

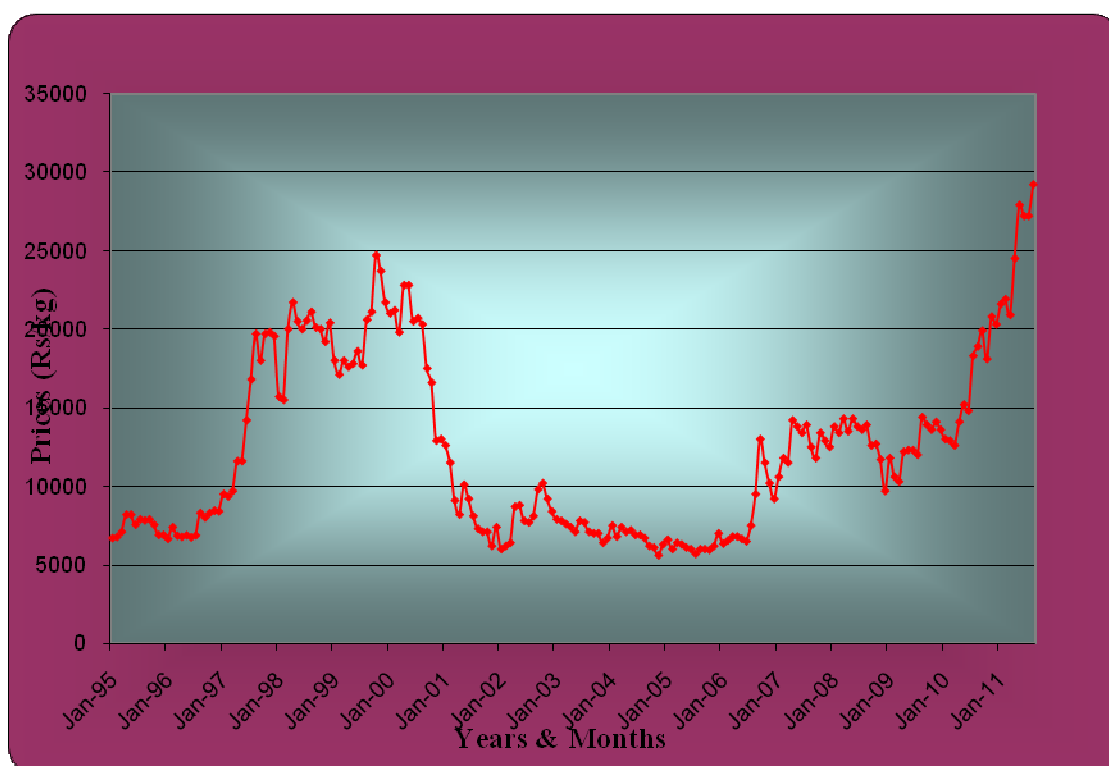
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Pepper prices to remain hot on low availability and robust demand

The first report of the Agricultural Market Intelligence Centre of the Kerala Agricultural University attached to the Department of Agricultural Economics, College of Horticulture, Vellanikkara had clearly indicated the possibility of black pepper prices firming up due to low production globally as well as domestically at the beginning of the current pepper season (released on 01-02-2011). With pepper prices moving to record levels, a reassessment of the situation is made by the Centre by analyzing price of ungarbled pepper prevailing at Kochi for a period of 17 years from January 1995 to August 2011, and based on a market survey. The following market sentiments are predominant:

- The pepper trade is influenced by the level of Vietnam pepper production during the first half of the season, while the level of Indonesian output influences the second half. There are reports of Vietnam having liquidated bulk of its current year production (more than 65,000 Tonnes out of an estimated one lakh Tonnes). Reports from Lampung indicate that pepper harvest is almost completed, with lower output. (Lampung is the main source of black pepper production in Indonesia, contributing to more than 60 per cent of black pepper produced by Indonesia.). According to trade sources, production in Brazil is also not encouraging, production being adversely affected by the vagaries of climate.
- The domestic and international demand are likely to be pepped up by the higher festive demand from September middle on account of Deewali, Dussera and Durgapuja; the onset of winter in Northern India and increased demand from Europe and America during Christmas.
- Most of the small and marginal farmers have already sold their stocks when the prices were ruling high. The current stocks are held by large farmers, traders, exporters and investors. The uncertainty in the share market is driving a large number of investors into investment in commodities. This type of intensive speculation is a major driving force behind pepper prices being edged up, and fundamental corrections are therefore possible.

Based on the above market sentiments and the econometric analysis of pepper prices at Kochi, the Agricultural Market Intelligence Centre feels that the price is expected to remain firm in the coming months as the demand outweighs supply. A price level of Rs. 305 – Rs. 325 is indicated during the next three months from September 2011 to November 2011.



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