CHAPTER 7
MARKETING OF SPICES IN INDIA

7.1 INTRODUCTION

No country in the world produces as many varieties of spices as India. Availability of tropical, subtropical and temperate climates and varied soil types make it possible to grow almost all spices. Every state and union territory grows at least a few spices. Andhra Pradesh, Karnataka, Kerala, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and West Bengal are the leading spice producing states. The important spices produced in India are black pepper, cardamom, ginger, turmeric, chilli, garlic, coriander, cumin, tamarind, curry leaf, clove, cinnamon and mint.

Bulk of the production is consumed within the country. Spices are used in various ways of which culinary preparations are most significant. Indian curry is rich in flavor and aroma. Spices find application in many ayurvedic medicines. Extracts are used in perfumes, cosmetics and beauty care products. In religious rites, some of the spices have a prime place. Recent trends in increased consumption of spices in the world food market and growing health concerns have made it to view global spice production and marketing in a significantly changed perspective. Spices are now perceived as an essential ingredient of foods and not merely another commodity.

7.2 COMPARATIVE ADVANTAGE

India has certain natural comparative advantage with respect to the spice trade. There are diverse agro-climatic zones, availability of innumerable varieties and cultivars of each spice suitable for different climatic conditions, comparatively cheap labor, a large domestic market for better buoyancy in trade, a tradition of using spices and spice production in food, medicine and cosmetics. The Indian spice trade has also achieved competitive advantage in the capabilities acquired by the spice industry over the last decade in quality management.
improved packaging and technological innovations in production and processing. The third and most important competitive advantage is the induced advantage to maintain for which policy interventions would be important. Significant structural changes in the world trade mechanism and new issues like environment and human rights are likely to affect patterns of trade. Against this backdrop, strategic policy interventions are a must. Policy interventions need to be targeted at specific spices or geographical areas, to remove impediments adversely affecting the country’s exports.

7.3 HIGH DOMESTIC DEMAND

Spices are important high value commodities traded internationally for many centuries. In modern times, international trade in spices have increased dramatically which could be attributed to several factors including rapid advances in transportation, permitting easy accessibility to world markets, growing demand from industrial food manufacturers of wide ranging convenience foods which are either ready to eat or requiring minimal preparation time in the household, migration of large number of people of different ethnicity with their traditional food habits, to meet the changing requirements of industry and commerce and exposure to culinary delicacies of other regions of the world by increasing business and tourism travel. The growing demographic diversity in U.S and other western countries as well as the desire of consumers to have foods with rich spicy and exotic tastes have resulted in an increasing demand for ethnic foods that contain a variety of spices in restaurants. This has led in turn to a demand for normal foods, including new processed foods at the retail level. Also come along with this increasing demand and consumption of spices in major importing countries like U.S.A, European Union, Japan and The Middle East. An aspect of spice trade and industry which has emerged as important and critical to most importing countries relates to quality and safety. Because of this a wide variety of value added products based on spices and condiments have gained wide acceptance. Indian output is currently estimated to be around 200,000 tonnes per year and still depends on exports. There has been severe shortage of exportable
varieties of spices in certain years. The major reason is burgeoning demand. Demand for spices from the upwardly mobile middle class is on the increase. Changing eating habits and the population explosion are the other factors. In modern times, international trade has increased dramatically which can be attributed to several factors. This huge domestic demand leaves behind little surplus for export and so exports are happening by accident rather than design. Among the reasons causing limited supply of spices are:

7.3.1 Low Productivity of Indian Spices

For some spices, the domestic demand ensures a remunerative price, as with cardamom. But the situation does not in anyway help to improve exports, since our prices are not competitive in the international market. The only option is to raise productivity to international levels so that prices could be competitive without affecting the income of our farmers. The major input, which can offer a higher productivity, is high yielding varieties.

7.3.2 Poor Availability of Inputs

There is another restrictive factor of inputs especially the planting material. Except for cardamom and vanilla, development of all other spices is the responsibility of the State agricultural departments. But the desired State run programmes for production of quality planting material result in loss of genetic purity; e.g. Cochin ginger, Alleppy finger turmeric, Byadagi chilli. These varieties must be protected so that export demand could be met, since there does exist niche markets for these varieties overseas.

