

Impact of Covid-19 on Cash Crops: The Case of Black Pepper in Kerala

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Abstract

The nationwide lockdown which has been in force from 24th March 2020 due to COVID-19 pandemic had a severe economic impact on agriculture sector. This has been in spite of the exemptions given to the sector after two weeks of lockdown. The agriculture has been seen by many in the post-COVID scenario as the bright spot in the economy. But, the pepper crop is uniquely located in the sense that its consumption is largely driven by food processing industries which had been affected by the pandemic. Not only that the two back-to-back floods in 2018 and 2019 had severely affected the pepper production in Idukki district of Kerala which accounts for the largest production share. The district even faced a spate of farmer suicides in the recent times. This paper is an exploration into the various impacts of the present pandemic on the pepper economy of Kerala. It also tries to come up with some policy recommendations to revive the pepper production in the post-COVID economic structure.

Keywords: CoVID-19, pepper economy, Idukki, Kerala

1. Introduction

Pandemics have deep impact on the economy and also on the livelihood of the people (Decerf. et al, 2020 & Loevinsohn, M., & Gillespie, S, 2003). When we compare the three deadly pandemics which affected the world in the last hundred years, i.e. 1918, 1957 and 1968 (Mills, Robins, & Lipsitch, 2004), the CoVID-19 had resulted in an unprecedented economic effect on the global economy. Spices or most importantly black pepper is a commodity which can be credited with playing a vital role in shaping the world history. It is also known as the “King of Spices” or “Black Gold” due to the fact that it is the most economically valuable and widely used spice in the world (Nair, 2011). It is one of the few commodities which find reference in all the sacred texts. Once upon a time, India or more specifically the state of Kerala was known as a major source of best quality black pepper. But, the current global production of black pepper is dominated by Vietnam with a share of 35 percent as on 2019, followed by Indonesia with 20 percent. India with 15 percent takes the third slot and Brazil with 11.36 percent comes forth in the list. The emergence of Vietnam as a major pepper producer had very serious impact on India’s production and exports as nearly 95 percent of its production are exported. This is a small attempt in a stocktaking of the pepper economy of Kerala during the times of CoVID-19. This paper is an attempt in using secondary data analysis from the Spices Board and the International Pepper Community (IPC) in understanding the dynamics of declining pepper production in India.

1. Area, Production, Productivity and Exports- A Declining Supply Story Before the CoVID-19 Times

India presently accounts for nearly 42.07 percent of the global pepper acreage which is more than 3 times the acreage of Vietnam while in 1951 it was 70 percent. India’s contribution to the global pepper production is 19.36 percent when compared to Vietnam’s share of 34.23 percent. The third

slot in terms of share in global pepper production is taken by Indonesia at 13.48 percent. Nair (2011) notes that India's share in the global pepper market fell from 56 percent in 1951 to 23 percent in 1991. A major reason for declining productivity can be attributed to aging pepper plantations on an average which have lifespan of 25 years when compared to 12-15 years in Brazil, Malaysia and Thailand. It takes 4-5 years for berry formation in the replanted vine which makes it highly unattractive for the farmers coupled with widespread fluctuations in pepper prices annually. The widespread prevalence of foot rot disease and low use of fertilizers and pesticides by marginal farmers who dominate pepper production are other factors affecting productivity. 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 pepper exports has never reached 45,000 tons achieved in 1999 and ranged between 13860 MT in 2004 and 19250 MT in 2013. This works out to be about 8 percent share in the global pepper exports. Again in exports also Vietnam dominates with 47 percent followed by Indonesia at 13.6 percent and Brazil at 12.4 percent. Also, Vietnam exports nearly half of its production while for India it is 34 percent. But, this is to be considered along with the fact that among the traditional pepper producers, India is the biggest importer. Most of India's imported pepper is sourced from Sri Lanka, Indonesia and Vietnam. The pepper from these countries is 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 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). In spite of this fact, export firms are a major player in the commodity chain and when they have the option of sourcing cheap pepper it definitely affects the domestic producers.

Sajitha (2010) views that increased domestic demand could be one of the factors which reduced India's share in total world export, while the other being increased production by the new entrants. 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 (Sajitha, 2010; Nagoor, 2010). The emergence of countries like the Netherlands, Germany etc who are not pepper producing nations but are exporting significantly 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.

Mohanakumar and Sharma (2006) analyses farmer suicides in Kerala and finds out that there is a close linkage between the implementation of neoliberal policies in the country and farmer suicides. Also, here is a strong association between the incidence of farmer suicides and dependence on export-oriented crops. The study uses coefficient of variation in prices of major crops of Kerala which are rubber, tea, coffee and pepper which shows wide fluctuations in prices of export-intensive crops like pepper and coffee. The study found that pepper was the worst hit export-oriented crop after the implementation of neoliberal policies. By making use of the Rule of Origin under WTO and the Indo-Sri Lankan Free Trade Agreement, low-quality pepper from Vietnam came to India through the Sri Lankan ports which were to be mixed up the premium pepper produced in India leading to fall in India's share in pepper exports. Rajasenana (2010) also talks about the steep decline in pepper prices which has resulted in rural distress among the producers. In fact, this is further substantiated by Vineetha and Nair (2007) who observed that the pepper price volatility led to large-scale farmer suicides in the Wayanad district of Kerala.

