MARKETING OF CARDAMOM

S. Krishnan Nair “The problems of production and marketing in the cardamom industry with particular reference to Kerala” Thesis. Department of Commerce and Management Studies, University of Calicut, 2006
CHAPTER IV
MARKETING OF CARDAMOM

The economic prosperity of growers depends on the income earned by marketing the farm output, which in turn depends on the demand for the produce. Demand in turn depends on consumption pattern and the marketing machinery. An attempt is made in this chapter to examine the present marketing practices and marketing machinery in cardamom trade.

The demand for spices in the aggregate is relatively stable in the short run as in the case of any other agriculture produce like food stuffs and raw materials. The supply of agricultural products fluctuate widely from year to year, from one part of the year to another, and from one area to another, one farm to another on account of variations in acreage under cultivation and variation in yields due to seasonal and weather conditions, more supply during certain months of the year, variations in the conditions of marketing, variations in imports or exports, long chain of intermediaries between the consumers and producers etc. The fluctuation in supply constitutes the most important factor responsible for the wide fluctuations in prices of spice crops. Institutional efforts and arrangements in areas such as regulated markets, monopoly procurement, standardization of weights and measures, Agmark
grading, minimum support prices etc., have not always had the desired effect and failed to improve the marketing structure and their efficiency.

Consumption of Cardamom

At present, Saudi Arabia is the largest consumer of small cardamom in the world. Saudi Arabia consumes the bulk of the cardamom in the world. And demand is especially high one month before Ramadan. This is because, during the holy month, making cardamom coffee is a daily task in every family, in preparation for the breaking of the fast.¹

Japan, Malaysia, UK, Oman, Kuwait, Bahrain, South Africa, Hong Kong, Greece, Qatar, USA, Italy, UAE, Korea (South), France, Canada, Singapore, Netherlands and others are also consumers of Indian cardamom.

India is the second largest consumer. Global consumption of Cardamom is estimated as 15000 Tonnes to 24000 Tonnes. On the other hand the current domestic demand for small cardamom has been estimated at 11000 MT. The retail market size in South India is estimated at around 30% for small cardamom. The share is highest in West India (45%) followed by the North India (35%) and lowest in East. Industrial consumption of cardamom particularly by the pharmaceutical / Ayurveda and cosmetics is the highest and accounts for over 45% of the total consumption. A clear regional

disparity is visualized in cardamom consumption pattern. Though the urban areas contribute large share of its consumption, in recent years rural market is also gaining importance and growing at a very high rate than the urban market. Household uses of this spice are very limited mainly due to the high price, but seasonal buying has been increased. Internal consumption of cardamom is given in the following table.

**TABLE 4.1**

**Internal consumption of Cardamom**  
(Quantity – Tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Internal consumption*</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>3170</td>
<td>1465</td>
<td>100</td>
</tr>
<tr>
<td>1980-81</td>
<td>4400</td>
<td>2055</td>
<td>140</td>
</tr>
<tr>
<td>1990-91</td>
<td>4750</td>
<td>4350</td>
<td>297</td>
</tr>
<tr>
<td>2000-01</td>
<td>10480</td>
<td>8935</td>
<td>610</td>
</tr>
<tr>
<td>2004-05</td>
<td>11415</td>
<td>10540</td>
<td>720</td>
</tr>
</tbody>
</table>

* Calculated as the difference between production and exports  
Source: Compiled from Spices Board records

Table 4.1 shows the increase in internal consumption over the last two and a half decades. In the beginning of the period it was 1465 tonnes, which increased to 2055 tonnes over the next 10 years, recording a growth of 40 percent. Again during the next decade domestic consumption more than doubled, compared to 1980-81 levels. Almost the same tendency is noticed over the next 10 years also when internal consumption reached 8935 tonnes.
The index reached 610, compared to base year. In 2004-05 domestic consumption further increased to 10540 tonnes, registering a more than seven fold increase compared to 1970-71. This phenomenal growth trend can be attributed to the promotion strategies adopted by erstwhile Cardamom Board and Spices Board and the increased affinity of consumers towards natural flavourings and food additives. Domestic consumption of cardamom in India is given in Fig. 4.1 also.

**Fig. 4.1**

**Internal Consumption of Cardamom**

Present day consumers are well aware of the ill effects of artificial ingredients and flavourings in food products and they prefer only natural

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additives and supplements. And this consumers' preference indirectly influenced manufacturers and food processors to opt for natural cardamom wherever its flavour is required.

Household consumption in the country, according to industry sources, is estimated at 6,150 tonnes with an annual growth of 3.7 per cent, while 2,050 tonnes are absorbed by the industry engaged in manufacturing of mouth fresheners, ayurvedic drugs, pan masala and curry powders which is said to be growing at 15 per cent a year. The intake by confectionaries, sweet makers and bakers is estimated at 1,250 tonnes with annual growth of 10 per cent.

USES OF CARDAMOM

Demand for cardamom depends upon the nature and extent of requirement of cardamom capsules and cardamom based products for consumption. So it is worthwhile to discuss its various uses.

Cardamom is a versatile spice as far as its uses are concerned. Varied are the uses to which cardamom is put.. Perhaps, that is the only spice that can flavour fully blend with anything edible or potable. Cardamom goes extremely well with Coffee, Tea, Milk, Fruit Juice, Soft Drinks and Alcoholic Beverages. It also enhances the taste and flavour of vegetable curries, meat
preparations, bakery products and toffees. Cardamom has a calorie value of 229 kilo calories per 100 Gms. of edible portion.\(^3\)

Cardamom flavour is smooth, spicy, slightly bitter, camphoraceous, cinolic, sweet, cooly, lemony with a tingling, metholic taste. Its aromatic content makes it ideal for supplementing or fortifying the existing flavour or for camouflaging or modifying some undesirable flavour inherent in the base product.

