

## **Supply uncertainties will perk up Pepper Prices**

The new pepper season is expected to start in India soon. Intensive speculation is being circulated systematically at the beginning of the season aimed at bringing pressure in the market and to create panic. The untimely rains and erratic weather has delayed the harvest from November – December to January in the growing areas in Kerala, a major growing tract in India. The erratic weather, shrinking acreage and declining productivity is likely to result in a lower crop prospect in Kerala than the last year, the market survey conducted by the Agricultural Market Intelligence Centre of the Kerala Agricultural University, attached to the Department of Agricultural Economics, College of Horticulture, Vellanikkara reveals. The following factors also support the view that pepper prices may remain firm during the current season also:

- The International Pepper Community (IPC) estimates global pepper production during 2012 around 3,20,000 tones as against 2,98,400 tones during the year 2011. This represents a mere 7 per cent increase in production prospect which will be offset by the increased consumption and low carry over stock from the last year. In fact, no IPC member other than Vietnam is having an optimistic crop outlook for 2012. The production in major pepper producing countries like Vietnam and Indonesia are estimated to be around 1,10,000 tones and 41,000 tonnes respectively during the year 2012. However, Vietnam has exported 1,15,000 tonne during the calendar year of 2011, while importing nearly 20,000 tonne of pepper, indicating low carry over stock with them.
- According to the Directorate of Cocoa, Arecanut and Spices Development (DASD), Indian pepper output during the new crop season in 2012 is estimated to be around 43,000 tonnes, which is lower by around 5,000 tonnes than the previous crop of 48,000 tonnes (10.42 per cent decline). However, the trade sources are of the opinion that the new crop would be lower due to shrinking acreage, declining productivity in general, and particularly during this season due to changing rain

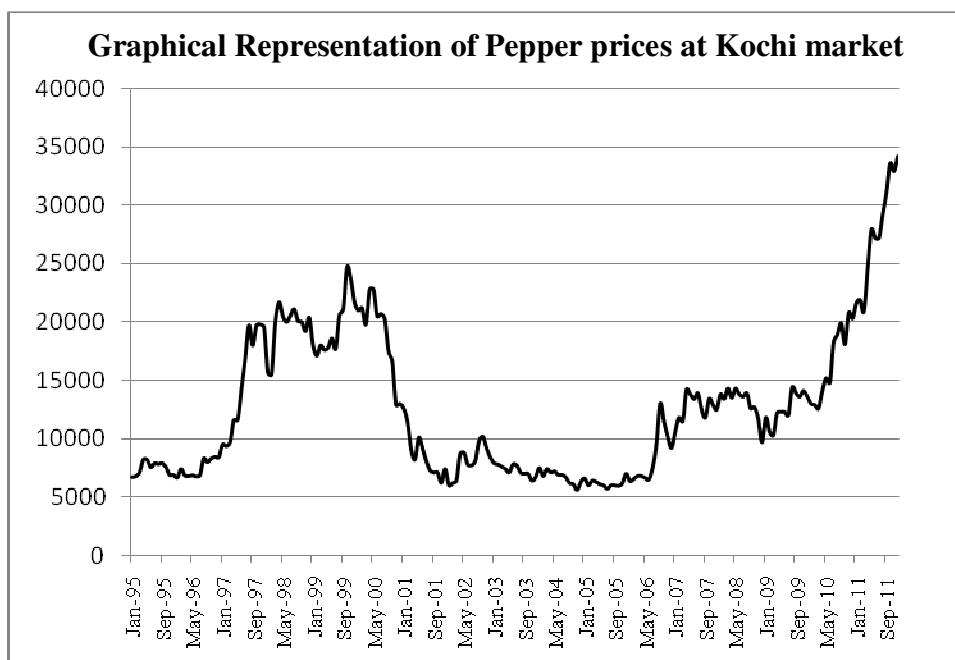
pattern during the spike setting stage. Labour shortage is also believed to delay the harvest operations, especially in the major pepper belts in Idukki district.

- According to the data released by the Spices Board, India exported 13,750 tonnes of pepper during the period from April 2011 to October 2011. The corresponding figure for the year 2010-11 was 10,350 tonnes (an increase by 32.85 per cent). In Kerala, most of the farmers had sold their stock when the prices ruled high, and hence the carry over stocks with them are likely to be low.
- The current volatility in the price is due to speculative investors liquidating their stocks, and even resorting to circular trade to bring pressure. The uncertainties in the share market had encouraged large scale investment in commodities having a bull run. Naturally, pepper was a safe investment option for them. There are also reports that the speculative elements are liquidating their pepper stocks and switching over to crops like cardamom.
- The weak rupee with respect to dollar will provide trade advantages to pepper of Indian origin in the international market. On the other hand, the import would be unattractive, which would deter large scale imports even for value addition.
- The uncertainties in production and availability would compel traders and exporters to change their strategy during this season, by stocking enough material in the main season itself.

Based on the prevailing market sentiments and the econometric analysis of pepper prices at Kochi for a period of 17 years from January 1995 to December 2011, the Agricultural Market Intelligence Centre considers that the following prices may prevail for ungarbled black pepper (new crop) during the next three months from January 2012 to March 2012 as shown below:

Months	Predicted Price (Rs / Kg)
Jan' 12	310 – 330
Feb' 12	325 – 345
Mar' 12	340 - 360

As Vietnam would set the tone for the first half of the season, and if they continue to resort to a policy of staggered release of their stocks instead of flooding the market, and turning to value addition like white pepper conversion as they resorted in the last season, black prices is expected to move to higher levels during the first half of season, especially during April- May 2012.



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