Chapter VII

SUMMARY, CONCLUSION AND SUGGESTIONS

7.1 Introduction

Producing more than six million tonnes of different categories of spices worth of approximately four billion US Dollars, India meets about 50 percentage of the rest of the world’s requirements even though it is only less than 10 percentage of our spice production. Although consumption of spices has been growing steadily all over the world, in the international scenario after first January 1995, India has been facing challenges in the world market and also seeking the new opportunities of liberalised trade. In the globalised world, the notion of self reliance is a myth and any event whether it is economic, political, social, cultural, and natural, etc. creates consequent ripples in other parts of the world as well. Various studies show that different agricultural commodities exported from India have been responded differently and their levels of growth and comparative advantage in the international market have changed much during the WTO regime.

In this context, it is most apt that an investigation be made to find out the changes in the export performance of major spices, taking into account performance in growth rate, instability of growth rate, trend of growth rate, composition of export, direction of export, export performance ratio and prospects of major spices in earning foreign exchange. So the study is peculiar and relevant in this context.

The researcher has studied and analysed a large number of books, articles, reports, theses and other literature on spices, trade,
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export, export performance, measurement of export performance of spices and other products. The research has been motivated by the concern about how the unrestricted trade in the new world scenario affect the traditional export of a developing country like India?

In retrospect, this thesis has investigated the change in export performance of Indian spices export in the WTO regime. The following research objectives have been posed and examined by the research.

1. To analyse the growth in the export of major Indian spices and spices products during the Pre-WTO and WTO periods.
2. To examine the instability and trends in the growth rate of spices exports during the Pre-WTO and WTO periods.
3. To examine the changes in composition and direction of Indian spices export during WTO regime
4. To find out the export performance of various spices and spices products during WTO regime and to compare the performance with Pre-WTO.
5. To find out the prospect of major items of spices and spices products to earn foreign exchange.

The study was exclusively based on secondary data obtained from authentic sources such as-

Spices Statistics 1998 and 2004, Spices Board of India
Spice Export Review 2007, Spices Board of India
Statistics Division, Spices Board of India, Cochin 2014
Directorate General of commercial Intelligence and Statistics, Calcutta, 2014
UN Comtrade Statistics, 2014
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Reserve Bank of India Hand Book 2014
WTO Statistics 2014
Economic And Political Weekly, Various issues
Official Websites of Government Departments,
Government Boards, WTO, UNO, RBI, etc.

The important mathematical and statistical tools used for the study were

Chow Test
Average Annual Growth Rate (AAGR)
Compound Annual Growth Rate (CAGR)
Standard Deviation (STDV)
Ordinary Least Square (OLS) Methods
Balassa’s Revealed Comparative Advantage (RCA)
Elasticity of Value with respect to quantity (EV)
Percentage
Ratios

Important Diagrams used for the presentation of data are

Bar diagrams
Pie diagrams
Line Chart

The following sections present the summary of study as well as key findings

7.2. SUMMARY

Following the introductory chapter, the second chapter presents the review of literature on trade, gain from trade, export and its determinants, export performance, determinants and measurement of export performance, spices, spices export and its performance, export performance of related products etc.
Chapter three presents the overall view of spices and spices exports of India from 1985-86 to 2012-13. For the presentation of data, a large number of tables were used. It provides a full picture of India’s major spices export during the study period.

Chapter four, five and six are related to the specific objectives of study. The information and data given in the third chapter were analysed on the basis of the objectives, using the tools of analysis, for obtaining the answers. These three chapters gave solutions for the five research objectives.

7.3. MAJOR FINDINGS

7.3.1. Findings on Growth of Spices Export

1. During the WTO regime, the Average Annual Growth Rate (AAGR) of five items such as cardamom (S), chilli, cumin, nutmeg & mace and mint products are higher than the AAGR of aggregate export of India and five are close to it.

2. During WTO regime, the CAGR of five items such as cardamom (s), cumin, nutmeg & mace, mint products and curry products are higher than the CAGR of aggregate export of India and the growth of four items are close to it.

3. During the pre-WTO period only the AAGR of oil and oleoresins showed a growth rate higher than the growth rate of aggregate export.

4. The CAGR of chilli, coriander, cumin and fenugreek were higher than the CAGR of aggregate export during the pre-WTO period.

5. In the initial ten years of WTO period, the AAGR and CAGR of aggregate export have declined. During that period AAGR of
chilli, coriander, nutmeg/mace, mint products, spice oil, oleoresins and curry products were higher than the growth rate of aggregate export, whereas CAGR of coriander, cumin, nutmeg & mace, mint products, oil and oleoresins, and curry products were higher than the growth rate of aggregate exports.