Cardamom is rich in proteins, carbohydrates, calcium, phosphorus, iron etc. It is the volatile oil, which is present to the extent of 6 to 8 per cent in the seeds that gives cardamom its characteristic aroma and related properties. The husk also contains about 0.2 per cent of the oil. The oil is a colourless or pale yellow liquid with a penetrating odour and pungent taste. The oil of cardamom is obtained by steam distillation of whole fruits and contains cineol, terpincol, terpinene, limonene and sabiene. Cardamom oil is volatile. It is easily soluble in alcohol. This is advantageous in its use for flavoring. But the oil lacks the full flavour of the cardamom seed. Oleoresin of Cardamom; is prepared by solvent extraction of ground seeds and the

\(^3\) National Institute of Nutrition, ICMR, Hyderabad, India
subsequent removal of the solvent. It is a dark green liquid containing 70 to 75 per cent volatile oil.  

When the usage pattern of cardamom is analysed, it was seen that, in the Middle East Countries the highest per capita consumption of cardamom is prevalent. Cardamom is mainly used for the preparation of ‘Gahwa’ or ‘Cardamom Coffee’. Drinking of cardamom coffee is a universal habit among Saudees, Kuwaitees, Quatarees and others, and in fact, forms part of Arab tradition and culture. The Arabs regard serving of Gahwa to guests as a foremost gesture of hospitality. In their daily life Gahwa is taken at all times of the day, but it is customary to take it after each meal, lunch or dinner. In the Gahwa, which is a mixture of cardamom and coffee decoctions, the content of cardamom goes up from 50 to 90 per cent, depending upon the affluence of the person serving it.

In Saudi Arabia, however, cardamom enjoys almost universal popularity, and a well-prepared pot of Arab coffee, with praise for the generous quantities of cardamom in it, is a staple subject of traditional colloquial poetry in Arabia. During the period between Ramadan and the Hajj, the Muslim pilgrimage to Mecca, consumption increases because between one and two million Muslims enter the country as pilgrims, swelling the population during a three-month period. Throughout the kingdom, green

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4 www.indianspices.com
coffee beans are lightly roasted, crushed with a mortar and pestle, or ground in an electric coffee mill, and boiled briefly with ground cardamom seeds. If you order ready-ground cardamom coffee in a specialty store in Arabia, the clerk will add five or 10 grams of ground spice to 250 grams of coffee, but for special occasions, or to honor a guest with a particular display of generosity and good manners, quite large quantities of cardamom may be used. The spice gives the brew a greenish tint and a heady fragrance, and in some variations, it is the cardamom, and not the coffee, that is the dominant flavor.

It is important to note that the custom of drinking cardamom coffee is prevalent only among the Arabs of the Persian Gulf countries and not among other Arabs in Lebanon, Syria etc, who prefer to take “Turkish coffee”, “Gahwa-Turk” as they call it, in which cardamom is added in small quantities not exceeding five percent. The extent of cardamom used in cardamom coffee thus varies from three per cent to 90 per cent among different sections of peoples in the Middle East. It is also interesting to note that the Government of Qatar imports cardamom from India and elsewhere and distributes the same through ration shops as an essential commodity. Arabs also use cardamom in rice and meat preparations. They buy bold green capsules of cardamom and use it after grinding it afresh. It is also customary; to show the quality of cardamom to the guests as a matter of prestige before it is used in the preparation and serving of Gahwa to them.
In Chinese system of medicine, cardamom oil is used as an aromatic, carminative and stomatic.

Cardamom first appeared in Europe after the scientists attached to the staff of Alexander the Great sent it back from India in the fourth century BC. Alexander had plants and other specimens sent to his tutor, Aristotle, and it was Aristotle's successor, Theophrastus, "the father of botany," who first mentioned cardamom in the West. It was later used in Rome to make perfume. When Roman trade collapsed after the empire's fall, cardamom, too, disappeared from Europe. It reappeared only in the early middle ages when the Crusaders returned from the Middle East, bringing with them, among many other comforts, spices used for medicinal and culinary purposes. In Scandinavia, Germany and Russia, cardamom is still commonly used in breads, cakes and pastries, though it has not been as warmly accepted elsewhere in Europe.\(^5\)

Western countries import cardamom as capsules, powder, oil, oleoresin etc for the preparation of ready to use food or beverages.

The Scandinavians mainly use Cardamom in the baking of ‘coffee-cake’, the British and Japanese use it in curry, ham and sausages. The Germans use cardamom in various spice mixes for sausages and processed meat products. The Americans use it in baked food and the Russians in

pastries, cakes and confectionary. In certain European countries cardamom is used in beverages, including alcoholic liquors. In France it is used in perfumes and toiletries.

India is the second largest consumer of cardamom after Saudi Arabia. The main use in India is for flavouring food preparations especially sweet dishes. Pan masala or chewing mixture is another area in which cardamom is consumed in large quantities. In fact, cardamom traders and exporters have developed a particular grade of cardamom entitled 'Panbar', resembling Agmark grade of AGS 2 for supplying to Panwalas in North Indian centers.

The pan is a mixture of betel nut, arecanut, chewing tobacco etc and a capsule of cardamom. It is usually taken after the food and is said to be good for easy digestion when heavy meals are taken. Of late, manufactured pan masalas are also available in consumer packs to be used as mouth fresheners. The consumption of freshly made 'pan masalas' and manufactured ones are very common and popular in North India, that the consumption of cardamom; in this area would be high.

