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GROWTH OF SPICES EXPORTS OF INDIA AFTER NEW ECONOMIC POLICY

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Abstract

From the late eighties to early nineties, the Indian economy was going through very hard times. The balance of payments deficits were rising at an alarming rate. The external debt ratio was sharply moving up. The economic process, characterized by high and rising inflation rates was inflicting heavy sacrifices on vast masses of the un indexed poor and middle classes. The period up to 1990 was the most momentous period in India's economy since independence. The overall economic situation was difficult. Economists were describing the economic crisis as being acute and deep and observed that they never experienced anything similar in the history of independent India. In order to place the economy back on the path of high and sustainable growth, the government introduced Economic Reforms including Liberalization, Privatization, Globalization and Marketization from June 21, 1991. Dr. Manmohan Singh, a reputed economist and the present Prime Minister of India, known as the champion of economic reforms in India, observed that we were creating a macroeconomic environment in which industry speeds ahead with growth rates, generate more jobs and higher levels of wages and incomes through increased productivity. All crises were converted into an opportunity to introduce some fundamental changes in the content and approach to economic policy.

Keywords: Liberalization, Privatization, Globalization, Marketization, SPSS, trade information

India is supposed to be an economy with a large labour force in relation to the stock of capital. International integration helped to restructure the production and trade pattern in the country in favour of labour intensive goods and labour intensive techniques. As a result, the overall resource productivity went up and employment ratio to labour force also rose. The export trade geared more to relatively labour intensive products and processes. Foreign capital was attracted to India to exploit the professional export opportunities. With the entry of foreign capital, updated technology entered into the country. Un-economic import substitution slowly disappeared and cheaper imports reduced the capital output ratio in manufacturing. Lower prices of manufactured goods improved the terms of trade in favour of agriculture. It was believed that the main effort of international integration fell in the industrial and related sectors and cheaper and high quality consumer goods manufactured at home. The strategy adopted in economic reform era since June 1991 for integration of the Indian economy with the world economy includes exchange rate adjustment to improve competitiveness of exports, reduction in tariffs and a more open policy towards foreign direct investment and technology. The external value of rupee was adjusted downwards by 18 per cent in two steps on July 1991.

Spices Exports

Pepper and Cardamom had been the two important high value items in India's exports of spices. Spices constitute an important group of agricultural commodities which are used for flavouring and are the main ingredients for any tasty food. The other uses of spices are in medicine, cosmetics, colouring, rituals etc. People have used spices since earliest times. There are references about spices in the Vedic literature and in the Old Testament. Even today we depend on spices and herbs for many of our newest medicines, chemicals and flavours. India is considered as the home of spices and its spice trade has history that spans over 3500 years. Because of the varying agro climatic conditions, India produces a wide range of spices: Pepper, Chilies, Cardamom, Turmeric, Ginger, Garlic, Coriander, Cumin, Fennel, Fenugreek, Spice oils and Oleoresins, etc.

Spices Board was constituted on February 26, 1986 and functions under the Ministry of Commerce and Industry, Government of India. The Board is responsible for the export of the schedule spices. It also looks after the production and development of Cardamom and Vanilla. It is also engaged in providing quality certification, quality control, and registration of exporters, collection and documentation of trade information.

Methodology

Any social study requires a well-knit and well-planned methodology.

Period of the Study

The period of the study taken up for the analysis is a period of twenty five years, from the year 1990-91 to that of the year 2014-15 and 2014-15 data is provisional.

Sources of Data

The author had used only the secondary data for analytical purpose. The data were collected from various sources such as the various issues of Monthly Statistics of Foreign Trade of India, Foreign Trade Statistics of India, and Economic Survey.

Statistical Tools Used in this Study

Statistical tools had been used to analyze the collected data and to interpret the findings of the study. The following statistical tools had been used. Linear, Semi-log test. The study done by using Excel and SPSS version 21.

