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BLACK GOLD GLITTERS ON SUPPLY CONSTRAINTS

The Agricultural Market Intelligence Centre (AMIC) of Kerala Agricultural University under the ICAR assisted NAIP project had released its second price forecast for ungarbled black pepper for the months of January, February, March, April and May'10, based on their analysis of pepper prices at Kochi market for a period of 15 years from January 1995 to December 2009. The study had clearly indicated that the pepper prices in the State may remain soft in January, February and March 2010, and may firm up by April and May 2010. A summary of the price range predicted and its validation based on actual prices that prevailed at Kochi market during the reference period indicates that this finding was proved right:

Commodity Form	Month	Forecasted price (Rs/Kg)	Actual Price (Rs/Kg)
Pepper (Ungarbled)	January 2010	129-138	138
	February 2010	128-136	128
	March 2010	130-140	127
	April 2010	135-148	143
	May 2010	140-151	-

The Centre is revising its prediction for pepper price for the month of May 2010, and projecting a new price scenario for the months of June, July, and August 2010 based on the following trade inputs and new market sentiments based on emerging global, national and local scenario described below:

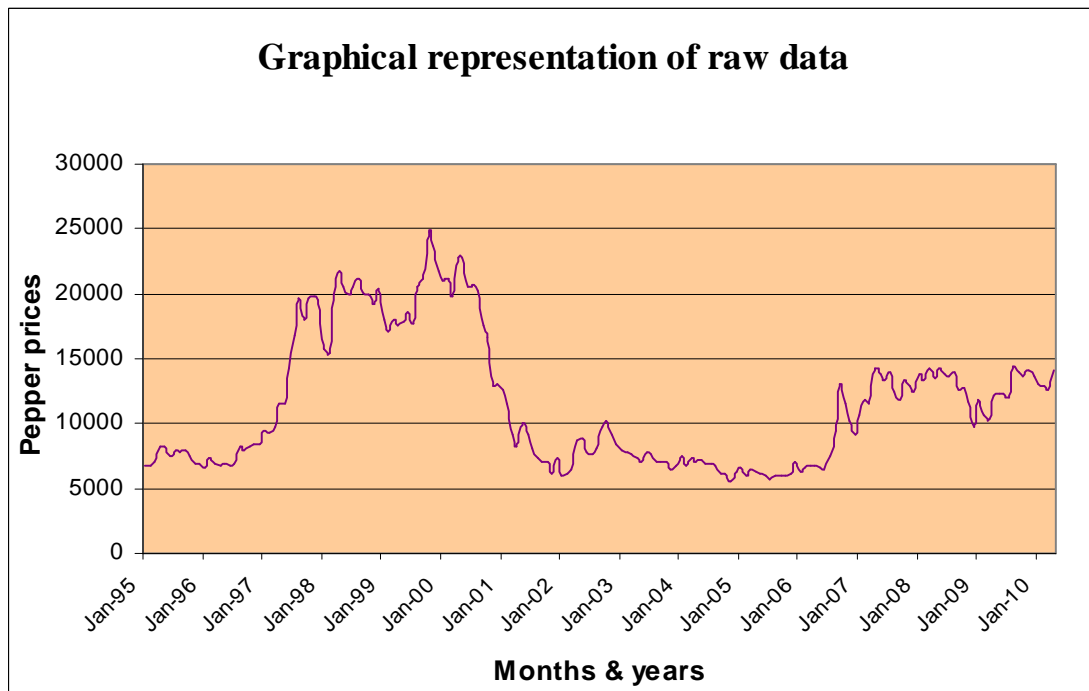
- The global pepper production in 2010 will be lower than in 2009. Even International Pepper Community (IPC) now admits a world supply shortfall now as against the optimism expressed at the beginning of the season.
- The total output in Vietnam is now revised to 90,000 MT, which is 20 per cent lower than last year's output.

- Indonesia experienced El Nino effect with the result that the pepper output in current year is expected to fall by 30 – 35 per cent.
- Brazil is facing a very unfavourable weather since November 2009, and the long dry spells may end up with a production shortfall of 30 - 40 per cent.
- The initial crop estimates of Indian pepper for the current year by various agencies were in the range of 50,000 - 60,000 tones. However, revised estimates based on new trade inputs suggest that the Indian crop output will also be falling short by at least 20 – 25 per cent during 2010 due to longer dry spells in summer and the prevalence of anthracnose (Pollu) disease on the foliage, the spikes and the berries in main growing tracts. The disease incidence was severe in Idukki, especially in the local varieties.
- The latest update of Brazilian Pepper Trade Board views that the stock position in the leading importing countries are precariously low because of the macroeconomic situations that prevailed in European Union and North America. The economic recovery in the buying countries of US and European markets are likely to stimulate higher demand for pepper in the current year.
- With shipment possibilities from Vietnam for processed black pepper remaining very bleak in the near future in view of the US Food and Drug Administration finding Vietnam pepper not meeting its food hygiene and safety standards. According to VOV News posted on 10-4-2010, USFDA has notified food hygiene and safety inspections in all major Vietnam Pepper Export Processing Units from now until October 2010. This is expected to drive overseas buyers to Indian pepper, which is rated high on quality parameters but premium priced. Any weakening of rupee may accentuate this process. That is why exporters refrain from taking short positions at the current levels, and are taking a wait and watch policy for the prices to cool down.
- Domestic demand in India is strong, and may go up further during the winter months.
- Fresh crop arrivals of pepper at major market centres in Kerala are low as the farmers continue to retain the commodity in anticipation of still higher prices that may rule in future in view of global supply shortfall. Their holding power is enhanced by the attractive price received for rubber, cardamom, tea, and cocoa, the companion crops in most production areas.
- Pepper can easily be stored for 2 -3 years with out quality deterioration.

Under these circumstances, the Agricultural Market Intelligence Centre of Kerala Agricultural University predicts the following price levels for ungarbled pepper in Kerala based on Prices at Kochi for the next 4 months:

Commodity Form	Month	Price Forecasts (Rs/Kg)
Pepper (Ungarbled)	May 2010	150 - 165
	June 2010	155 - 167
	July 2010	165 - 175
	August 2010	175 - 185

It is not expected that Vietnam may come out of the imbroglio before September – October. Any massive off loading of Vietnamese pepper when they come out of the current crisis can bring the international prices under pressure. Farmers are advised to consider this possibility also while synchronizing their sale.



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