Hoteliers and bakers constitute another important group. They use cardamom in large quantities for flavouring food items, sweets and bakery products.

Cardamom also finds an important place in Ayurvedic Medicines and in a few medicines of other systems. Cardamom is a powerful aromatic,
carminative, stomachic and diuretic and checks nausea and vomiting. Cardamom is also said to be an effective cardiac stimulant and is indicated to be good for bronchial ailments. It is also an effective aphrodisiac.

In the great Ayurvedic treaties of Charaka and Susrutha, ‘ela’ (cardamom) is mentioned as a drug of choice in the management of diseases of digestive, respiratory and uro-genital systems. Cardamom is however rarely prescribed as such but commonly as adjuvant or correctives of cardiotonic, brochodialative and digestive medicines.⁶

Cardamom is used in as many as 24 of the most important preparations in Ayurvedic system in the form of decoctions, oils and powders as well as medicated fermented beverages like ‘Arishta’ and ‘Asava’.

In India, cardamom was sometimes prescribed, along with cinnamon, ginger and turmeric, to remove fat and cure jaundice and urinary infections. The Indian Ayurvedic system of medicine, based on the earliest Brahmanic texts, recommended that spices such as cardamom and cloves be wrapped in betel-nut leaves and chewed after meals to increase the flow of saliva, help digestion and eliminate bad breath, and millions of Indians do precisely that today.

In Unani system of medicine, cardamom checks nausea, vomiting and headache. It is also a refrigerant, resolvent, cardiac stimulant, absorbs moisture, expels wind, helps digestion and hepatic colic.\footnote{7} 

Cardamom is used in allopathic preparations like carminative mixture, tincture etc. Also in India, certain health foods have been brought out with cardamom flavour. Cakes, biscuits, toffees, chewing gums etc with cardamom flavour are popular in the Indian market.

Muslims in north India, who smoke hookah, add cardamom husk to tobacco in the ratio of 1:3. Betel nut factories in Andhra Pradesh mix cardamom with supari as flavouring agent. Kimam is a tobacco paste, made spicy by adding cardamom. Cardamom is sometimes presented as a prestigious gift during marriages and festivals.

The future of cardamom industry as a whole and that of India in particular, mainly depends upon its entry into the food industry and certain non food industries. New uses and related products are also to be developed. Along with marketing of cardamom capsules, its oil, oleoresin and powder in attractive consumer packs in the existing markets could be marketed.

\footnote{7} www.indianspices.com
A. DOMESTIC MARKETING OF CARDAMOM

The early commercial policy of the Government of Travancore* was one of perpetuating the State Monopoly of trade in almost all commodities of commercial importance. So Cardamom came under the monopoly of the State. Until the first quarter of the 19th century, the Government used to collect Cardamom for trade purposes.

The abolition of Cardamom Monopoly in 1896 was followed by the introduction of land tax system (for 5 years). This resulted in a change in the Marketing system also and there emerged the system of private trading in Cardamom. But in the wake of the abolition of Government trading of Cardamom and the introduction of private trading, there was no arrangement to ensure fair prices to the growers, especially to small holders. Because of the increase in area and production of Cardamom the number of traders also increased. There was no organized marketing system in Travancore during the 1920s and 1930s. The auction centers numbering nearly 10 organised by Planters Association and by individual auctioneers were spread over the Cardamom growing areas of Tamil Nadu and Karnataka.

An organized Marketing system was started in Kerala only in 1959 at Vandanmettu (presently in Idukki district), under the auspicious of the Cardamom Marketing Corporation, an organization of large growers of Cardamom.

* An erstwhile princely state, now part of Kerala
cardamom. This auction center till recently was one of the leading auction centers of cardamom in India. But now it is defunct.

For promoting cultivation and marketing of Cardamom, the Government of India constituted a Cardamom Development and Marketing Advisory Committee in 1963 and the Cardamom Board in 1966 under the Cardamom Act, 1965. In 1977 the Cardamom (Licensing and Marketing) Act was passed which brought different functionaries like Auctioneers, Dealers and Exporters under the control of the Board. The three market functionaries via, Auctioneers, Dealers and Exporters have to take licenses from the Board to function. However, Cardamom Board was abolished and Government constituted a new Board for all Spices including Cardamom in 1985 under Spices Board Act and all the activities performed by the Cardamom Board and Spices Export Promotion Council are brought under the purview of the Spices Board. Thus, Cardamom, at present, is having a regulated market by restricting the entry of different functionaries with a view to ensuring fair prices and timely payment of the sale proceeds to the growers.

As per the Cardamom (Licensing and Marketing) Rules, 1987 only the authorised dealers can distribute Cardamom. The Board grants permission for dealing in Cardamom both for internal and export trade. No producer of Cardamom shall sell his produce otherwise than through a Licensed Auctioneer or a Dealer licensed to purchase Cardamom from producer. The
aforesaid dealers alone can deal in the distribution of Cardamom in India and abroad. The License holders are exporters, Dealers, Auctioneer and RCM Licensees (Registration Membership Certificate and it enables them to get incentive while exporting cardamom). Dealers are simply license holders, having the right to purchase cardamom from growers or from auctioneers.

