

COVID takes the flavour out of cardamom, brews up tea

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Kerala is a major producer of spices and it is reported that spices exports, unlike other exports, have shown an increase during COVID 19 lockdown largely because of the perception that spices help to improve immunity. This article looks at the price trends to examine this issue as production does not respond in the short term owing to the gestation lag. Along with spices, coffee and tea were also in the limelight during the lockdown and the four crops together account for a major part of the economy of Kerala, especially two hill districts, namely Wayanad and Idukki.

The four crops - pepper, cardamom, tea and coffee - account for roughly 12 per cent of the net cropped area of the state. But in Wayanad, they account for 80 per cent of the net cropped area and in Idukki close to 55 per cent (Table 1). However, the composition of the crops varies between the two districts. While in Wayanad, coffee and pepper dominate, tea, pepper and cardamom are the predominant crops in Idukki.

Table 1.Area under select crops in Wayanad and Idukki, 2018-19 (Hectares)

Crop	Kerala	Wayanad	Idukki
Pepper	82671	9939	43104
Cardamom	38882	4120	30968
Tea	36474	8194	25588
Coffee	84976	67426	12717
Sub Total	243003	89679	112377
	-11.95%	-79.38%	-54.74%
Net Cropped Area	2033631	112976	205291

Source: ecostat.kerala.gov.in

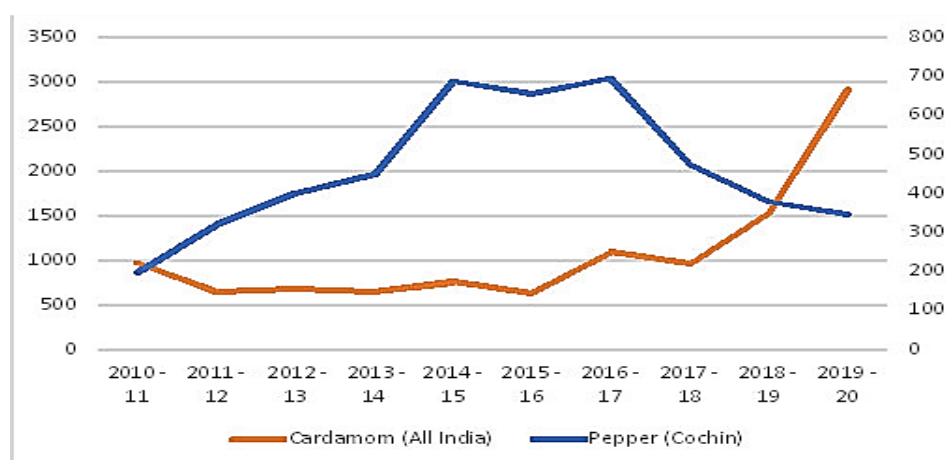
Table 2. Average annual prices of select crops, 2010-11 to 2019 - 20 (Rs per kg)

Year	Pepper (Cochin)	Cardamom (All India)	Coffee (Cochin)	Tea (All India)
2010 - 11	197.05	968.22	112.54	80.28
2011 - 12	318.77	645.62	140.41	80.37
2012 - 13	398.18	686.89	152.12	105.02
2013 - 14	448.29	649.2	155.11	100.84
2014 - 15	686.64	754.01	178.15	102.49
2015 - 16	655.22	627.12	163.11	111.67
2016 - 17	694.77	1088.5	158.33	115.81
2017 - 18	473.73	955.56	157.21	114.04
2018 - 19	378.21	1520.3	164.45	127.78
2019 - 20	347.08	2908.5	158.08	119.12

Source: For Pepper and Cardamom, indiaspices.com; For Coffee, indiacoffee.org; For Tea, teaboard.gov.in

Note: For Pepper and Cardamom, Average Domestic Prices are shown. For Coffee, All India Export Prices are presented. For Tea, Weekly Average Price of the Last Week of December is shown. While for Tea Calendar Year is taken, for other crops Financial Year is considered.

