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CoVID-19 AND CASH CROP ECONOMY- THE CASE OF KERALA

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Abstract

The CoVID-19 pandemic had a continuing impact on the agricultural sector, especially cash crops. This is despite the popular belief that agriculture was the only bright spot in the entire economic system which was somehow able to withstand the economic impact of lockdowns. This paper is an attempt in understanding the impact of CoVID-19 pandemic on the cash crops in Kerala and how it impacted the growers as well. This paper is a study of the impact on the cash crop economy. It also tries to suggest some specific policy intervention to revive and support the sector. This includes a package exclusively for the farm sector with immediate and long-term implications.

Keywords: CoVID-19, cash crop economy, Kerala.

INTRODUCTION

If we look into the history, it tells us that pandemics have wreaked havoc on the livelihoods of individuals thereby impacting the economy (Loevinsohn and Gillespie,2003; Decerf. et al, 2020).There is no doubt that among the three pandemics which affected the mankind in last hundred years (1918, 1957 and 1968), CoVID-19 had an unparalleled impact on the economy. The CoVID-19 control strategies which many of the states implemented had strict implementation of lockdowns as a major one. The lockdowns had severe impact on the profitability and functioning of many enterprises as well as economic activities (Lakemann et al, 2020). The Food and Agriculture Organisation (FAO) has warned that a continued pandemic is going to disrupt the global supply chain with its impact felt from the small growers to consumers to intermediaries and traders.

India's Role in the Global Spice Trade

The International Standards Organisation (ISO) has a list of spices which include 109 plant species. The Spices Board which is the autonomous body under the Ministry of Commerce and Industry, also responsible for the promotion of export and development of spices has a list of 52 under its mandate. Among this list of 52 spices, approximately 15 are commercially relevant. Black pepper has a greater significance among all spices. Black pepper is known as the "King of Spices" since it is the most economically valuable and widely used spice in the world. From being the biggest exporter of black pepper in 2001, India has slided gradually down the list and presently occupies 5th position in the major exporters list below Vietnam, Indonesia, Brazil and Malaysia. Overall production has also come down for India, with a 21.74 percent share in the world pepper production in 2003 (ranked 2nd) it has come down to 14.83 percent in 2012 (ranked 3rd). A similar trend can also be seen in case of cardamom, known as the "Queen of Spices". The dominance of India in the world production of cardamom (small) ended with the emergence of Guatemala during the decade of 70s. It is estimated that almost 54.54 percent of the global production comes from Guatemala with India contributing to about 27 percent. India exports nearly 15 percent of its cardamom while Guatemala exports 99 percent. This implies that for both black pepper and cardamom there exists strong domestic market which dominates over the export demand. The traditional cardamom markets of Saudi Arabia and Kuwait have already being dominated by the emergence of low cost producer, Guatemala.

Global Pepper Scenario and India

The global production of black pepper is dominated by Vietnam with a share of 35.02 percent as on 2012, followed by Indonesia with 19.65 percent. India with 14.83 percent takes the third slot and Brazil with 11.36 percent comes forth in the list. 1But, this data includes only the four member countries of the IPC – Brazil, India, Indonesia, Malaysia, Sri Lanka and Vietnam. But, post 1992 China started emerging as a major pepper producer. 2 During the time period between 1961 to 1973, both India and Indonesia dominated nearly half of the world production with the first and second place for biggest pepper producer constantly exchanged between them. The year 1973 saw the emergence of Brazil as one of the major players in the world pepper market. That year the share of Brazil in the global pepper production was 20.55 percent, while that of India and Indonesia were 23.61 percent and 23.45 percent receptively. The world pepper production saw another shift in 1997 with the emergence of Vietnam as the third important producer after India and Indonesia overthrowing Brazil. Vietnam has been constantly increasing its pepper production from 1983. By 2002, it overtook India as the second biggest producer and became the world's biggest pepper producer in 2004 with a share of 22.34 percent compared to Indonesia's 18.03 percent and India's 17.14 percent. From 2004 to 2013, Vietnam has constantly increased its production and has dominated the commodity's production which can be seen from the Table:1 in Appendix:2. India's productivity has also showed a fall of 13 percent from 1990 to 2008 compared to a rise of 61.28 percent for Vietnam. India’s loosing of dominance in the global production of both black pepper and cardamom to Vietnam and Guatemala has significant bearing on the regional economy.

The area under pepper production of major pepper producing countries as a percentage of total world area under pepper between 2003 to 2013 provides interesting observation when we read it with the pepper production. The traditional pepper producing countries like India, Indonesia and Brazil witnessed stagnation or fall in the area under pepper. While Vietnam and new entrant like China saw a rise in area. 3But, in spite of fall in the area under pepper production in the traditional producers they still have substantial world area under pepper. In 2011, India and Indonesia together accounted for 66.52 percent of the world area under pepper. India was the country having the world's largest area under pepper with a share of 41.93 percent in 2011 even though it touched 48.24 percent in 2006. The reason for this could be the fact that Indian pepper plantations last for nearly 25 years compared to countries like Thailand, Malaysia and Brazil where re-plantation is necessary after 10-15 years (Nair 2011).

The divergence in area and production reflects the low productivity levels in India. Veeramani and Saini (2010) use productivity ratios (yield in individual ASEAN countries divided by the yield in India) and find that India's productivity in pepper is lower compared to not only the ASEAN nations but also to the world average. This is alarming due to the fact that smaller producers like Sri Lanka, Madagascar and China are all gradually increasing their share in the total production.