Major markets of Cardamom in India are Cochin, Thodupuzha-(Kerala); Saklashpur, Mercara, Medikeri, Mangalore-(Karnataka); Bombay-(Maharashtra); Virudhunagar, Cumbum, Bodinayakanur, Thevaram, Pattiveeranpatti-(Tamil Nadu). Major assembling markets of cardamom in Kerala are Kumili (Dist.-Idukki) and Vandanmedu (Dist. Idukki). Major trading centers of cardamom are given in Appendix 7.

In the Cardamom Industry, the traditional system of primary marketing i.e., the auction system has been prevailing in Kerala, Karnataka and Tamil Nadu. Normally, a major part of cardamom crop is sold through auctions conducted by the auctioneers in the producing areas of Kerala, Karnataka and Tamil Nadu. The planters sell the rest directly to the dealers licensed by the Board.

**Grading**

Grading is done both by growers and traders. As per the Cardamom Grading and Marketing Rules, 1962, there are 34 different Grades of Cardamom and the first five to six Grades are generally known as Exportable
Grades, as these grades are having good overseas markets. These varieties are:

1. AGEB  
2. AGS  
3. AGS-2  
4. AGB  
5. AGB-1  
6. BL-2

Details of cardamom Grading and Marking Rules and are given in Appendix 8.

There are different varieties of cardamom based on weight and size of the capsules. Important of them are given below with a small description.

1. **Bold:** It is popular export grade; 90% and above capsules will be having 6.5 mm and above diameter, matured and greenish colour. Lt. Wt. (weight per litre) will be 415 Gms.

2. **Super Bold:** It is a very special variety. All capsules will be matured greenish and having above 8 mm diameter size. Lt. Wt. will be more than 450 gm.

3. **Extra Bold:** Best in the Export market. All capsules will be matured, greenish and having 7 mm and above diameter. Lt. Wt. will be 435 gm.

4. **Bulk:** This is the grade of cardamom produced as it is. This grade will contain all size, matured and immature capsules, black, yellow and splitted cardamom. This is to be graded.
5. **Small**: Small size cardamom having size between 5.5 mm and 6.5 mm. Lt. Wt. will be around 385 Gms.

6. **Open / Splits**: More than 60% capsules will be in open condition and the colour may be partly greenish or pale yellow. All capsules will be matured and the sizes are 6.5mm and above.

7. **Seeds**: Black / Brown colour seeds are the original content in every cardamom capsule. The husks were fully removed. Lt. Wt may be around 550 gm to 600 gm.

8. **Fruit**: Fruits are generally over matured capsules with slight yellowish colour and Lt. Wt. over 425 gm.

The most important grades of Cardamom in the trade are; Greens (Green pods, artificially dried in kilns or hot rooms or, curing chambers); Sun dried pods (light coloured, dried in the Sun), Decorticated (Hulled seeds); Bleached (pods that have been chemically bleached by fuming with burning Sulphur or Hydrogen peroxide - this type has become less important in recent years). Green and sun dried pods account for 85 per cent of the world export market in cardamom, Seeds for about 10 per cent and Bleached for the balance.
Internationally accepted and most commercially imported varieties of Cardamom are Malabar Cardamom, Sri Lankan Cardamom and Cambodian Cardamom.

**Different forms of cardamom marketed**

- Cured and dried capsules
- Decorticated Cardamom – Seeds
- Oleoresin
- Cardamom powder

**Present trends in cardamom marketing**

Recently the cardamom marketing scenario is taking a new turn. The traditional and age old methods are done away with, which is a welcome move. The Cardamom growers in Kerala and Tamil Nadu formed a new company called South India Green Cardamom Company Limited to take up direct marketing both within India and overseas. Mr. P.C. Syriac, former Chairman of the Rubber Board, would be the Managing Director of the company. The company, registered under the Companies Act and promoted by 50 planters, will start its first trial retail marketing in Madurai next month. The company planned to bring all the 25,000 planters registered with the Spices Board into it, in which traders would also be given shares. It has been

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floated with an authorised capital of Rs 50 lakh and that would be enhanced based on its success.

The objective of the company is to ensure remunerative prices for the cardamom growers for which it would take up, apart from production, procurement, grading, pooling, handling, processing, marketing, selling, import and export of cardamom and its products. Besides, a R&D unit would also be set up. Already the company has set up a packaging unit at Cumbum in Tamil Nadu where small pouches are being manufactured. Initially, for trial marketing, pouches with two grams of cardamom, priced at Rs 2 will be made available. The idea is to sell it to small teashops and through other small retail outlets to cater to the poor people for whom this spice remains unaffordable. Depending upon the success of trial marketing in Madurai, it would be taken to other areas in due course.

At present, the consumers of cardamom in the country are mainly the elite and upper- and middle-class families. The marketing of small pouches would increase the per capita consumption of this commodity in the country, which would create more demand, according to Mr. S. Prabhakaran, a Cumbum-based planter. At the same time it would help eliminate the exploitation by a string of intermediaries and that it would ensure the farmers of better prices.
Another development is the decision of NMCE to start futures trading in cardamom. National Multi-Commodity Exchange of India Ltd (NMCE) has introduced futures trading in cardamom 7 mm AGEB variety from February-March 2006. The 7 mm contract will run concurrently with the 6 mm AGB variety on NMCE trading terminal. Most of the AGEB variety was usually meant for export; therefore, the exchange had designed the contract by focusing on export parameters of cardamom bold. The exchange would like to follow Agmark special grade with 435 g/l lighter weight. Its trading unit will be one quintal and moisture content 11 per cent. The exchange also proposes to add two new Central Warehousing Corporation warehouses for the storage of cardamom in Idukki district in Kerala.

