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**THE IMPACT OF WTO ON THE PEPPER ECONOMY OF  
KERALA: CHALLENGES AND PROSPECTS**

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**ABSTRACT**

The spices economy of Kerala is a thriving sector of foreign exchange even from 2<sup>nd</sup> century AD. The various extracts from Sangam to that of foreign author speaks about the Romans, Greek and the Egyptians coming to the Kerala coast for trade in spices especially 'Pepper'. The various free trade agreements (FTA), fluctuating prices, disease have posed serious problems to the spices economy of Kerala. The revival of the spices economy should be such that it should produce maximum forward and backward linkage effect on the economy. Though the modern trade reform era can bring about many adverse impacts on the Pepper economy, if we can comply with the trade and export requirements, improve the R&D department to introduce new products of Pepper, then the export basket can definitely fetch a good amount of foreign reserve and skilled demographic dividend.

**KEYWORDS**

Spices, Pepper, R&D, Export basket, Backward and forward linkages

## RESEARCH PAPER

### INTRODUCTION

The term 'Spice' is derived from the word Spices which refer to the group of exotic foodstuff during the middle ages. The spices were the major determinant of the trade expansion in the early centuries. The spices brought a whole lot of bullion or gold to whoever had a control over them was the most sought-after resource from the ancient time. This prompted the British to India, the Portuguese to Brazil, the Spanish to central and South America, the French to Africa and the Dutch to Indonesia. The spices had become an indispensable commodity from an ancient time.

The Kerala economy is interestingly an out-ward oriented economy from the ancient time which is attributed to the export basket of Kerala. The export prospects of Kerala is depended on Spices and Marine products. While the cropping pattern of Kerala is dominated by the cash crops over the food crops. The 62.46 percent of the total cropped area is occupied by the cash crops against the food crops consisting of 9.35 percent. Among the cash crops, Coconut has the largest area (30 percent) backed by rubber(21.3 percent), Pepper(3.3 percent) and coffee (3.28 percent).

India is third in the production of Pepper. The stagnancy of production at 50,000 tonnes in the previous year is coasting India's position to lose its status as a leading producer and exporter of Pepper. Though Pepper is produced in Karnataka, Tamil Nadu and in the slopes of the Western Ghats, the state of Kerala contributes about 75 percent of the total production. The production of Pepper is dwindling in Kerala, it recorded a drastic decline from 42, 000 T to 34,000 T in 2016-2017. Since spices is an export-oriented commodity the external price fluctuations have a huge impact on this commodity. The price range of Pepper is also steadily declining from Rs 646.79 per Kg to Rs 16.48 per Kg. There was a continuous bullish phase during the initial months of 2016.

The stagnant nature of Pepper was encountered by the government of Kerala through various programmes under Department of Agriculture. They initiated comprehensive Pepper development programmes in all districts of Kerala. In order to revive the Pepper production in the State, the government undertook many programmes such as wide disease management, liming and nutrient management. The export basket of Kerala depends on om her spices economy so the external factors such as trade facilitation agencies like WTO plays a crucial role.

## KERALA'S PEPPER ECONOMY - CURRENT CHALLENGES

The agricultural sector in Kerala has huge potential even though it's not devoid of challenges. The Kerala Model of development was born out of the famous report of Center for Development Studies, Trivandrum in 1975 titled 'Poverty, Unemployment and Development Policy: A Case Study of Selected Issues With Special Reference To Kerala'. One of the lingering dilemmas of the state is the dwindling position of agriculture sector with a declining trend in GSVA from 13.7 percent in 2012 to 10.5 percent in 2016-17.

The trend of reducing the area under food crops and increasing in the area under cash crops or the perennial sub-crops are causing serious policy challenges on a regional level during an era of trade policy reforms. The eight perennial crops of Kerala are Coconut, Rubber, Arecanut, Pepper, Coffee, Cashewnut, Cardamom and Tea. Even though there are crop-specific variations the perennial crops are tangled in market uncertainty and a strategic vacuum of potential avenues for survival within production sector.

