

## FACTORS IN FUTURES TRADE WHICH AFFECT THE MEMBERS OF VALUE CHAIN OF PEPPER AND CARDAMOM

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### Abstract

The present article deals with the factors that affected the members of the value chain of pepper and cardamom videlicet, farmers, primary processors, auctioneers, traders and exporters. An Exploratory Factor Analysis was applied to categorize the important factors that affected the performance of the members of value chain in the futures trade of pepper and cardamom. The futures trade revolves around the members of value chain. The futures trade was introduced with the intention to help the farmers to obtain fair price and ready to market their agricultural produce and to minimize the price risk in marketing their products. The Factor Analysis applied in the study found out that the factors in the futures trade which influenced the members in the value chain of pepper and cardamom were timely price information, increase in the grading facilities and employment opportunities, enhancing the transportation facilities, providing finance for marketing and reduction in distress sale. The constraints existing in the futures market that prevented the participation of the members in the value chain are physical delivery of the commodities, high quality standards, galactic number of legal formalities, need of the knowledge of computer and technical skill and complex trading process. The futures trade can be made more attractive to the members of value chain by avoiding unnecessary legal formalities, providing technical know how and giving periodic training to the members of value chain. The study suggests that the authorities should take care to make futures trade farmer friendly.

**Key words:** Futures Trade, Members of the Value Chain, Organized trading, Spot Market, Future Market and Exploratory Factor Analysis

### 1.1 Introduction

Spices of India are well-known all over the world because of its taste and attractive aroma. India is recognized as the 'land of spices'. It has a long and glorious history in growing and exporting of spices in the finest quality. The commodities Pepper and Cardamom were recognized as special spices right from the ancient period in India (Indian Council of Agricultural Research, 2015). Black pepper and small cardamom were used by Indians for thousands of years for both cooking and health purposes. Archaeological evidence of persons using black pepper goes back to 2000 BC in India (Melissa, 2014). Cardamom was cultivated as early as 8<sup>th</sup> century BC in the Gardens of Babylon (History of Spices, 2020). Black pepper (*Piper nigrum L.*) is a perennial vine grown for its berries extensively used as spice and medicine. India is one of the major producers, consumers and exporters of black pepper in the world. Cardamom (*Elettaria cardamom Maton*) is one of the oldest known spices in the world. Cardamom is commercially cultivated for its dried fruits (capsules), which is referred as cardamom of commerce. Evergreen forests of Western Ghats of South India are considered as the centre of origin as well as natural habitat of pepper and cardamom (Indian Council of Agricultural Research, 2015). Globally, commodity markets have occupied a significant place in economic growth and progress of countries.

The concept of organized trading in commodities evolved in the middle of the 19<sup>th</sup> century (Bansal *et al.*, 2014). A forward contract is a simple derivative. It is an agreement to buy or sell an asset at a certain future period of time for a fixed price. The spot contract is an agreement to buy and