7.3.3 Non-Availability of Suitable fertilizers and infrastructure

Plant protection chemicals, suitable irrigation, facilities for on-farm processing and storage and adequate credit are the factors that reduce the acquired comparative advantage. This is also one of the major reasons for the erratic production of individual spices, earning the country the label of inconsistent supplier of spices.
7.3.4 Lack of real time knowledge

This is pushing the illiterate farmer to go in for such crops as may be exclusively cultivated in other areas. The seed companies and agents of big purchasing companies play havoc in such situations. The advancement of information technology should make it easier to know and disseminate real time information so as to avoid over production and the consequent steep fall in prices, which may lead to farmer’s distress. Proper usage of remote sensing network established by the National Informatics Center at district level will provide for rapid transfer of information. Real time knowledge of the possible size of crop could even help exporters to take an advance position in international market.

7.3.5 Inadequate price for producers

This is a recurring complaint of the Indian spice farmer. The price situation is directly linked to the supply position of each year. There are crops like chilli, where huge stocks are maintained in cold storage. The price which prevailed previous year often influences farmers to go in for large scale cultivation irrespective of stocks available and neglecting the possibility of alternate crops. India imported 107.46 tonnes of spices valued at Rs. 678.08 crores per annum\(^4\). Though imported stocks are mainly for value addition and export, a part is meant for stock and sale in the domestic market. Imports do, to a certain extent, suppress the domestic price, affecting the prospects of Indian spice farmers. The alternative is to improve production of these items that are imported and make them available at international prices. This is possible with production support programmes.

7.3.6 Mechanization of spice production and processing

This is the other limiting factor. Appropriate technologies need to be developed to improve productivity of workers engaged in spice production and processing. It will not only help in ensuring hygienic post harvest handling but also in cost effective production. Ginger peeling, solar drying of spices, boiling,
drying and polishing of turmeric, on-farm processing of seed spices are some of the areas that require immediate attention.

7.4 MARKETING TASKS FOR INDIAN SPICES INDUSTRY

Marketing of spices has undergone a sea change. Ready to use spice mixtures, and other value added products designed to fetch better returns have come into the market and are widely accepted. Indian spices come in a variety of forms like whole spices, spice blends, crushed spices, curry mixes, curry pastes, 

pickled spices, Natural food colors, spice oils and oleoresins. Indian spices offer all that an international gourmet looks for in fine foods like freshness, flavor, aroma, taste and most important hygiene.

The Spices Board (Ministry of Commerce and Industry) Government of India is the apex agency for the development and promotion of Indian spices. The Board is an international link between the Indian exporters and the importers abroad. Its broad-based activities include formulation and implementation of better production, quality improvement methods, systematic research and development programmes and education and training of growers and processors. It acts as a data bank and communication channel for importers and exporters and promotes Indian spices abroad. As many as 52 spices and spice products like spice oils and oleoresins, curry powders, spice mixtures come under the purview of Spices Board. The list of spices include Cardamom (large and small), pepper, chilli, ginger, turmeric, coriander, cumin, fennel, fenugreek, celery, pomegranate, saffron, vanilla, horse radish, caper, clove, asafoetida, cambodge, hyssop, juniper berry, bay leaf, lovage, marjoram, nutmeg, mace, basil poppy seed, all-spices, rosemary, sage, savory, thyme, oregano, tarragon, tamarind, etc.

The Spices Board has adopted two major strategies for quality improvement. One is the introduction of Indian Spices Logo; the other is Spices House Certificate. It has a credit in improving the share of value added products in the export basket to 45% in the past one decade. The global food market is flushed with all types of branded spices in consumer packs. All of them address
the consumer with claims and counter claims for visibility and attention. But the packs usually do not reveal the source or origin of the product, nor do they offer a clue as to the quality associated with it. The result is that the consumer is totally confused. The Indian Logo is a major effort to overcome this. The Board awards the Logo selectively to exporters who have certified processing and quality control capability and maintain a high level of sanitation at all stages.