Results and Disscussion

The table 1 explain earnings from spices exports had accelerated from `239 crores in 1990-91 to `394 crores in 1991-92 then decreased to 393 crores in 1992-93 and also decreased share in agricultural exports and share in total exports because of export of spices had suffered because of erosion export surpluses available and fall in the unit value realization. Pepper is a major item of export from India. Small cardamom, which till recently was a covered export item, has dipped into low levels of export due to increase in home consumption and competition from other sources. The value of spices exports had seriously amplified from `394 crores in 1991-92 to `1410 crores in 1997-98. During the year 2002-03 the exports of spices had accounted for `1659 crores. This value gradually accelerated to `2116 crores in the year 2005-06, and further to the level of `3158 crores in 2006-07. Similarly, its share in total exports steadily decelerated from 0.65 per cent in 2002-03 to 0.46 per cent in 2005-06 and further increased to 0.55 per cent in 2006-07. The value had shrunken to the level of `6338 crores in 2008-09 to `6157 crores in 2009-10 and its share also censored from 0.75 per cent to 0.71 per cent the corresponding years due to recessionary conditions in importing countries and higher prices. This value gradually accelerated to `8043 crores in the year 2010-11 to 15365 crores in 2012-13, and further to the level of 16344 crores in 2014-15.

Table 1: India's Export of Spices

Year	Exports	Share in Agriculture Exports	Share in Total Exports
1990-1991	239	3.7834	0.7341
1991-1992	394	7.5363	0.8946
1992-1993	393	4.1556	0.7320
1993-1994	569	4.3698	0.8157
1994-1995	612	4.4632	0.7402
1995-1996	794	3.7562	0.7465
1996-1997	1202	4.8003	1.0116
1997-1998	1410	5.5470	1.0837
1998-1999	1633	6.2557	1.1684
1999-2000	1767	7.0634	1.1074
2000-2001	1619	5.6644	0.7953
2001-2002	1497	5.1071	0.7162
2002-2003	1659	4.9241	0.6502
2003-2004	1544	4.2596	0.5263
2004-2005	1883	4.7575	0.5016
2005-2006	2116	4.5307	0.4636
2006-2007	3158	5.3562	0.5523
2007-2008	4204	5.5311	0.6409
2008-2009	6338	7.7567	0.7538
2009-2010	6157	7.3179	0.7132
2010-2011	8043	7.2921	0.6899
2011-2012	13220	7.3614	0.8917
2012-2013	15365	6.8981	0.9213
2013-2014	15981	6.2047	0.8275
2014-2015	16344	5.7657	0.7290

Source: Monthly Statistics of the Foreign Trade of India.

Linear Model

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.837	0.700	0.687	2945.817

ANOVA

	Sum of Square	Df	Mean Square	F	Sig.
Regression	4.654E8	1	4.654E8	53.626	0.000
Residual	1.996E8	23	8677835.781		
Total	6.649E8	24			

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Case Sequence	598.302	81.702	0.837	7.324	0.000
(Constant)	-3452.290	1214.591		-2.842	0.009

Semi-Log Model

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.974	0.948	0.946	0.285

ANOVA

	Sum of Square	df	Mean Square	F	Sig.
Regression	34.019	1	34.019	419.865	0.000
Residual	1.864	23	0.081		
Total	35.883	24			

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Case Sequence	0.162	0.008	0.978	20.491	0.000
(Constant)	5.582	0.117		47.561	0.000

Compound Growth Rate = 0.176

The above table demonstrates the values of trend and growth rates of India's spices exports from the year 1990-91 to 2014-15. Even though the annual average growth rate of spices exports were 16.2 per cent. Regarding the compound growth rate of spices exports was 17.6 per cent during the study period. The R^2 values were found to be satisfactory and 't' values were also found to be statistically significant at one per cent the study periods.

Conclusion

More than 90 per cent of the spices produced in the country is used for domestic consumption and the rest exported as raw as well as value added products. The important spices produces in the country are black pepper, ginger, turmeric, garlic, chillies, coriander, cumin, fennel, fenugreek, celery, clove, cassia, nutmeg, mace, cardamom, saffron, vanilla and group of herbal spices. The dominant spice in the global market has far outstripped supply. India formerly the world's biggest producer has been hit by crop failures owing to the late monsoon rains in 2009 and disease. The problems for Indian suppliers have meant that it was overtaken by Vietnam as the world largest producer, which supplies some 30 per cent of the world's exports. Speculators have joined the fray encouraged by high prices and poor returns on the financial markets, leading to hoarding and pushing up prices. The steady growth of spice exports reiterates the unshaken global demand for Indian spices.

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