Packaging

Proper packing helps retain the quality and much required green colour of cardamom. Different types of packing are adopted for domestic markets and for export. For export itself different packing systems are adopted for the Middle East Countries, Japan, Russia and European countries, with slight variations from exporter to exporter and according to the requirements of importers in those countries. Packaging was done in gunny bags and wooden cases. The black polythene-lined gunny bags were made into ‘Moodas’ by stitching them in such a way as to make them similar to drum like structures. These were then covered with stencil gunny and tied with coir ropes in a
decorative manner. The inside containers in ‘Mooda’ and wooden containers would be 300 gauge black polythene bags. While Moodas of 50 kgs capacity are used for internal dispatches, Mooda packing of different weights is mostly used for export to the Middle East Countries. Wooden packaging is commonly used for export to Russia and European countries. In earlier days buyers in the Middle East Countries preferred to have ‘Jottas’. Four Moodas or Wooden cases were made into one Jotta by using steel straps. In earlier days the wooden and the mooda packing were also covered outside with stencil gunny and coated with tar as a measure of protection from light and pilferage. For exposure to direct sunlight diminishes the quality of green cardamom.

The Cardamom from plantation is processed and brought in for marketing. The total process of movement of cardamom from plantation to marketing stage is presented in Fig 4.2.
Firstly it is brought to dealers by head load in black polythene-lined gunny bags of different weights. The dealers store them temporarily in black polythene-lined gunny bags of 50 kgs. Then they grade it normally by
winnowing and hand picking and then re-pack and it is transported by truck to ports of shipment/upcountry markets. During the crop season, the inventory is not kept waiting for more than two or four weeks with the wholesalers and exporters in the procurement centers. Off seasons stocks are also usually negligible with the planters, traders and exporters because of the high value of the commodity.

As regards sources of supply, packaging, mode of transport, peak season of consumption etc, a great degree of similarity is observed in the individual markets all over India. Cardamom moves from producers to dispatching centers which are the first wholesale centers, either through cardamom auctions or through small dealers who collect cardamom from the small producers. The main despatching centers for Alleppey Green Cardamoms are Bodinayakanur and Virudhnagar in Tamil Nadu and Cochin and Mumbai. The main despatching centers of Coorg Green and of the Bleached/Bleachable white cardamoms are Bangalore, Saklespur, Mercara and Sirsi in Karnataka and Mumbai. Cardamom is then made available to the representatives or the wholesalers in upcountry marketing centres. From these second level wholesalers, it is channeled to the Retailers who sell it to panwalas, housewives etc. The large users like the confectioners, pan masala manufacturers and tobacco paste producers get their supply from the second level wholesalers. The flow of Cardamom from the producer to the actual user or consumer is given in Fig 4.3
It is clear from Fig 4.3 that there are five intermediaries in the channel of distribution of cardamom between the actual user and the consumer. They are dealers/auctioneers, exporters/wholesalers at trading centres, commission agents, wholesalers at consuming centres and retailers. In the case of the sales
or distribution of branded cardamom, flavoured items like 'True' Biscuits, 'Complan' and 'Horlicks' other intermediaries also come in. Cardamom is also subjected to a number of levies and taxes. It also incurs other expenses at different stages like state sales taxes, central sales taxes, octroi, loading and unloading charges, packing and re-packing expenses, transportation costs and profit margin of the five major intermediaries.

Road transport is used to transport cardamom from the producing or procurement centers to consuming centers in India, always under insurance cover. Rail transport is not usually utilized by the traders, primarily because of the delay and secondarily because of the fear of pilferage. Moreover, cardamom being a low volume high price item, the cost of lorry transport is not high compared to railway transport charges. Also the season for peak dispatch of cardamom to upcountry markets from South India is October to December, as most of the festivals like Deepavali, Durga Puja and Christmas fall during this period.

Sale of cardamom through auction

As per the cardamom licensing and marketing rules of 1987, the dealers who buy cardamom from the growers or in auction and, the exporters have to obtain appropriate licenses for undertaking business in cardamom. From the field survey it is seen that majority of the growers sold their produce through auction or local dealers. There were 27 Auctioneers in India during
2004-05, all licensed by the Spices Board. Vandenmettu, Santhanpara, Kumili and Cochin in Kerala, Meracara, Saklespur and Mangalore in Karnataka and Pattiveerapatti and Bodinayakannur in Tamil Nadu are the major cardamom auction centres in South India. There are mainly four auction houses in Kerala. They are:

- Cardamom Planters Association - Wyanad
- Header Systems (India) Limited - Idukki
- MAS Enterprises Limited - Idukki
- The Kerala Cardamom Processing and Marketing Company Limited (KCPMC) - Idukki

A brief outline of the activities of KCPMC, one of the leading auctioneers, is not out of place.

The Kerala Cardamom Processing and Marketing Company Limited (KCPMC) is a registered exporter under Spices Board and member of All India Spices Exporters Forum. In 1997, KCPMC entered the world of Cardamom exports, bringing in valuable foreign earnings into the country. In 1997 - 98 it opened its accounts in the export market by exporting about 20 MT to the Middle East. In 1998 - 99, even though the general cardamom industry faced a low production due to adverse climatic conditions, KCPMC was able to maintain its export level at 20 MT. Apart from strengthening its ties in the Middle East it has also entered Japan, which is a rather difficult
market to break into. Till 2001, KCPMC has already increased its exports to more than 6 times of last year to around 123 MTs. of cardamom. KCPMC maintains an experienced team of professionals to procure good quality cardamom according to market needs. The procured cardamom undergoes a quality test so that it meets the quality specifications of the importer. After thorough examination and export quality inspection, it is shipped out to various destinations.