Earlier India exported spices without processing and without any branding. As a result Indian spices were sold in foreign countries in their special brand name losing the major portion of the market value. To avoid this treatment in the international market, India has to promote its agro-processing units to position their brands. It can increase the production and maintain the quality by applying the improved agricultural practices like scientific and hygienic handling during pre and post harvest period, investing in processing facilities, technology and research process.

7.5 CHALLENGES IN MARKETING OF SPICES

As the international market becomes increasingly competitive, it is imperative to enhance the production and productivity and bring down cost of cultivation to make the Indian spices globally competitive. Low productivity and high production cost make Indian spices costlier in the world market. To increase the productivity, technical inventions such as hybridization and tissue culture are to be adopted more intensely. Their cultivation is to be popularized with better farming technology. On farm processing has to be improved by transferring modern methods to farmers. Scientific post harvest handling has yet to come to the agricultural operations in the country especially in spices. This is one of the major reasons for quality problems in spices exports. Our natural competitive advantage in production goes waste due to poor quality of the produce. Cleaning, processing and warehousing facilities at exporter’s level are also to be strengthened. Spice oils and oleoresins which constitute merely 30% of total export from India attract 6% counter-vailing duty in U.S, the major importer of these value added items
while there is no duty for import of whole spices. This discourages the developing countries like India in developing their processing industry in which developed countries have monopoly for decades.

Import of low grade, low priced spices from other countries to India and re-export under Indian label may destroy the quality image of Indian spices in international market and may detrimentally affect the demand of Indian spices in future. India still enjoys only the status of a commodity exporter in U.S, Europe and Japan in the export of spices oils and oleoresins. So far, Indian entrepreneurs and exporters could not develop any brand of their own in these markets. The processors/packers in these countries and a few multinational companies buy Indian products and sell them under their brands at a price 4-5 times more than their cost. Indian brands have yet to find markets beyond middle class and ethnic population's else where.

India is facing stiff competition from other producing countries that supply spices in whole form. Most of these countries have no domestic market for spices they are producing, forcing them to sell their produce even at cost price e.g. Cardamom from Guatemala, Pepper from Vietnam, cloves from Indonesia. Many trade regulations like non tariff barriers like ECO labeling, clear cut specification of production process, child labor, non application of certain chemicals, ISO certification of management systems, sanitary standards and technical regulations are becoming the strong instruments of competition. The changing demands of the consumer in the international market will be a challenge but they will also create opportunities for India.

7.6 EFFORTS IN MARKETING DEVELOPMENT

The problems in the marketing of spices differ from those in other agricultural commodities in the country. Majority of farmers engaged in the production of spices are small and marginal. Due to weak financial position, they prefer to dispose off their small marketable surplus immediately after harvest to village merchants and itinerant merchants or in nearby rural markets. Because of a
long gestation period, farmers find it difficult to invest money for the development of plantations. There is a need to organize growers’ cooperatives for integrating farmer’s production and marketing activities for providing them the maximum benefit from cultivation. It also involves:

7.6.1 Development of transport and communication facilities

Many of the spice growing areas are located in interior pockets where market accessibility is very poor. There is a need to organize and develop transport and communication facilities in such remote areas.

7.6.2 Regulating production and supply of spice

The demand of spices is inelastic. The overproduction creates glut-affecting spices adversely. Even for export-oriented spices like pepper and cardamom (small) excess production has great repercussions. Therefore there is a need to regulate production and supply of spices in the country. The Spices Board needs to look after these aspects in establishing production, prices and export demands.

7.6.3 Institutional marketing

Private traders dominate the marketing of spices with a large number of intermediaries involved therein. The producers get comparatively a small share of price paid by consumers. Apart from the role played by NAFED in procurement and price stabilizing operations in ginger and Cardamom Board for Cardamom, there are no institutional arrangements for protecting the interests of producers/sellers and consumers of other spices. The role of institutional marketing in spices should be extended particularly in view of their economic importance for earning foreign exchange.

7.6.4 Market intelligence and market regulation

The marketing of spices in the country suffers from lack of market intelligence, absence of market recommendations, intermediaries’ trade practices, malpractices and delayed payments to producer/sellers. As per the
recommendations of the National Commission on Agriculture, all the spices should be notified for regulation of marketing therein and the necessary coverage should be given in marketing information system.

