Black Pepper Export Scenario in India (2001 -2017)

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Abstract

The Black Pepper market has grown and dipped in Indian market for long period of time. The purpose of this paper is to examine the pattern of growth and instability in Black Pepper exports from India in terms of Value for the period 2001 to 2017 and paper also to examine the competition among the top four Black Pepper exporting countries, Vietnam, Brazil, Indonesia and India. There were numerous studies done by various researchers and educational institutions on Black Pepper export from India. The current study concentrate on the growth and competitions of Black Pepper Markets.

Keywords: Foreign Trade, Export, Black Pepper, Monopoly, Global Market.
1. Introduction

Black Pepper (*Piper Nigrum*), is called the “King of Spices” for its rich anti-oxidant, analgesic, anti-pyretic and anti-microbial properties. “It has occupied a position that is supreme and unique and is today a foreign exchange earner for several countries” (Kiong, Rahim & Shamsudin (2010)). It is the most widely used spice in food & beverages, pharmaceuticals and cosmetics industries and so occupies a special position in the world. Changing lifestyle and eating habits of consumers across the world has increased the demand for healthy food, which lead to the use of natural flavours in the food, mostly coming from spices and Black Pepper has secured top position and has better prospects in the future. “The Indian spices sector is an important part of its agricultural sector with an export value of USD 3322.7 million in 2016-2017” (Trade Map, HSC 09). India’s share in the international market for spices is 6% and Black Pepper amounts to 15% of all the spices India exports in value terms. India ranks fourth in the world in Black Pepper exports after Vietnam, Brazil & Indonesia. It is found that every year, there is an increasing demand for black pepper throughout the world. But this global demand is not being met because of severe crop losses in various countries which limits the supply of black pepper by pepper producing countries of the world, especially India. Srinivasa Rao (2012) analysed “the growth and instability of Indian spices export from 1960 to 2010 and concluded that India is expected to emerge as the global processing hub of spices in the coming years.” But it is expected that “during the WTO regime, the newly emerged spice producing countries pose a substantial threat to traditional exporters like India” (Sujatha et al. (2007)). Sandhu (1989) analyzed the export share of black pepper in the world trade and his study revealed that there was a favorable response for pepper exports in markets in terms of price competitiveness. “Indian pepper was being priced high in U.S.A market and the export market share was also prominent relative to Brazilian and Indonesian pepper. Further the analysis revealed that, despite the competition, the market was favora-
ble to Indian Black pepper because of its quality.” M. S. Yogesh (2013) said that “Pepper prices in the international market of Indian origin since July 2010 were quoted at higher rates than other origins, which led overseas buyers to shift to cheaper destinations such as Vietnam & Indonesia.” P K Krishnakumar (2017) stated that Vietnam, which had a record crop of 2 lakh ton (almost half the world’s total production) saw prices drop to $5,000 from $5,250 per ton, but Indian black pepper prices are hovering around $9,000 per ton which makes exports uncompetitive. “Drought and untimely rains in major pepper growing areas of Kerala and Tamil Nadu are the major reasons for the decline in production. Certain areas in Karnataka also suffered a damage due to pest attack” because of which the prices are surged (A Jayathilak, Spices Board Chairman (2015)). Also, as the International price predictions are very difficult, farmers are vulnerable to price fluctuations. Mahesha (2011) found that international prices prediction is very difficult which make the farmers vulnerable to price fluctuations and that there is an indication of long-term persistence and volatility clustering in the prices of Spices. India even after enjoying a near monopoly in the field of spice extract, it has not yet capture world market even though it has comparative advantages. Mamatha (1995) identified that “the source of instability in export earnings is because of the fluctuations in production of these spices in other producing countries and increased value of Indian spices in the world market.” Hema, Ranjit Kumar & N.P. Singh (2007) from their study learnt “Black Peppers production is going to outpace the domestic demand in a big way” and that “this requires a serious attention because until new and diversified export markets are not exploited, the farmers would face further crash in farm gate prices due to huge surplus stock and suggested that the specific policies are required for integrating farm harvest price with retail price to not only help producers but also to make these spices more affordable to the domestic consumers.” In contradiction, according to R. Gayathri, M. Saravanan (2014), “spices share in export has been decreased due to high domestic demand as well as low productivity.” Vigneshwara (1995) indicated that uneven production pattern and low levels of productivity were observed as the marketing of spices was in the hands of few traders and exporters and there was lack of attention towards quality control, which limited the exports of spices from India. Raju (2000) in his paper after studying the dynamics of
pepper exports from India, concluded that improving the productivity measures and product diversification could be the solution for the fluctuating pepper export performance of India. According to P.D Jeromi and A. Ramanathan (1993), “product diversification may tend to prove a long-term solution to the deteriorating pepper export performance of India” as the Global Market is adapting to the use of value added pepper such as pepper in consumer packs, pepper powder, curry powder, dehydrated pepper etc., Although India has started the processing industries, their growth performance has not been very appreciable because of lack of encouragement to these industries. It is understood that achieving growth in Indian black pepper exports in future can only be done in stabilizing its exports as currently there is huge instability in its exports. So, there is a need to measure and analyze the instability faced by India, understand the factors responsible for it and suggest some ways to reduce it.