6. During the period of 2001-02 to 2004-05 growth rates of many spices declined and the number of items having the growth rates higher than the growth rates of aggregate export have declined much.

7.3.2. Findings on Instability in the Growth of Spices Exports

1. Spice export and growth rate in export were highly unstable during the whole period of study, but volatility decreased during the WTO regime except for ginger.

2. In the recent ten years the instability in the growth rate of cardamom, turmeric, tamarind and mint products increased as compared to the first ten years of WTO period.

3. During the WTO period, items having a comparative stable growth are turmeric, coriander, tamarind, spice oil and oleoresins and curry products.

4. In recent years the instability in the export growth of some items such as pepper, cardamom(S), turmeric, coriander, tamarind, mint products, spice oil and oleoresin have increased.
7.3.3. Findings on Trend in the Growth of Spices Exports

1. During the WTO period, the growth rate of eight items show positive trend and they are pepper, cardamom (S), ginger, turmeric, cumin, fenugreek, mint products and tamarind.

2. In the recent period (2003-04 to 2012-13), the number of items of spices showing the positive trend in growth rate has increased to eleven. Only the growth rate of chilli and turmeric exhibit negative trend in growth rate.

7.3.4. Findings Regarding Composition of Spices Exports

1. Even though India’s export basket consists of around fifty spices and more than eighty spice products (value added spices), ten items contribute around 90 percentages of export earnings.

2. During the WTO regime (1995-96 to 2012-13) the composition of spice export has changed. The combined share of India’s traditional items of spices such as pepper, ginger, tamarind and fenugreek have declined considerably from 34.16 percentage to 9.46 percentage. On the other hand, the share of some new items of Indian export such as nutmeg and mace, and mint products have increased from 5.98 percentages to 32.07 percentage.

3. During the WTO period, the share of pepper has declined sharply to 6.02 percentages from 24.4 percentages. The share of mint products has been sharply increased from 5.9 percentages to 29.73 percentages.

4. The share and ranks of value added spices such as curry products, mint products and oils and oleoresins have almost
doubled. It was only 22.38 percentages during 1995-96 and it increased to 44.15 percentages during 2012-13.

### 7.3.5. Findings regarding the Direction of Spices Exports

1. The share of export to the countries other than the major export destination has increased for all items of spices during the WTO period. This increase is substantial for cumin (14.3 percentage to 73.04 percentage), mint products (10.58 percentage to 58.07 percentage) and spice oil and oleoresins (20.83 percentages to 47.45 percentages).

2. Even though the share of export to USA and UK have decreased for some spices, they have gained in some other spices and continued to be the largest markets for Indian spices.

3. There exists wide instability in the share of export to majority of countries.

4. South Africa and Saudi Arabia are more stable markets for some major Indian spices.

5. During the WTO regime, the increase in market share of UK, UAE, Japan and Malaysia are more than the decrease in the market share of spices.

### 7.3.6. Findings on Revealed Comparative Advantage of Spices Exports

1. During the Pre-WTO period, out of the eleven spices and spices products, eight had RCA greater than one, and three had RCA less than one.
2. During the WTO period, ten items showed RCA greater than one and only one, i.e., mace showed RCA less than one. In the case of mace too, comparative disadvantage is decreasing.

3. For commodities like pepper, coriander, ginger and turmeric, RCA has declined during the WTO period, but still they have high RCA.

4. For majority of spices and its products RCA are is not stable in nature.

5. RCA which is calculated using the seven years average export of Pre-WTO and WTO period also shows the same trend.

6. Out of eleven spices other than the major Indian spices, the number of commodities having RCA greater than one increased from six to eight during the WTO period.

7.3.7. Findings on Prospects of Major Spices to Earn Foreign Exchanges

1. The elasticity of values with respect to quantity (EV) of all major spices is greater than one in terms of Indian rupees and US dollars during the WTO period. It shows that, the prospect of earning foreign exchange is more during WTO period for spices.

2. Pepper, ginger, cardamom, nutmeg, tamarind, turmeric, coriander, mint products and curry products are the spices and spices products having high prospects for earning foreign exchanges, so their export is to be promoted to earn more foreign exchange.
7.4. SUMMARY OF FINDINGS

As regards the first and second objectives of the study, the research found that, the number of major items of spices exports having an Annual Average Growth Rate (AAGR) and Compound Annual Growth Rate (CAGR) greater than the growth rate of India’s aggregate exports has increased much during the WTO period and the growth rates of all items except pepper are double digits. Since many of the internal and external shocks affect a country’s export in the globalised world, against the general belief, India’s spices exports growths are more stable during the WTO period than the pre-WTO period. Even though the number of spices having positive trend in growth rate is less during the whole period of WTO compared to the pre-WTO period, recent ten years growth trend is more encouraging than the pre-WTO period.

