

TRADE PERFORMANCE OF PEPPER IN INDIA IN THE POST-REFORM PERIOD

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ABSTRACT

India implemented trade policy reforms in the agricultural sector in 1995. The trade policy reforms were aimed at increasing exports and higher economic growth. India is the third largest producer of pepper in the world. The pepper production and exports from India declined in the post-reform period. The present study examines the trade performance of pepper in India in the post-reform period. The empirical results of the study show that there was a negative growth rate in exports of pepper and a positive growth rate in imports of pepper in the post-reform period. The import – consumption ratio and import – production ratio showed an increasing trend in the post-reform period. The export-import ratio of pepper declined during the same period. The increased imports have led to a decline in the price of pepper and worsened the position of domestic producers. The government should impose a floor price for pepper imports to India to protect the interests of the domestic farmers. Stringent measures should also be adopted by the government to regulate illegal pepper imports to India.

KEYWORDS: Import-Consumption Ratio, Import-Production Ratio, Export-Import Ratio, Compounded Annual Growth Rate

INTRODUCTION

A gradual and wide-ranging process of economic reforms were implemented in Indian economy since 1991. Before 1991, India followed a restrictive trade policy with high tariffs and non-tariff barriers such as licensing and quota. Economic reforms in the agricultural sector were implemented in India since the WTO's Agreement on Agriculture in 1995, which aimed at increasing exports and thereby attaining higher economic growth. In this multilateral trade system, all the member countries are treated as the most favored nation by every other member countries. The reduction in trade barriers also ensures greater market accessibility to each member country. The theoretical argument behind the economic reform policies is that removal of barriers to trade will make available superior technology and better quality raw materials, at the lowest cost and also in adequate quantity. Domestic producers will improve their products in order to face competition from producers from the rest of the world which will in turn, increase the competitiveness of the domestic product. In India, policy formulators, academia, and business held the view that liberalized trade policies would result in an increased demand for imports without a corresponding increase in exports.

India is known as the land of spices and has a long history of trading in spices with the ancient Roman and Chinese civilizations. Pepper, often referred to as "black gold" is one of the most traded spices worldwide. India is the third largest producer of pepper in the world. During the 2015-16, India produced 48500 tonnes of pepper (Spices Board,

2017). Kerala, Karnataka and Tamil Nadu are the main pepper producing states in India. During 2015-16, India exported 28100 tonnes of pepper. The import of pepper to India during the same period was 19365 tonnes. The import of pepper to India increased in the post-reform period due to an increase in domestic consumption. The present study aims to examine the trade performance of pepper in India in the post-reform period.

OBJECTIVES OF THE STUDY

- To analyze the trends in export and import pepper in India in the post-reform period.
- To estimate the trade performance of pepper in India in the post-reform period.

DATA SOURCES AND METHODOLOGY

The present study is based on secondary data from 1991-92 to 2015-16. The data on import, production, export of pepper is obtained from Spice Statistics, Spices board. The trends in export and import of pepper to India are analyzed using compound growth rate analysis.

FINDINGS AND DISCUSSION

Trends in Import of Pepper

Table 1: Computed Annual Growth Rate in Export and Import of Pepper in India (Percentage)

Item	Post-Reform Period (1991-92 to 2015-16)
(1)	(2)
Export Quantity	-1.999** (-2.295)
Import Quantity	12.27*** (8.857)

Note: ***1% Significant level, **5% Significant level. Figures in the parenthesis are t-values

Source: Spices Board, Cochin.

The results in table 1 show that during the post-reform period the compounded annual growth rate of the quantity of pepper exports was negative and significant at 5 percent level. The CAGR of exports in the post-reform period was -1.99 percent. The compounded annual growth rate in import to India in the post-reform period was positive and statistically significant at the 1 percent level. The CAGR of imports of pepper to India during the same period was 12.27 percent.

Trade Performance of Pepper

The liberalization of import barriers has resulted in increased imports of pepper to India. Pepper is mainly produced in the tropical regions of the world. Pepper produced in these regions is routed through Sri Lanka by taking advantage of lower duty under South Asian Free Trade Agreement and India-Sri Lanka Free Trade Agreement.

Table 2: Trade Performance of Pepper (Quantity in Tons)

Year	Import/Consumption	Import/Production	Export -Import Ratio
1991-92	0.04	0.03	12.18
1992-93	0.02	0.02	27.29
1993-94	0.66	0.05	20.20
1994-95	0.11	0.04	17.05
1995-96	0.06	0.04	11.52
1996-97	0.15	0.04	22.24
1997-98	0.11	0.06	10.11
1998-99	0.07	0.04	11.40
1999-00	0.28	0.10	7.08
2000-01	0.12	0.10	3.45
2001-02	0.30	0.25	1.46
2002-03	0.25	0.21	1.48
2003-04	0.26	0.21	1.06
2004-05	0.31	0.23	0.75
2005-06	0.28	0.34	1.03
2006-07	0.23	0.27	2.16
2007-08	0.21	0.23	3.03
2008-09	0.35	0.35	1.45
2009-10	0.24	0.24	1.66
2010-11	0.30	0.28	1.39
2011-12	0.34	0.37	1.67
2012-13	0.33	0.26	0.98
2014-15	0.33	0.42	1.36
2015-16	0.43	0.30	1.01

Source: Computed from data published by Spices Board, Cochin

Table 2 shows the ratio of import to consumption, ratio of import to production and export-import ratio of pepper. The results show that import to consumption and import to production shows an increasing trend. During 1991-92 India imported 1686 tons of pepper. Pepper imports to India gradually increased in the post-reform period. Pepper imports to India were 21300 tons in 2014-15, which was the highest in the post-reform period. The export-import ratio declined in the post-reform period. This was because of the fall in pepper exports and increase in imports to India from Sri Lanka and Vietnam. According to the South Asian Free Trade Area (SAFTA) agreement pepper can be imported from Sri Lanka at just 8 per cent duty. Pepper is imported from Vietnam at a lower duty of 54 per cent under the ASEAN agreement. Under the India-Sri Lanka, Free Trade Agreement (ISFTA) 2,500 tonnes of pepper per annum at zero duty can be imported to India from Sri Lanka. The pepper imported to India is again exported as value-added products like pepper powder, oleoresin, dehydrated green pepper etc. to various countries. The increased imports led to a decline in pepper prices in India. The increased cost of production and a decline in prices had adversely affected the pepper farmers in India.

CONCLUSIONS

The present study evaluates the trade performance of pepper in India. The results indicate that the compounded annual growth rate of pepper exports in the post-reform period was negative whereas the growth rate of imports was positive. The import-production ratio and import-consumption ratio had shown an increasing trend. The export-import ratio also declined in the post-reform period. Removal of quantitative restrictions led to the increased import of pepper to India, which is reflected in the declining trend in the export-import ratio in the post-reform period. As a result of the increased imports from Sri Lanka and Vietnam, the major consuming markets in India are dumped with cheaply imported pepper and

this has resulted in lower pepper prices in the country. In order to protect the interest of the farmers, appropriate levels of tariff should be imposed to address the problem of cheap pepper imports to India. Stringent measures should also be adopted by the government to control illegal pepper imports to India. Appropriate policies have to be designed to increase the production and yield of pepper in India.

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