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Pepper season starts late with supply squeezes: Pepper farmers advised to take long positions

The area under pepper has been drastically shrinking in Kerala during the last few years due to instability in output price, high wage rates, shortage of labour, high incidence of diseases, declining crop productivity, increasing cost of production, coupled with less relative profitability vis-a vis competing crops. The area under cultivation reduced from 2.02 lakh hectare in 2000-01 to 1.54 lakh hectare in 2008-09. The productivity has also come down from 301 kg per hectare to mere 221 kg per hectare during the same period. Consequently, the production has declined from 60,000 tonnes to around 42,000 tonnes during the corresponding period, recording a decline by 44.21 per cent.

Table.1. Area, Production and Productivity of Pepper in Kerala

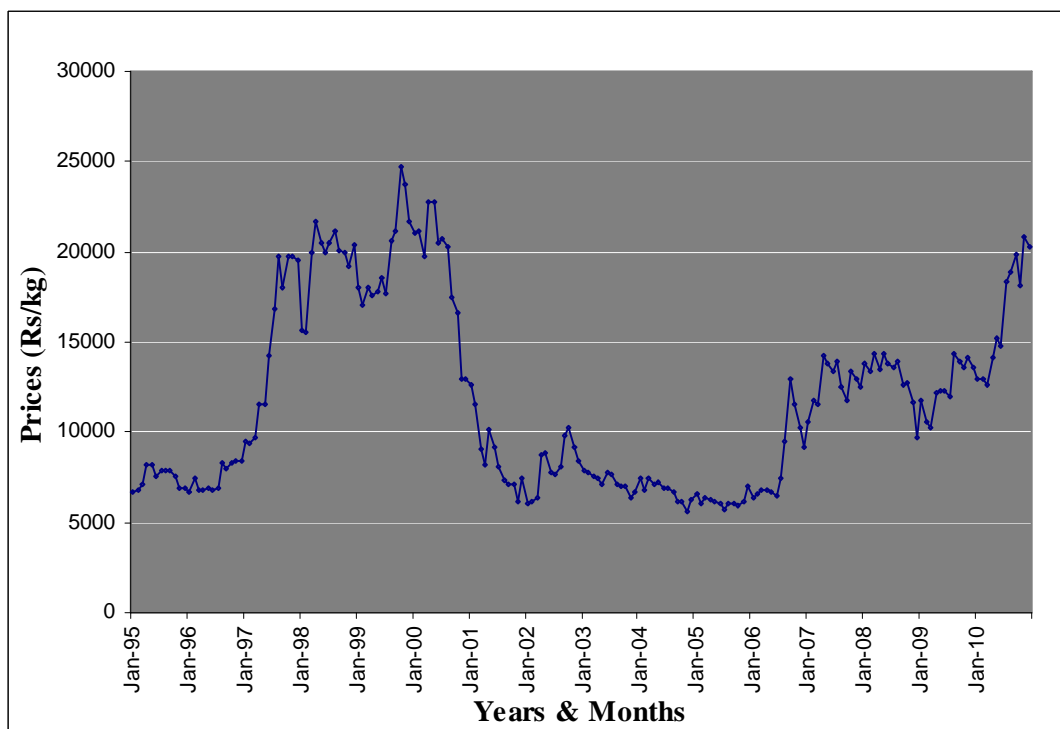
Year	Area (in lakh ha)	Production (in '000 tonnes)	Productivity (in Kg/ha)
2000-01	2.02	60.93	301
2001-02	2.04	58.24	286
2002-03	2.04	67.36	330
2003-04	2.16	69.90	323
2004-05	2.38	74.98	315
2005-06	2.38	87.61	368
2006-07	2.17	64.26	297
2007-08	1.76	41.95	239
2008-09	1.54	33.99	221

The untimely rains and shifts in climatic pattern have delayed the harvest from November end to February middle in Kerala. The erratic weather pattern has disturbed not only Kerala's crop prospects, but the crop prospects in major producing countries like Vietnam, Indonesia and Brazil also. A 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 reveal the following market sentiments:

- There are strong indications of pepper prices going northward this crop season on account of supply crunch and robust demand. The total global production of pepper in 2011-12 for IPC countries is projected at 2,44,632 tonnes, as against 2,71,230 tonnes in 2010-11.
- On the other hand, the current level of global consumption is estimated to be around 2 Lakh tonnes. There is a steady rise in per capita consumption, which is expected to grow at 3.5 per cent annually.
- With limited physical inventory in the importing countries, and a precariously low carry over stock, the prices are expected to become volatile this crop season. There are reports of Vietnam importing 15,000 tonnes of crop in November 2010, indicating the global supply squeeze. Generally, Vietnam sets the tone for the first half of the season. If they recognize the prevailing market sentiments and resort to a staggered release of their stocks instead of flooding the market policy, pepper prices would move to record levels during the early half of the season itself.
- Most of the old stocks in Kerala were also sold out when the prices were ruling high this year.
- With crop harvest in progress, arrivals have started, but thin. With crop arrivals picking up, prices may soften initially, but would firm up in the long run.

Based on the market survey and the analysis of pepper prices at Kochi for a period of 16 years from January 1995 to January 2011, the Agricultural Market Intelligence Centre feels that the following prices may prevail during the next four months from February 2011 to May 2011 as shown below:

Months	Predicted Price (Rs / Kg)
Feb'11	185 - 200
Mar'11	180 - 195
Apr'11	200-215
May'11	215-230



It would be advantageous for the farmers to store the commodity for better prices in April- May 2011 as there is no selling pressure.

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