The paper throws light on Black Pepper Exports market scenario in India. It examines the competition among the Top Four Black Pepper Exporting Countries during the period 2001 to 2017 and gives few suggestions to increase the exports of black pepper from India.

2. Research Methodology

The paper is a detailed study of Export on Black Pepper in Indian Market. The paper also studies competitions among Top Four Black Pepper Exporting Countries. It is a Qualitative approach to Study the Black Pepper Export Counties. Paper is concerned on Secondary Data, for which researcher has used both Published and Unpublished Data for the study.

3. Objectives

The study aims at the following objectives:

1) To Understand Black Pepper Export Market in India.

2) To Study the Competition among the Top Four Black Pepper Exporting Countries.
4. Competition among Top Four Black Pepper Export Countries

The Countries like Vietnam, Brazil, Indonesia and India are the top four countries for Black Pepper Export. The Below given Figure explains Volume as percentage of total World Exports and the table explains the value of exports growth in these four top black pepper exporting countries.

4.1 Comparison of exports between selected countries in Terms of Value of Exports:

The table 1 represents the values in terms of Lakh Rs exported from the Vietnam, Brazil, Indonesia and India to the other countries in the world, during 2001-2017.

It is evident that Vietnam has recorded a highest growth rate among the countries under study with 18.30% followed by Brazil, India and Indonesia with 12.21%, 8.63% and 7.60% respectively while the world recorded 11.74% of the growth rate under the same period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Vietnam</th>
<th>Brazil</th>
<th>Indonesia</th>
<th>India</th>
<th>World</th>
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<td>2001</td>
<td>43.09</td>
<td>28.19</td>
<td>47.47</td>
<td>23.27</td>
<td>270.38</td>
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<td>53.28</td>
<td>28.88</td>
<td>43.32</td>
<td>17.98</td>
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<td>2003</td>
<td>48.86</td>
<td>27.33</td>
<td>43.45</td>
<td>13.71</td>
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<tr>
<td>2004</td>
<td>68.63</td>
<td>29.36</td>
<td>25.10</td>
<td>11.81</td>
<td>241.47</td>
</tr>
<tr>
<td>2005</td>
<td>66.80</td>
<td>24.76</td>
<td>25.72</td>
<td>14.74</td>
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<td>38.54</td>
<td>34.92</td>
<td>27.75</td>
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<td>2007</td>
<td>111.27</td>
<td>48.04</td>
<td>54.31</td>
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<td>2008</td>
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<td>47.46</td>
<td>81.32</td>
<td>49.02</td>
<td>520.58</td>
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<tr>
<td>2009</td>
<td>168.12</td>
<td>44.25</td>
<td>67.72</td>
<td>38.11</td>
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<td>2010</td>
<td>192.12</td>
<td>49.34</td>
<td>112.10</td>
<td>35.89</td>
<td>598.25</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
<td>Volume</td>
<td>Value %</td>
<td>Volume %</td>
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<tr>
<td>2017</td>
<td>634.11</td>
<td>178.16</td>
<td>153.25</td>
<td>87.52</td>
<td></td>
</tr>
</tbody>
</table>

**CAGR** 18.30  12.21  7.60  8.63  11.74

Source: Trademap.org

**Figure 1: Export Earnings of Countries under study as a percentage of World Export Earnings**

As from the table and figure it is evident that Vietnam is leading the world by contributing around 40% to the total world exports both in terms of Value and Volume in exporting black pepper and is performing well year on year. India has contributed 11.37% and 15.31% to the
world exports in the year 2007, which has reduced to 5.48% and 4.25% as a percentage of contribution to the world in terms of value and volume respectively. Brazil has increased the volume of exports in 2017 to 13.83% in Volume from 7.42% in the previous year. Indonesia has declined from 12.67% in 2016 to 8.50% in 2017.