KCPMC has also started branding their cardamom in their own name "KCPMC" and is sold in consumer packages ranging form 250 gms to 1 Kg. The company also exports in bulk in 50kg gunny bags. KCPMC can also adhere to any packaging required by the importer. KCPMC has a strong presence in the 'Bodi' market and does vibrant trade with northern India where most of the Cardamom is consumed. Cardamom trade by KCPMC also has a hidden benefit for customers in ensuring truly genuine prices at auctions, which is represented by a large number of traders from all over India. Our long term plans include an ambitious project to trade and export a variety of commodities produced in Southern India, thereby developing the division into a trading house.\(^9\)

It is also observed that some large growers act as auctioneers, traders and exporters at the same time. They to a certain extent control the market

\(^9\) www.kcpmc.com
and fix prices. Also certain big planters makes a complaint that they are liable to pay high tax in certain cases due to the excess charging of quantity of cardamom to their names. The auctioneers often add to the names of large growers who give large quantity to the auction, than the small bit given by the small growers for auctions.

THE AUCTION SYSTEM

The first sale of the commodity is largely through the cardamom auction centres located in the main plantation areas. Vandanmedu, Santhanpara, Kumili and Cochin in Kerala; Mercara, Saklespur and Mangalore in Karnataka and Pattiveeranpatti and Bodinayakanur in Tamil Nadu are the major cardamom auction centers. Of the various auctioneers, One auctioneer via, The Cardamom Marketing Corporation, Vandanmedu, a partnership firm of large growers, handles the bulk of the cardamom produced in Kerala and the country. Spices Board has estimated that about 60 to 70 per cent of the cardamom produced in the country is first sold through auctions. The growers sell the rest directly to the dealers and exporters.

Cardamom auction system is one of the oldest methods of marketing. At present there are six auction centers for Cardamom. Their sites and days of business are given below.

1. Monday – Bodinaykanur (Tamilnadu)
2. Tuesday – Kumily (Kerala)
3. Wednesday – Kumily (Kerala)
4. Thursday – Bodinaykanur (Tamilnadu)
5. Friday – Vandanmedu (Kerala)
6. Saturday – Vandanmedu (Kerala)

There are 17 firms currently conducting auctions in Kerala, Tamilnadu, Karnataka & Mumbai. The volume of business transacted in auctions is given in the following table together with the share of total output dealt through auctions.

**TABLE 4.2**

**All India auction sales of Cardamom**

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (MT)</th>
<th>Quantity Sold through auctions (MT)</th>
<th>% of output sold through auction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>10480</td>
<td>5291</td>
<td>50</td>
</tr>
<tr>
<td>2001-02</td>
<td>11365</td>
<td>3305</td>
<td>29</td>
</tr>
<tr>
<td>2002-03</td>
<td>11920</td>
<td>4188</td>
<td>35</td>
</tr>
<tr>
<td>2003-04</td>
<td>11580</td>
<td>5526</td>
<td>48</td>
</tr>
<tr>
<td>2004-05</td>
<td>11415</td>
<td>4906</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: Spices Board, Kochi

Table 4.2 shows that the quantity of cardamom sold through auctions as a percentage of quantity produced shows fluctuations over the five years. It
was as high as half of the total production in 2000-01. The lowest figure was recorded in 2001-02, when only 29 percent of total output was sold through auctions. This reveals that there is tendency of growers to take advantage of increased price by way of direct sale to dealers other than auctioneers. The trend of auction sale can be easily understood from Fig 4.4.

**Fig. 4.4**

*All India Auction Sales of Cardamom*

Due to continuous harvesting of small cardamom in different production centers in recent years, auction is being conducted throughout the year as desired by the growers. As per the cardamom (Licensing & Marketing) Rules 1987 all the producers of cardamom should sale their
produce through a licensed auctioneer / dealer. An auctioneer can conduct more than one auction centre subject to separate license for each functioning. For the service of the auctioneer up to 1% of the sale price is charged as commission.

The system of auctioning in cardamom is unique, and it has been in existence for the last several years, even before the introduction of licensing and control by the Cardamom Board in 1977. The process of open auction in an auction center is worth mentioning each auctioneer conducts the auction once in a week. The growers bring their weekly harvest of cured cardamom to the nearby auction centre and register the lots i.e., bags of cardamom. They generally deposit the cardamom for auction in two or three lots after making a simple sorting at their estates, according to size and colour. The auctioneer arranges the auction on a pre-fixed day by inviting exporters and wholesale dealers from important marketing centers. The exporters and; wholesale dealers licensed by the Spices Board, attend the auction for bidding. The growers who deposit their cardamom at the auction centre may or may not be present to witness the auction. The auctioneer announces the number and the quantity of cardamom of each lot and puts it for auction. Samples of cardamom in each lot are distributed among the bidders. The exporters and the traders bid and the lot is sold to the particular exporters or trader who bids the highest price. One per cent commission on the value of cardamom sold in
the auction goes to the auctioneer for the services rendered in this connection which is paid by the growers.

The bidding in the auction is supposed to be highly competitive. The expectation is that the auction enables to fetch the highest possible price for the produce at that point of time. But a close study of the auction that takes place in an auction centre, were a large number of exporters and traders take part, gives some evidence to suspect whether all the growers are getting a reasonable price for their produce through the auction system or not. This suspicion is based on the fact that, lots of bigger size fetches higher prices than the lots of smaller sizes.

