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GAIN Report #IN0078

## India

### Agricultural Situation

### Spice Report

## 2000

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#### Report Highlights:

**Rising domestic use and increasing global competition are resulting in sharply lower exports of Indian black pepper.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1], IN

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## Pepper Exports Lag

Sluggish production growth, increasing global competition, and rising domestic use have led to a 60 percent decline in India's pepper exports in recent months. Exports in the first six months of the 2000/01 fiscal year (Apr-Mar) were only 9,750 metric tons, valued at rs. 1,964.5 million (\$42.7 million) compared with 24,940 metric tons, valued at rs. 4,830 million (\$112 million) during the corresponding 1999/00 period. Although producers had been holding larger stocks in anticipation of higher prices, the promising 2001 production outlook, combined with declining world prices, recently have lowered domestic prices by more than 30 percent to the current level of rs. 150,000/metric ton (around \$1.50/lb). Prices are likely to decline even further due to increased supplies and anemic demand. Pepper exports in 1998/99 were 35,000 tons valued at \$152 million, and accounted for 36 percent of India's total spice export value. India's market share has been declining due to growing competition from other countries, particularly Vietnam.

## Production Growth Sluggish

Indian black pepper production has stagnated due largely to the limited availability of suitable land. Spices are grown mostly on small holdings as an inter-crop. Major producing states are Kerala and Karnataka. Last year's (1999/00) production is estimated by the trade at 57,000 tons. Government estimates typically are much lower. Despite moisture stress followed by heavy rains at critical stages, 2000/01 production (whose picking will peak in winter) is expected to be 20 percent higher at around 70,000 tons.

Most of the small increase in production in recent years has occurred in Karnataka, where pepper is inter-cropped on coffee plantations. The per hectare yield of pepper in such plantations is reported to be higher, and the quality superior, due to better management practices. In view of the typically low productivity of pepper in India (300 kg/ha versus the world average of 610), some of the industry has pleaded for plantation status which should help lead to more scientific study of the crop and higher yields.

## Going Organic

In view of the rapidly growing demand for organic food in some developed countries, the Spices Board of India has begun to heavily encourage the production and export of organic spices. The GOI is in the process of setting up indigenous certification programs as there are no approved domestic certifying agencies. Services of certain international certifying agencies such as SKAL and IMO are, however, available. The Board also helps foreign buyers to source organic spices in India.

Organic spice exports currently are only 50 tons as the high cost of inspection and certification and lack of an adequate premium for organic spices are dissuading farmers from switching from conventional practices. To encourage organic farming, the Spices Board has begun to subsidize inspection charges by International Inspection agencies. The government also is proposing a 50 percent subsidy on production costs ( up to rs. 20,000/ha) to spice growers in northeastern India. The United Nations Development Program (UNDP) is providing financial support to the Spices

Board for the development of the production and export of organic spices.

The International Federation of Organic Movements (IFOAM) is playing a key role in promoting organic agriculture in India. Indian IFOAM members created a National Standards Committee in January 1996 with scientists and experts from 13 organizations located throughout the country, and entrusted them with the task of preparing Basic National Standards for Organic Agriculture in India. The Basic Standards have been submitted to the Government, Universities and other organizations, and are expected to provide a broad framework for the systematic promotion of organic agriculture in India. There are also several voluntary organizations in India encouraging and supporting organic agriculture.

For additional information on Indian spices, please visit Indian Spice Board Web Page:  
[www.indianspices.com](http://www.indianspices.com)

**Table 1: Pepper Production: India Vs World** (metric tons)

	1999 1/	1998	1997	1996	1995	1994	1993
India	57,000	57,000	56,000	61,580	60,700	51,300	50,760
Brazil	27,761	23,141	22,359	34,464	33,680	34,711	41,447
China	17,000	17,000	15,000	14,000	12,000	13,000	12,000
Indonesia	52,188	52,188	49,660	52,168	58,955	54,043	65,782
Malaysia	19,087	19,087	18,171	16,276	15,768	16,370	18,003
Sri Lanka	17,810	17,810	17,270	16,890	16,000	14,712	14,100
Vietnam	17,800	15,900	13,000	10,500	9,300	8,900	7,400
Other	21,591	21,191	20,889	24,300	24,353	22,444	19,998
Total	230,237	223,317	212,349	230,178	230,756	215,480	229,490
India's Share (%)	24.8	25.5	26.4	26.8	26.3	23.8	22.1

1/-Provisional

Source: FAO; reflects government production figures.

**Table 2: Pepper Exports/Re-exports by Major countries (metric tons)**

	1998	1997	1996	1995	1994	1993
India	<b>32,000</b>	<b>40,000</b>	<b>47,211</b>	<b>25,270</b>	<b>36,536</b>	<b>47,677</b>
Brazil	17,249	13,962	24,178	22,158	22,231	26,254
Indonesia	38,723	33,386	36,849	57,781	36,036	27,684
Malaysia	18,717	29,000	28,124	14,869	23,275	16,737
Singapore 1/	41,714	48,909	38,398	46,834	35,396	33,092
Sri Lanka	3,485	3,485	2,612	2,082	1,850	5,032
Vietnam	15,000	24,713	25,300	17,900	16,000	14,900
Other	45,894	52,270	38,756	37,789	42,839	34,862
<b>Total</b>	<b>212,782</b>	<b>245,725</b>	<b>241,428</b>	<b>224,683</b>	<b>214,163</b>	<b>206,238</b>
India's Share %	<b>15.0</b>	<b>16.3</b>	<b>19.6</b>	<b>11.2</b>	<b>17.1</b>	<b>23.1</b>

1/ - Largely re-exports

Source- FAO

**Table 3: India: Spice Exports**

	1996/97		1997/98		1998/99	
	Quantity	Value	Quantity	Value	Quantity	Value
	MT	Mil US\$	MT	Mil US\$	MT	Mil US\$
Pepper	47,893	116.25	35,907	133.48	34,864	152.33
Cardamom (small)	226	2.45	307	3.41	475	6.02
Cardamom (large)	1,628	3.41	1,648	3.40	1,424	2.84
Chili	50,051	56.79	51,779	42.73	61,253	51.71
Ginger	29,737	16.70	28,268	19.53	8,778	9.71
Turmeric	23,019	16.48	28,875	22.34	36,522	29.73
Coriander	12,574	8.84	23,734	17.30	20,685	10.95
Cumin	6,375	9.69	16,281	21.88	10,723	14.35
Celery	3,780	2.26	3,317	2.15	3,991	2.31
Fennel	4,850	5.04	12,368	9.63	5,279	3.67
Fenugreek	8,891	3.40	6,006	2.65	10,082	4.57
Other seed spices	3,059	2.38	4,056	2.51	2,001	1.79
Garlic	4,889	2.25	3,975	2.15	4,068	1.77
Other spices	18,955	12.49	14,918	14.97	19,077	18.29
Curry powder	4,639	5.80	5,132	7.99	5,210	8.59
Mint oil	2,371	37.92	3,018	26.07	4,207	29.25
Spice Oil & Oleoresins	2,358	44.82	2,419	62.26	2,750	71.80
<b>Total</b>	<b>225,295</b>	<b>346.97</b>	<b>242,008</b>	<b>394.45</b>	<b>231,389</b>	<b>419.68</b>

Source: Spices Board