In order to analyze the impact of COVID -19 lockdown on prices of these four commodities, it is essential to examine the price trends over the last ten years. As is evident from figure 1 and table 2, pepper prices follow the old dictum of sharp increase followed by an equally sharp fall. Prices jumped over three fold in around four years, rising by over 30 per cent every year after a large jump of 60 per cent in 2011-12. It remained at that level for the next three years. Prices fell 32 per cent, 20 per cent, and 10 per cent respectively in the next three years. Almost all the gains were erased over a period of three years; the prices falling back to the levels of 2011-12 in 2019-20.

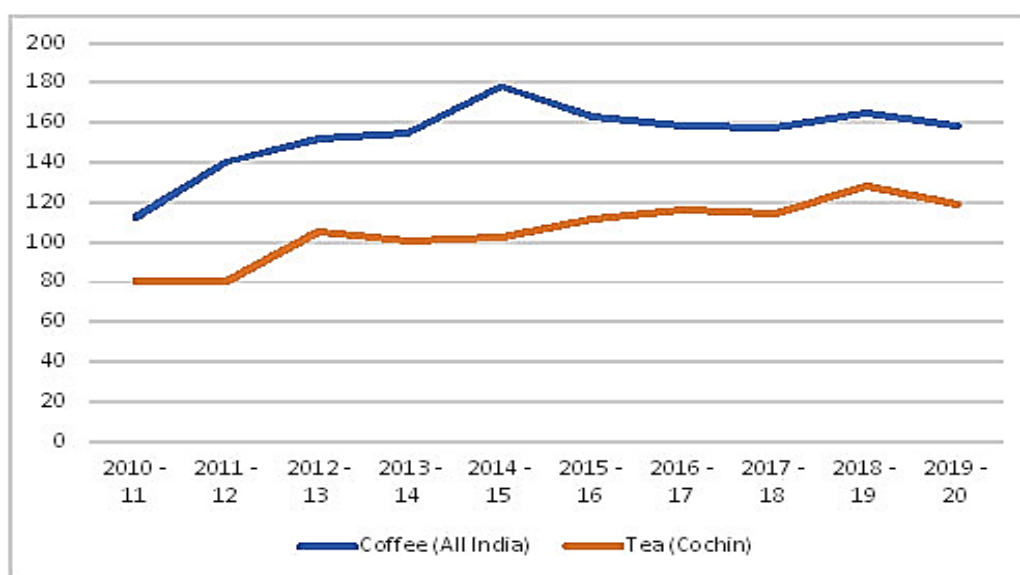
Figure 1. Annual prices of Cardamom and Pepper, 2010 -11 to 2019 - 20 (Rs per kg)

Source: Same as Table 2

Cardamom prices show a pattern similar to that of pepper (figure 1 and table 2). 30 per cent fall was witnessed in 2011-12 and the prices continued to prevail at that level with minor year on year fluctuations for the next five years. The year 2016-17 witnessed a sharp 80 per cent increase in prices. In 2018-19 prices went up by 50 per cent and by a whopping 100 per cent in 2019-20 taking it to almost trifold of the level in 2016-17. Thus it is clearly evident that the prices of both pepper and cardamom are characterised by deep cyclical movements. Price increases, whenever they occur, are large followed by equally large falls. The year 2019-20 was the trough for pepper but the peak for cardamom. As is evident around 100 per cent increase over a period of three to four years and 50 per cent fall over an equal number of years is not unusual for these crops.

Unlike the prices of two spices the prices of the two plantation crops set a different trend (figure 2 and table 2). Export prices of coffee showed steady rise from 2010-11 to 2014-15, the terminal year prices being around 60 per cent higher than those in 2010-11. The prices fell by around 10 per cent during the next two years and continued to remain at that level for the next four years (2016-17 to 2019-20). This was the price level of 2012-13 and 2013 -14. Thus, coffee prices after the sharp jump in 2011-12 and 2012-13, more or less continued to remain at that level till 2019-20, with minor fluctuations.