One reason for this might be that lots of bigger sizes come from large growers, the quality of which might be better. Also the bidders are usually interested in getting bigger lots so that they can get the required quantum of the commodity in a lesser number of biddings. In most cases, the exporters and traders bid in the auction after having entered into contracts with overseas and upcountry buyers. They are keen to buy the required quantity as early as possible. However, it is also suspected that the large growers, who bring their produce for auction, are either traders or exporters themselves, or have close business relationships with exporters and land traders who come for bidding. This enables the large growers to influence the exporters and traders to bid their produce at a higher price, probably at the cost of small lots of small
growers. It is however, often argued that this private arrangement between large growers and exporters is not very appreciable because the identification of the lot, put to auction is not disclosed.

There are, however, major difficulties to fully agree with this argument, because most of the auctioneers, who practically control the auction, are themselves large growers, and they look after the interests of the large growers at the cost of the small growers. So, one who observes the auction in any big auction centre is inclined to believe that most of the small growers who bring small lots to the auction are not perhaps getting a reasonable price for their produce.

The indirect credit extended by the growers also plays an important role in this context. The auctioneers give 14 days credit to the exporters and traders who buy cardamom in the auction. Normally the traders and exporters give 14 days post-dated cheques and take delivery of the produce. The auctioneer will pay the growers on or before the 20th day of the auction, even if the cheque of the bidder is not realized on the 14th day. In view of this understanding among the big exporter, the traders, the auctioneers and the growers the deal is affected even if the exporters or traders or auctioneers delay the payment. The large growers are in a position to bear with such delays, whereas the small growers cannot afford to wait for payment for more than 20 days or one month. In many cases, the auctioneer pays the smaller
growers immediately after the sale of their produce in the auction. Ultimately, this also depresses the price of the produce of the small growers.

Probably the controlled marketing system introduced by the Spices Board at the primary level has not fully served the purpose for which it was intended. This is because; the auction is organized and controlled by private auctioneers. The Spices Board Officers only supervise the auction. It may be noted in this context that there are some people in the cardamom industry who are growers-cum-auctioneer-cum traders-cum-exporters. Such people are in a position to function as the actual price setters in this industry in a limited way; even through the base prices are set on the export demand of the commodity.

The auctioneers collect the sales or purchase tax at the auction and remit it to the State Government in lump sum. In Kerala, there is a single point sales tax at the rate of five per cent, which is levied at the first point of sale and is paid by the growers. In Karnataka and Tamil Nadu, it is a single point purchase tax at the rate of four per cent, which is also levied at the first point of sale, but is paid by the trader or exporter.

**SALE OTHER THAN THROUGH AUCTIONS**

Even though the auctioneers handle a sizeable quantity of cardamom produced in the country, direct sales by the growers to the dealers and exporters also constitute a fairly large quantity. Direct sales come from the small growers, who does not have a significant quantity to offer for sale at the
weekly auctions and who is not in a position to wait for longer period to collect larger quantities for sale in the auctions. This group actually owns less than 10 acres. Such growers usually sell their cardamom to small traders outside the auctions. These small traders either sell it to large traders or to the exporters.

B. EXPORT MARKETING OF CARDAMOM

Indian economy is basically agrarian and hence exports of food and agricultural products assume greater significance in our economy. Growth in Agro-exports not only brings in additional foreign exchange for the country but also benefits a large number of people involved in the production, processing and export of such products.

Intermediaries of cardamom trade abroad, including those in Middle East countries are minimum compared to those in India. The cardamom importers mostly act as the wholesalers and the commodity directly moves from them to the retailers, departmental stores and manufacturers of food products. Some foreign traders directly import cardamom from India and make their own consumer packs for sales to actual users and consumers. The channel of distribution of export of cardamom is shown in Fig 4.5.
Market share of Indian Cardamom

Till 1970s, India was the main producer and exporter of cardamom. Of late, Guatemala has emerged as a key competitor to Indian cardamom in the International Spice market. Tanzania, Sri Lanka, El Salvador, Vietnam,
Lagos, Cambodia and Papua New Guinea are the other cardamom growing countries in the World.

About 5000 years ago, the Cardamom of South India entered the market of the Middle East Countries. India still continues to be a major producer and exporter of Cardamom, the “Queen of Spices”. Nearly 41 per cent of World’s Cardamom production is in India and more than 30 per cent of the cardamom produced is exported from India.

Indian cardamom is exported mainly to Japan, Saudi Arabia, and UAE etc. India’s cardamom exports face stiff competition from other producing and exporting countries in the world especially Guatemala which in recent years has emerged as a major producer and exporter. Guatemala offers cardamom in the world market at very low prices threatening India’s position.

Due to stiff competition from Guatemala and the late availability of Guatemalan crop in the market, Indian exporters are resorting to air freighting of cardamom so as to take the commodity as early as possible to the core markets of the Middle East. The low volume, high price nature of the commodity, the need for preservation of quality in transportation, the relatively easy availability of cargo space in the passenger flight of Air India from Mumbai and Thiruvananthapuram to the Middle East destination, the mandatory rates of Air Freight for Cardamom are the major contributing factor for increased exports by Air to the Middle East Countries.
Country wise export of cardamom from India during 2001-02 to 2005-06 is shown in Appendix 9.

It is seen from Appendix 9 that India is exporting cardamom to Saudi Arabia, Japan, Malaysia, UK, Oman, Kuwait, Bahrain, South Africa, Hong Kong, Greece, Qatar, USA, Italy, UAE, Korea (South), France, Canada, Singapore and others.