The advantage of large-scale production and higher productivity helps pepper producers of Vietnam to offer world the lowest prices of black pepper which poses a competition to the other countries like Brazil, Indonesia, India and other countries trading black pepper. Indian black pepper market was ruffled by the sharp decline in prices, of about 28%. The Indian pepper demand weakened overseas as the importers shifted to Vietnam pepper. Even while Indian pepper traded at USD 9,000/MT, Vietnam succeeded in exporting pepper at around USD 5,250/MT which hurt the Indian exports. Meanwhile, Indian spice processors also imported large quantum from Vietnam as the prices ruled low. India’s 65% of pepper imports are from Vietnam which affects the local pepper prices. “Drought and untimely rains in major pepper growing areas of Kerala and Tamil Nadu were the major reasons for the decline in production” in the year 2016. “Certain areas in Karnataka also suffered a damage due to pest attack”. (P. K. Krishna Kumar, 2015)

According to pepper producers and traders, there are a variety of factors responsible for a reduce in the production of black pepper and a decrease in the area of cultivation in India, few of them being drastic climatic changes and disease or pest attacks to pepper vines. International Pepper Community (IPC) Statistics show that the area of pepper production in India has been reduced by 20% from the year 2001 to 2010. Whereas, during the same period, the production and the area of cultivation of black pepper in Vietnam is observed to be increased posing a tough competition to India.
The change in the foreign trade policy by cutting off the incentives given to the exporters for exporting value-added black pepper to developed countries and reducing the 5% incentive to 3% for raw pepper and 2% for value-added pepper under the new Merchandise Export from India Scheme (MEIS) has resulted in demotivation for exports among the pepper producers of India as they had to export to the emerging markets like Vietnam instead of developed markets like US. Vietnam has got the highest benefit from the policy change in India as Indian producers were exporting to Vietnam and Vietnam has been re-exporting the black pepper exported by India after processing to the developed nations like US. This type of a change in foreign trade policy is against the `Make in India' program of the government.

In order to stop the downtrend being faced by India in exporting its black pepper, there is a need for a greater support from Government of India by restructuring the foreign trade policy by giving more incentives to pepper producers to face the tough competition posed by Vietnam and Brazil which are low-cost producing countries of black pepper.

5. Conclusion

The low prices offered by Vietnam to the world market has created a price instability in the domestic market and as there was high domestic demand for black pepper in India, the black pepper was imported from Vietnam to India along with the other countries which imported Vietnam’s black pepper in huge scales. This has affected the Indian Black Pepper export market. Even if Vietnam leads the market for black pepper in the world, India has a competitive advantage in terms of Country Brand value for Indian Spices and there is huge potential to grow the pepper because of its diverse agroclimatic conditions, comparatively cheap labor, traditional brand name, availability of black pepper varieties which are considered the best in the world & government support.
The study concludes that the black pepper export business has a very high potential of being a major contributor to the country’s economy. The right measures are to be put in place in order to encourage the black pepper cultivators to increase the production and government has to extend its helping hand in creating awareness about the quality improvement measures such as limiting the contaminants stipulated by importing countries, pesticide residue, harvesting, processing, hygiene & storage of black pepper, to maintain a good crop output.

The lack of coordination of the pepper cultivators with the government and no incentives given to the traders as per the New Foreign Trade Policy, the growth of the industry to its full potential is being affected and in turn moving toward the downturn and is affecting the employment opportunities for Indians.

6. Suggestions

1) The organizations such as Spices Board of India, Export Promotion Council of India for Spices and Agricultural and Processed Food Products Export Development Authority, (APEDA) need to increase the level of awareness of their activities, the trade promotional activities, the pest control trainings, the quality management trainings, cultivation of Organic Black Pepper which is a value addition and most looked for in the current Global Market, etc.,

2) The government should also provide incentives, organize numerous trade exhibitions in foreign countries and ensure that the stands are affordable even to small scale pepper traders.

3) The black pepper traders should also embrace the use of modern technology which helps in advertising their products to the World by use of social media.
4) India has to concentrate more on the value addition in the spices segment like growing organic in hygiene environment and adding the natural preservatives which attracts the global markets.

5) Exporters must make sure that they meet the food quality and safety requirements of the customers in order to maintain a long-term relationship in trade with them.

6) Exporters must check for the demand of their product in the market by attending and participating in the trade fairs through which they could also get potential customers and valuable market information.

7) Certification of the products such as Bureau of Indian Standards (BIS), Food Safety and Standards Authority of India (FSSAI), Agriculture certification Mark (AGMARK), American Spice Trade Association (ASTA), European Spice Association (ESA) as per the importing country’s requirements must be complied by the exporters.

8) Extra attention must be paid in Labelling and Packaging the product as per requirements of the buyers.

9) As the production and market conditions change rapidly there is a need for the Exporters to constantly monitor the market conditions and developments including the projections and estimations which could be valid only for half of the year, especially for a crop like pepper.

10) Pepper producers in India must ensure that they use innovative techniques for sustainable production in order to safeguard their net income as the pepper prices are volatile and the input costs for production are increasing drastically and to have a competitive advantage over other countries.
The study concludes that there is immense potential for producers, traders and the country to get back into the upward trend of exports as India still has a “Country Brand Value” in the spices segment.

References


16. Trade map Org