2. Pepper Economy and the CoVID-19

The CoVID-19 had negative effects on the pepper producers in Kerala. Most of the initial newspaper reports consider agriculture as the only sector which has been more or less insulated by the after effects of this pandemic. This argument is faulty both statistically as well as theoretically. The drastic decline in the growth rates of manufacturing and service sectors due to deficit demand and fall in production could not be observed much in agriculture. This sector was exempted from the nation-wide lockdown and the nature of demand for agricultural product is seen as inelastic also strengthens the above argument. But, the fact remains that cash crops especially export crops such as pepper could see wide fluctuations in global as well as domestic demand.

Also, pepper production and export requires a wide array of activities such as middlemen or commission agents, wholesalers, export firms, auction houses, ports etc. Though agricultural-related activities were exempted from the lockdown, the above mentioned nodes in the supply chain were fully affected by the lockdown. In fact, many of the pepper stocks are either lying with the growers or with the commission agents for the last few months. This could lead to a situation where once the pandemic is controlled and the economy opens up, there would be large stocks of pepper which would be offloaded into the market, thereby depressing the prices further.

During the drafting of this paper, the major pepper production areas of Kerala- Idukki district was being ravaged by floods and landslides. This would be additional sorrows for the district which has seen massive flooding in 2018 as well as in 2019. Both the monsoons had destroyed the crops and agriculture in the region. In fact, the massive floods of 2018 even saw a spate of farmer suicides in the same region. The year 2021 also doesn't present any different picture, the heavy rain continued till November 2021 and ravaged the major pepper producing district of Idukki. India has been

witnessing a spate of extreme weather in the recent times such as floods in Tamil Nadu (2015), Kerala (2018), Gujarat (2019) and on. The last two monsoon seasons in the shadow of CoVID-19 saw heavy rains in the hilly regions of Kerala where pepper is grown. The Intergovernmental Panel on Climate Change (IPCC) in its fourth assessment report defines it as, 'the degree, to which a system is susceptible to, and unable to cope with, adverse effects of climate change, including climate variability and extremes'. The Indian agriculture is primarily depended on monsoon which is showing an increase in average intensity and variability (Kumar et al, 2006; Chung et al, 2006; Ashrit et al, 2001). The developing countries are more vulnerable to climate change because they lack institutional support but there are also studies which show that communities within such countries have knowledge and capacity to adapt changes (Chung and Ramanathan, 2006). Sometimes extreme weathers such as floods alter long-term economic opportunities for the poor (Somanathan and Somanathan, 2009).

The excessive spending by the State Governments which were on the frontline in the fight against CoVID-19 and drying of their finances with the implementation of Goods and Services Tax (GST) would definitely have an impact on the spending in agriculture. This would definitely get reflected in the data from 2022.

If India has to regain the lost glory in the world pepper market, the revival of the commodity in the state of Kerala is crucial. Pepper being an important crop in 'homestead farming' in the state and mostly grown by small and marginal farmers require a strong institutional support similar to rubber. This could be in the form of subsidies, accessibility to inputs mostly fertilizers and pesticides, marketing, information and other scientific activities. Sreekumar (2006) observes that 90 percent of the consumer price in the USA is accounted by packaging, processing, transportation and profit margins at various levels. He illustrates this by quoting the FOB price of pepper at the Kochi port which is Rs:85/ kg. The average cost of transportation and insurance works out to be Rs: 6/kg. The average price of black pepper in a US supermarket when converted to India rupee is Rs: 920/kg. Hence, there is a larger scope for value addition as far as pepper is concerned.

3. Conclusion

The following would be some major policy intervention required to mitigate the effects of CoVID-19 on the pepper growers:

- a) The procurement of pepper from growers by the state at a price similar to the Minimum Support Price (MSP) for the food grains. This procured produce can be directly marketed by the state through its enterprises such as SUPPLYCO, Maveli stores or even to export firms.
- b) Immediate announcement of moratorium on loan payments. This moratorium should not be limited to just farm loans but the scope should be widened to all debtors who have shown their profession as growers.
- c) More effective monitoring mechanism to ensure that the subsidy from the Spices Board is directly received by the growers. This can be in the form of cash benefits or planting materials or scientific advices.

- d) A strict implementation of FTAs to ensure that the produce from competitive countries such as Vietnam are not re-routed through countries with which India has FTAs. There is also a need to strictly study the need to enter into FTAs with countries which have tropical climate like the ASEAN countries. Most of the ASEAN nations have high export orientation. With a large domestic market, they would definitely look upon India as their major export market.

The silver lining is that India's export of pepper oil and oleoresin has increased in the last decade. There is also a spurt in the production of 'organic' pepper which is very much demanded in the Western countries. The district of Idukki which has emerged as the biggest producer of pepper in Kerala has tremendous scope for this due to cool climate and low chemical fertilizer usage. Bush pepper which is grown in Indonesia and Malaysia is also catching up in India. It is suited for both urban and rural areas, more fruiting branches and flowering starts in the first year of planting. Hence, with proper institutional support, increased value addition and market intervention, pepper production can be the future of agricultural sector of Kerala as well as that of India.

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