Of the various countries, Saudi Arabia is the largest importer of Indian Cardamom. It was 321 MT (31 per cent of the total) during 2000-01, which came to 527.1 MT (59 per cent of the total) during 2004-05. The value was Rs 2270 Lakhs (36 per cent of the total) in 2000-01, it was Rs 1729.1 Lakhs (64 per cent of the total) in 2004-05. Next to Saudi Arabia is Japan. Kuwait, UAE and others follow. Netherlands is also emerging as a potential importer of cardamom. Netherlands plays a central role in world cardamom trade by importing whole cardamom for cleaning and processing and re-exporting primarily to the US, Eastern Europe and West Asian markets. The total demand for cardamom in the Netherlands is around 158 tonne in 2001-02 and India's contribution is 24 tonnes. About 65 per cent of the imports into the country are for export only. The popularity of cardamom has risen of late in the Netherlands, though next only to pepper and ginger. It is used mainly in ready-to-use mixtures by the industrial sector and by grinders. Cardamom is used primarily in the food industry. In the ground form, it is used in baked
goods, curry powder, sausages, soups and tobacco flavouring. Its oil and oleoresin is used in canned soups and meat preparations. Although the Netherlands is a small consumer of herbs and spices compared with neighbour countries such as Germany and France, it is an important intermediary in world trade of spices and has a long tradition in this trade. Apart from caraway seed and some fresh herbs, no spices are domestically produced in any significant quantity. In 2001, the Netherlands accounted for 27 per cent of all EU imports of spices and herbs. The Dutch traders import large quantities for cleaning, reconditioning, blending and mixing to the specifications of different end users.\(^\text{10}\)

Though Indian cardamom fails to compete and fetch a place in the international market, it is a major item of export to Middle Eastern countries. Indian Cardamom has a deep parrot green colour. It is this colour, which is the chief source of attraction of Indian cardamom in the eyes of the consumers of the Middle East countries who are also the largest per capita consumers of cardamom. They use cardamom mainly for the preparation of ‘Gahwa’ or ‘Cardamom Coffee’. It is also interesting to note that the Government of Qatar imports cardamom from India elsewhere and distributes the same through ration shops as an essential commodity. Arabs also use cardamom in rice and meat preparations. They buy bold green capsules of cardamom and use it after grinding it fresh. It is also customary to show the

\(^{10}\) Business Line Oct. 13, 2004
quality of cardamom to the guests as a matter of prestige before it is used in the preparation and serving of Gahwa to them.

The Government of India withdrew the Export Cess on spices with effect from 2nd June 2006 (Cess Laws (Repealing and Amending) Act, 2006. As per this the Spices Cess Act 1986 has been repealed as a whole. Accordingly, now there is no provision for the Export Cess at the rate of 0.5 per cent, which was otherwise levied hitherto under the Spices Board Cess Act on export of spices and spice products.

The export of Spices from Kerala is mainly through Cochin and Trivandrum ports. Major items of exports of spices from Kerala are Pepper, Cardamom, Ginger, Turmeric, Curry Powder, Spices Oil, Oleoresins, Vanilla, Nutmeg and Mace. The export of Nutmeg, Mace and Cardamom also shows a downward trend both in quantity and value. The export value of Cardamom declined by 35 per cent and Nutmeg and Mace by 16 per cent, in 2004-05 compared to 2003-04. This is mainly due to fall in the unit price of these products.

Export of Cardamom from Kerala and India and percentage share of Kerala towards India in terms of quantity and value during 2000-01 to 2004-05 is given in Table 4.3.
It is noticed from Table 4.3 that the export of Cardamom from Kerala during 2000-01 in terms of quantity was 825 MT, which declined to 387 MT in 2004-05 with 53 per cent fall in quantity. The corresponding figure in respect of quantity of cardamom export form India was 1545 MT in 2000-01 which declined to 650 MT in 2004-05 with -58 per cent increase. The share of Kerala towards India in terms of quantity exported was 60 per cent in 2004-05 and share in value realized 59 per cent as against 53 and 50 per cent respectively in 2000-01. This shows that the share of Kerala to all India level has improved over the period under study, which can be attributed to the increase in productivity and quality of the crop.

### TABLE 4.3

**Export of Cardamom**

<table>
<thead>
<tr>
<th>Years</th>
<th>Export of Cardamom</th>
<th>% Share of Kerala to India</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kerala</td>
<td>India</td>
</tr>
<tr>
<td></td>
<td>Quantity (in MT)</td>
<td>Value (in Rs. Crores)</td>
</tr>
<tr>
<td>2000-01</td>
<td>825</td>
<td>42.41</td>
</tr>
<tr>
<td>2001-02</td>
<td>630</td>
<td>40.32</td>
</tr>
<tr>
<td>2002-03</td>
<td>475</td>
<td>32.78</td>
</tr>
<tr>
<td>2003-04</td>
<td>435</td>
<td>21.62</td>
</tr>
<tr>
<td>2004-05</td>
<td>387</td>
<td>13.99</td>
</tr>
</tbody>
</table>

Source: Compiled from Economic Review (Govt. of Kerala), various issues.
The value of export of Cardamom from Kerala during 2000-01 was Rs.42.41 Crores, which declined to Rs 13.99 Crores in 2004-05 recording a fall of 67 per cent. The value of export of cardamom from India during 2000-01 was Rs 84.68 Crores, which declined to Rs 23.9 Crores with a decline of 72 per cent. The percentage share of Kerala towards India in terms of value was 58 per cent in 2004-05.

In the last two chapters the discussion mainly focused on production and distribution pattern of cardamom. But there are a host of problems faced by the planters in both the production and marketing of Cardamom. They are explained in the next Chapter titled ‘Production and Marketing – Problems.’