market in Kerala.

7.2.3 Register all the Spice Related Geographical Indications

Geographical Indications (GIs) relating to spices can be registered and protected under the TRIPS agreement. Many reputed spices from Kerala (like Allepey turmeric, Cochin ginger, Malabar pepper, Malabar garbled Alleppy green bold) are currently being sold under their GIs. The government must enact suitable legislation for the registration of spice related GIs and convert them in to brand names for better price realization.

7.2.4 Encourage Pepper and Cardamom Replanting

The study found that an important problem affecting pepper cultivation in Kerala is low productivity resulting from senile plantations. To overcome this replanting of senile pepper vines with high yielding varieties should be encouraged. As replanting is expensive, a pepper-replanting subsidy should be allowed to induce the growers to go for replanting. Similarly, for accelerating cardamom replanting, the current replanting subsidy should be increased.

7.2.5 Efforts for Augmenting the Overseas Market for Cardamom

The study revealed that overseas market for Kerala’s cardamom has been almost lost. An all out effort for exporting a portion of domestic production has to be made. Saudi Arabia being the single market for Indian Cardamom, a representative office should be opened there for the aggressive marketing of Indian cardamom. The Spices Board with the co-operation of spices traders should organize a marketing network for cardamom in Gulf countries. So also, advertisement and publicity in favour of Kerala’s cardamom, emphasizing on its qualitative superiority should be organized in foreign countries.
7.2.6 Promote Organic Farming of Pepper and Cardamom

It is observed that there is a growing demand for organic spices in developed countries. Therefore, Spices Board and the government should promote organic farming of pepper and cardamom. Government of Kerala must also announce a policy on organic farming. Idukki and Wyand districts may be declared as organic farming districts.

7.2.7 Continue the Export Subsidy for Pepper

It is found that the export subsidy of Rs.7 per kg for pepper announced by the government, during 2006-07, helped the Indian spices exporters to quote competitive prices for Indian pepper in the international markets and they could export more. But, the export subsidy on pepper was discontinued later. Therefore, the government should continue the WTO compatible export subsidy for pepper, and help to increase the pepper exports from Kerala, which would in turn, ensure better returns to the pepper growers in Kerala.

7.2.8 Conduct Awareness Programmes for Spices Cultivators

The study revealed that the majority of spices cultivators are generally not aware of the impact of WTO Agreements and India’s FTAs on the spices trade. It is also proved that no significant improvements have been made in the quality and standard of spice produces from Kerala even after the WTO agreements. Therefore, Spices Board should conduct awareness programmes for making the spices cultivators aware of the changes to be made in the planting, harvesting, post harvest and storage processes, so that the spice produces from Kerala may become more competitive in the world markets.

7.2.9 Give more Thrust on Research and Development Efforts for Spices Sector

It is observed that current spices market is a global market, where quality and cost factors determine the survival of the products. The WTO agreements also have posed challenges for the spices trade in Kerala. For
complying with the WTO’s SPS regulations, spice-related R&D efforts have to be intensified. New technologies should come up in the spice processing and cleaning sector. Research should primarily focus on productivity, control of pests and diseases, evolution, mass multiplication and supply of high yielding and disease resistant varieties of spice plants. With the shift from plastic to biodegradable packing materials, more research should be done on packing materials for spices.

7.2.10 Ensure Value Addition to Black Pepper and Cardamom

The study revealed that the future of spices trade in Kerala mainly depends on the strength of value addition to spices. The oils and oleoresin units must be encouraged to utilize more of black pepper and cardamom produced in Kerala, than the imported spices. For this, suitable incentives may be given to make up the cost difference between the imported spices and the domestically produced spices.

7.2.11 Make Amendments to the Multiple and Obsolete Laws on Cardamom Plantations

It is observed that multiplicity of laws and obsolete laws is a problem faced by the cardamom plantation industry of Kerala. An expert committee should study the existing laws and make suitable amendments.

7.2.12 Minimize the Occurrences of Labour Unrest and Indiscipline

The study revealed that sudden eruption of labour unrest and indiscipline leading to strikes is a problem in cardamom plantations. To minimize such instances, joint standing orders for cardamom plantation industry and a code of conduct for workers and management should be evolved. A Grievance Redressal Forum also should be set up to settle the labour management grievances.