7.6.5 Extension of voluntary/ compulsory grading

Virtually, little grading is being done in spices at producer's level\(^\text{11}\). Selected spices such as pepper, Cardamom, Chillies, ginger, turmeric, curry powder, onion seeds etc. are covered under the Compulsory Export Quality and Pre-shipment Inspection Scheme of the Directorate of Marketing and Inspection. The programme of voluntary grading as well as the compulsory grading for exports should be extended to cover other important spices also.

7.6.6 Stabilizing production and ensuring competitive prices for exports

The processing facilities, market intelligence and research should be undertaken to stabilize production and ensure competitive prices in export markets.

7.6.7 Value addition-The currency for future

Value addition in spices is limited to oils and oleoresins, ground spices, curry powder and dehydrated and frozen dried spices. Efforts are to be made to develop and commercialize new end producers like micro-encapsulated spices, sterilized spices and the like for export. More units for the production of value added items should be set up through joint ventures with foreign collaboration for increasing exports.

7.6.8 Improved packaging and branding of spices

Competition is fierce and quality, cleanliness, proper storage and warehousing facilities and distribution should be ensured. In order to survive the price wars branding and higher productivity could help. By increasing the productivity, due to higher economies of scale, costs can go down and thereby increase the profit margins.
Most of the spices are hygroscopic in nature and need specialized packaging in order to maintain the quality. Exporting the consumer packed spices can earn higher unit value for the same quantity. Indian Institute of Packaging has designed containers for spices and spice products. Considering the strong competition in world spice market, building up of brand image is essential in the case of packed spices.

7.7 HYPOTHESIS TESTING

Ho8: Consumers vary in their usage pattern of different spices under study.

Table 7A shows similar trend in Srinagar where the consumption of spices is not very heavy (7%). 27% of respondents from Delhi report very heavy use followed by Ludhiana (22%) and Aligarh (19%). Srinagar tops the list in moderate usage of spices (65%). On the whole, 37.25% respondents from all the cities together show moderate use of spices in their food. City wise usage rate as well as chi-square test show significant difference in usage of spices (calculated chi-square value is 0.854).

Therefore the above hypothesis is accepted.

Table 7A: Usage level of Spices in consumers of different cities

<table>
<thead>
<tr>
<th>Variable</th>
<th>Srinagar</th>
<th>Ludhiana</th>
<th>Delhi</th>
<th>Aligarh</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Very heavy use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>75 (18.75%)</td>
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<tr>
<td>Heavy use</td>
<td>7</td>
<td>22</td>
<td>27</td>
<td>19</td>
<td>144 (36%)</td>
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<tr>
<td>Moderate use</td>
<td>13</td>
<td>57</td>
<td>43</td>
<td>31</td>
<td>149 (37.25%)</td>
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<tr>
<td>Less use</td>
<td>65</td>
<td>15</td>
<td>27</td>
<td>42</td>
<td>25 (6.25%)</td>
</tr>
<tr>
<td>Very less use</td>
<td>11</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>7 (1.75%)</td>
</tr>
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<td>Total</td>
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<td>100</td>
<td>100</td>
<td>100</td>
<td>400</td>
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<td>Usage Score</td>
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<td>95</td>
<td>93</td>
<td>59</td>
<td>255</td>
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<tr>
<td>Usage rate</td>
<td>0.08</td>
<td>0.95</td>
<td>0.93</td>
<td>0.59</td>
<td>0.637</td>
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7.8 CONCLUSION

Recent trends in increased consumption of spices in the world food market and growing health concerns have made it to view global spices production and marketing in a significantly changed perspective. Spices are now perceived as an essential ingredient of foods and not merely another commodity. The future success of spices industry, to a great degree, depends on the ability to establish standards and regulation for production, processing and marketing the commodity. These regulations have to be in balance with the economics of production, the realities of provable health claims from utilization and the marketing factors that are characteristic to the industry. India has to take a number of coherent steps to increase the productivity and reduce the production cost. The only option is to raise productivity to international levels so that the prices could be competitive without affecting the income of our farmers. The major input, which can offer a higher productivity, is high yielding varieties.

REFERENCES

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