Regarding the third objective, the study found that, the composition of spices export during the WTO period has changed. The shares of traditional items of spices have declined while the export of some new items and value added items have increased. Even though the USA and the UK are continue to be the largest market for many Indian spices, the share of export to the countries other than the major export destination has increased for all major items of spices during the WTO period.

Regarding the fourth objective, the study found that even though the RCA of some items of spices have declined during the WTO regime, the number of items having comparative advantage (RCA >1) increased, and even to the item (mace) suffering comparative disadvantage in export experienced a decline in disadvantage. For majority of spices RCAs are not stable during WTO period.
As regard the fifth objective, the study found that, the prospects of earning foreign exchange of major Indian spices is high during the WTO regime. India can earn more foreign exchange through the export of spices and their products.

7.5 CONCLUSION

India requires a huge amount of foreign exchange for its essential imports and for achieving rapid growth. Millions of job opportunities have to be created to utilise the youth for nation building. Even though a country has different sources of foreign exchange, export earning is the safe way of obtaining it in the long run. Export of high valued traditional products not only gives foreign exchange to the nation but also employment to large number of people. Spices are the traditional products of India whose production process is highly intensive in semi and unskilled labour, with high domestic and foreign market prices compared to other traditional products. The new world trade scenario with the establishment of WTO, has affected Indian spices export considerably. Considering the growth of export, trend and instability in growth, changes in the composition and direction of spices, export performance ratio and the prospects of spices in earning foreign exchange, one can conclude that the overall performance of spices exports during the WTO regime is satisfactory. But there is a decrease in market share of spices export during the WTO period. It reflects that, the favourable conditions in the international market are not exploited by India. High RCA and EV of major spices amidst the low export shares show that India’s export performance of spices during the WTO regime is not mainly affected by external demand as suggested by Ragnar Nurkse in his Demand Deficiency Thesis (supported by Singer and Prebisch), but because of internal supply factors as suggested in Supply Deficiency Thesis, (supported by K.S Dhinsha,
Dacosta, Goddamwar, etc.). But the fluctuations and decrease in demand during the recession period (Economic Survey 2002) show that external demand is also a determinant of Indian spices export. From this one can conclude that both the domestic supply factors and foreign demand factors influence the export performance of Indian spices. The long term performance of Indian spices exports are mainly influenced by domestic supply factors as suggested by Supply Deficiency Thesis and short term performance is mostly influenced by external demand factors as suggested by Demand Deficiency Thesis.

7.6 SUGGESTIONS

Spices are generally high valued labour intensive and resource intensive products. Production and export of such products creates more employment opportunities and helps to earn more foreign exchange to the country. India has Revealed Comparative Advantages in the production of majority of spices, and their prospects of earning foreign exchange are high during the WTO regime. Hence adequate measures have to be taken to promote the export of spices and their products especially those having high prospects of earning foreign exchange.

On the basis of the findings of the study, the following suggestions are made for the improvement of export performance of Indian spices.

Measures to Increase Domestic Supply

- Export growths of Indian spices are highly volatile in nature. The main reason for such volatility is the instability of domestic supply of spices. Therefore adequate support has to be given to farmers in the form of supply of high yielding
varieties of seeds, fertilizers, pesticides and insecticides, free of cost or at concessional rate.

- Crop disease and failure are very common in spice sector, therefore farmers should be brought under the Crop Insurance Scheme and delay in the compensation should be avoided.

- Since majority of spice producing countries are able to supply spices at a lower price than India in the world market, efforts are to be taken to increase productivity and to reduce price.

**Measures to Increase Foreign Demand**

- Instead of exporting spices in the raw form, India should export more value added spices in the light of changed market behaviour, changes in consumer preferences, emergence of super market and shopping malls.

- Since the quality stipulations of different countries are different and countries like USA, UK and Middle East are becoming more health conscious, quality of spices should be increased. Information regarding the quality stipulations laid by different countries and their changes has to be passed to the farmers and exporters by the concerned authorities.

- Since International Trade fairs are very common in the modern world, spices exporters should participate in all possible trade fairs and exhibitions in different part of world to familiarize spices and spices products to new buyers.
FUTURE RESEARCH SCOPE


2. Changes in the Direction of India’s Spice Export during the WTO Period and its Impact on Quality and Composition of Spices Exports.