Figure 2. Annual prices of Coffee and Tea, 2010 -11 to 2019 - 20 (Rs per kg)



Source: Same as Table 2

However prices of tea moved very differently from that of coffee. Its evolution is more like a step function (figure 2 and table 2). It rises by a relatively small per cent in one year, stabilises at that level the next two or three years before taking the next step. It jumped 25 per cent in 2012, by around 10 per cent in 2015 and by another 12 per cent in 2017. Thus, over a period of 10 years the prices increased by around 50 per cent, never showing any sharp fall. The crop is that way very different from spices or coffee, mainly due to the large domestic demand that brings stability in prices.

Now the question arises is that what is the impact of COVID -19 and the lockdown on the price front of these commodities ? As regards tea, in 2019, the monthly average prices were showing a declining trend from April. Initially, the decline was mild but gained pace from June. The price of August 2019 was about 19 per cent lower than that of January 2019 (Table 3). The low prices continued till March 2020. The first month of the lockdown period witnessed the price rising by over 20 per cent. Another 22 per cent increase was seen in July, 25 per cent in August and 13 per cent in September. Thus, the September prices were twice that in January and February. In effect, while it took eight years for the prices to double between 2010 and 2018, the same level was achieved in eight months during COVID-19 times. While the large gains in prices would benefit the planters, the other side of the story is that the common man's drink suffered a huge hit during COVID-19.

Table 3. Month - wise prices of select crops, 2019-20 (Rs per Kg)

Month	Pepper		Cardamom		Coffee		Tea	
	2019	2020	2019	2020	2019	2020	2019	2020
January	371	343	1432	3802	142	180	111	96
February	364	333	1398	3313	139	192	111	93
March	347	321	1471	2693	137	205	112	93
April	353	330	1813	---	135	206	111	112
May	367	328	2443	1770	146	209	107	101
June	367	334	2873	1477	154	210	103	108
July	355	325	3436	1619	162	212	91	132
August	355	336	3252	1683	156	220	90	165
September	347	345	3040	1634	158	214	93	186
October	---	---	---	---	157	210	---	---

Source: Same as Table 2

Note: For Pepper and Cardamom, Monthly Average Prices are taken; For Coffee, Raw Coffee Price (Karnataka) of the last working day of the month is presented. Price range is given in the publication and we have taken the maximum of the range; For Tea, Average Prices of the auction centres in South India are taken.

Coffee prices showed hardly any variation during first two months in the first half of 2019 (Table 3). While 8 per cent increase is seen in May, followed by 5 per cent increase in the next two months. The rest of the year saw hardly any variation in prices. Towards the end of the year and into January 2020 the prices jumped by 10 per cent followed by another six per cent each in February and March. The lockdown months since April showed remarkable stability in prices. Thus the movement of coffee prices is in sharp contrast with that of tea.

Pepper prices have been on a declining trend since 2016-17. The monthly variation in 2019 shows a continuation of the long term trend (Table 3). While the prices fluctuated till June 2019, they began to fall from then onwards; the fall continued till March 2020. But unlike the declining trend in the second half of 2019, the COVID-19 period brings a halt to the down trend and a remarkable stability in prices. Obviously, the perception that spices have immunity boosting properties seems to have halted the steady decline in prices.

Compared to the prices in January - March 2019, cardamom prices in June were 100 per cent higher (Table 3). The prices continued the upward trend beyond June 2019 and reached the highest level in January 2020. In the pre COVID lockdown period, between January and March 2020 the prices fell by over 30 per cent. The lockdown accentuated the decline and by June 2020 the prices were 45 per cent lower than in March. There was a slight increase the next month, but prices had lost 50 per cent from the levels in January - February 2020. Thus, the trend in 2020 was a reversal of that seen in 2019. Whatever gains made in 2019 till January 2020 were lost and prices were almost back to the levels of 2018-19.

The general belief that the boost to spices export during COVID would benefit Kerala is a misnomer. The pandemic had hit the producers of spices and coffee, badly with prices showing hardly any uptick. While pepper and coffee did not lose, it hit cardamom with 50 per cent drop in prices. Only tea has gained at the cost of higher prices for the domestic consumers. The two districts of Kerala growing spices and plantation crops have hardly made any gain as either the prices have continued to remain depressed or fallen sharply. The only crop that gained handsomely (tea) does not have much area under it.