The perennial crop has dualistic policy imperfections one from the centre and the other from the regional preview. The chief policy issues are (1) high initial investment (2) long gestation period (3) Dominant share of crop harvest cost in the total operational cost (4) Inherited export market orientation in a regional sense and (5) an over-dependence and responsibility in promotion given to the centre providing institutional support and implementing. The perennial crop such as Pepper has inbuilt constraints to switch over to alternative crops at the time of survival. The vulnerability quotient of the cash crops is high owing to the constrained market uncertainties. The critical issue that is confronted by the pepper farmers is that there is a persistent change in the prices or the volatility of prices are high. The trade in Pepper has to be looked upon in the backdrop of growing domestic market orientation and challenges of Regional trade agreements.

Table1. Production and Gross area under Pepper

YEAR	PRODUCTION('000 T)	GROSS AREA ('000 Ha)
1960-61	27.03	99.75
1970-71	25.03	11.75
1980-81	28.52	108.07
1990-91	46.80	168.51

2000-01	60.93	202.13
2012-13	46.29	84.71
2015-16	42.13	85.94
2016-17	34.07	85.20

Source: Economic Review, Government of Kerala, 2017

The above table shows that the production, as well as the area under Pepper, has been falling down since its moving in synchronised with the volatility of prices. During 2016 the prices went to a very low minimum of 16.48 Rupees per Kg leading to a less production.

Table 2: Share of pepper in total spice exports (Quantity in tonnes and value in Rs lakhs)

YEAR	2008-09		2009-10		2010-11		2011-12		2012-13	
	value	qty								
PEPPE R	25250	41373	19750	31392	18850	38318	26700	87813	15363	63810
TOTA L	47052 0	53002 5	50275 0	55605 0	52575 0	68407 0	57527 0	97834 2	72661 3	12112 75
% SHAR E	5.37	7.81	3.93	5.65	3.59	5.6	4.64	8.98	2.11	5.27

Source: <http://www.spicesboard.in/>

The above-given table reveals that the percentage share of pepper in total exports are reducing at an alarming rate. The extreme volatility of pepper prices is making the pepper cultivational a loss-incurring one of the cultivators leading to its abandonment by the marginal landholders.

The multilateral trade regime in agriculture rests with the three tenants of Agreement in Agriculture such as market access, domestic support and export competition. The chief matter of concern in the international trade regime is the export subsidies and domestic support. These matters are synonymous with the food security programme and antonym to the trading regime. The developed countries are lobbying to cap the Minimum Support Price. The Minimum Support Price if averted will raise the cost of the commodities which will harm the food security programmes of India.

## PEPPER ECONOMY OF KERALA – FUTURE PROSPECTS

Though at present Pepper cultivations in Kerala is bleak the scenario has definitely improved over time. The Pepper economy of Kerala can only improve if it provides both forward and backward linkages. The cultivation of Pepper can only improve if the return out of the export can improve. The export market of pepper can improve only if there can be the maintenance of old trading partners as well as inventing of new partners to trade. The pepper can reap gold only if we can diversify and comply with export standards.

The global consumption of Pepper accounted about 430,000 tonnes in 2016. The annual consumption of pepper is increasing exponentially at the rate of 2 percent. The network of global pepper market has increased from 2000 US dollars per tones to 10000 US dollars per tones in 2016. This untapped rise in prices is due to excess demand over supply of Pepper which meets the European food safety requirements. This excess demand has caused many Pepper producing economies such as Vietnam are using excessive amounts of pesticides which will attract a price premium. The quantity of Pepper that is being used in the European household is always increasing causing the Pepper a good market.

The European markets will open new trading partners if (1) Deliver stable supplies of Pepper both in quality and quantity (2) comply with the respective delivery terms (3) Comply with food safety requirements. Since Pepper is not grown in European states it's a huge potential market for countries such as India. The European market also looks forward to the diversification of the pepper product by the downstream and upstream method. The downstream method means blending the pepper developing new tastes and upstream means strengthening they are co-operating by transfer of knowledge and human resources. India has a huge potential for Pepper and untapped semi-skilled manpower that can be utilized for this purpose this, in turn, will help in developing a well trained demographic dividend in the country.

## CONCLUSION

Pepper which is often quoted in ancient texts as Black gold has the potential to reap the maximum from the export basket of the state. The pepper economy can be only revived if we can offer the best quality pepper which complies with the export requirements as well as strengthen the R&D departments to diversify the export stream by introducing the new improved products everytime only then the Pepper economy will be able to withstand the external pressure that the modern trade era has to offer.

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