India's share in total world exports has also showed a highly fluctuating trend. In terms of quantity, 2012 saw complete dominance by Vietnam with a 44 percent share in the world pepper exports distantly followed by Indonesia at 22.42 percent. India with 7.90 percent is placed forth below Brazil which has a global export share of 12.33 percent. Malaysia is the only traditional pepper growing country which has shown a constant decline from 8.20 percent in 2003 to 3.82 percent in 2012. The direction of pepper exports from India are mainly towards the USA and Germany (Nagoor, 2010).

The percentage share of exports in a country's total production is also an important variable to look at as it provides the export intensiveness of the commodity. Among the major pepper producers of the world in 2012, India exported only 42 percent of its production compared to Vietnam which exported 99 percent, Indonesia 90 percent and Brazil 85 percent. Along with this if we look into the average total pepper imports by major pepper producing countries between 2003-12, India tops the list 15223.8 tonnes or 46.04 percent of total imports by pepper producing countries followed distantly by Vietnam at 21.52 percent. If this trend continues, India would become a net importer of pepper which could be strange considering the fact that this was the commodity which India had dominated over a long time.

India's domestic consumption of pepper is so high that in 2012 only 42 percent of our total production could only be exported. The market leader Vietnam exports nearly 99 percent of its production while Indonesia exports nearly 90 percent. Sajitha (2010) views that increased domestic demand could be one of the factor which reduced India's share in total world export, while the other being increased production by the new entrants. Considering the fact that about 82.16 percent of total India's pepper production was exported during 1961-71, there are chances of pepper production becoming more domestic market oriented than export. The producer's share in the Free on Board (FOB) price of pepper is 86.06 percent while in case of domestically sold pepper is 88.80 percent (Nair 2011).

There are also significant changes in the direction of trade for spices (Saijitha, 2010; Nagoor, 2010). The emergence of countries like the Netherlands, Germany etc who are not pepper producing nations but are significant exports brings to the forefront the need for more value addition in pepper exports. USA has being India's major pepper destination, but during the period of 2002-13 there has been a decline. Also, there is a very high degree of fluctuations in the USA's pepper import from India. The export earnings have also shown a wide range of fluctuations which is not seen for Vietnam (showing increasing trend).

India mainly imports pepper from Indonesia, Sri Lanka and Vietnam, all of which are cheaper compared to the premium value commanded by the Indian pepper. Is there a possibility of value addition and re-export? If we look at the re-export by non-pepper producing countries, the Netherlands exported 3.77 percent of pepper (in quantity) of the total world production (or should I use total exports) while Singapore 3.47 percent, Germany 2.99 percent and the USA 2.55 percent. In fact, 21.18 percent of the global pepper production was re-exported by non-pepper producing countries. The cheap imports from Vietnam, are they affecting the domestic prices of pepper in India? (India has allowed duty-free import of pepper by export firms). The average imports of India during 10 years from 2003-2012 was 28.21 percent of the average total production. After the implementation of India- Sri Lanka Free Trade Agreement (FTA) there has been a six times increase in black and green pepper imports from Sri Lanka to India between 2001 and 2008 (Harilal and Joseph 1999). But, the bulk of the imports was for processing and re-exports after value addition (Joseph 2009).

Global Cardamom Scenario and India

The database on cardamom (small) is not that elaborate as pepper. The FAO STAT code HS:0908 is a broad category which includes not just cardamom (small) but also nutmeg, mace and cardamom (big). Also, there are no producer cartels or organizations like IPC for pepper in case of cardamom. India produced more than 65 percent of the total cardamom production till 1974-75 with Guatemala following with 21.5 percent. The situation started changing from 1980-81, when Guatemala overtook India with 48.8 percent share in the world cardamom production. The domination was complete by 90s when Guatemala had a share of 67.5 percent while India was left with only 26.5 percent. From this one can make out that these two countries together accounted for almost 94 percent of the global cardamom production.

Conclusion

The cash crops have a completely different dynamics when compared with the food grains or horticultural ones. They have a comparatively longer shelf life and very high volatility in prices. This leads to a situation where the growers are left to their understanding of global commodity markets and local situations. Such a scenario gives undue advantage to commission agents and other buyers who are able to negotiate better terms and conditions from the growers. The onset of pandemic and the subsequent lockdown had impacted the growers negatively. The uncertainty surrounding the pandemic coupled with lack of physical access to markets has indeed depressed the prices of cash crops. The demand for cash crops come from industries whose normal functioning has been adversely affected due to lockdowns which various tiers of government banked upon. The government restrictions on international borders as well as district or state borders have made it hard for the small cash crop growers to earn a living.

We would try to bring out various difficulties faced by the growers of cash crops during the pandemic. There was difficulty in moving the crops to the markets due to strict enforcement of lockdown. Many a times the lockdowns were enforced with brute force by the police that it scared the transporters even though later the government exempted agricultural activities from it. The unavailability of transport, restrictions on district borders etc had severe effect on cash crop producers. Though later on some relaxation on movements were allowed, the closed markets affected the growers very hard. This included both product and input markets. Hence, the arrival of agricultural produce in market was significantly reduced due to break in supply chain.

There is an urgent need for government intervention in the cash crop economy of Kerala through increased government spending in this sector. The agricultural sector has seen sustained reduction in government spending in the neo-liberal set up. Also, there is a need for direct purchase of cash crops through government organizations or co-operatives which are aided by the state. The various PSUs owned by the state can play a pivotal role in the supply chain and prevent exploitation of the small and marginal growers.

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