

Price Forecast of Black Pepper for August, September and October 2014

Pepper prices to remain high on low availability

Black pepper, the 'King of spices', is a perennial climbing vine grown for its berries extensively used as spice and in medicinal preparations. Vietnam is the largest producer and exporter of pepper, contributing around 35 percent of the world production. India is an important producer, consumer and exporter of black pepper in the world. Pepper is harvested in India from the beginning of December till the end of March.

As per the International Pepper Community, pepper output in India during the year 2014 was estimated to be 35,000 tonnes, while the global output was estimated as 3,33,500 tonnes. Kerala and Karnataka account for 90 per cent of production of black pepper in the country. The pepper production in the high ranges of Kerala has declined drastically by nearly 40 per cent this year because of many factors, including climate change and fungal diseases. Farmers in Karnataka have reported that heavy rains and wilt disease have resulted in drop in production upto 60 per cent in the current season. The upward trend in market prices of pepper both in Karnataka and Kerala could be attributed to the short supply in both the states.

Traders were expecting an upward price movement in pepper because of the festival season in Kerala and higher demand in North India for Diwali in November. According to exporters, trading activities in the world market are limited, in view of tight stock in producing countries. Buyers are likely to be active during the September-October period, considering the peak consumption season in the global market as countries like US and Europe build-up inventory for the December celebrations and holidays, starting from September. Though black pepper from Kerala continues to be in demand overseas, owing to its high quality, the supply is insufficient for exports.

India, which is among the largest consumers of black pepper, is importing mainly from Srilanka and Vietnam. India had witnessed a steep rise in imports during last couple of months with cheaper Sri Lankan pepper. To meet request from the high end value added product manufacturers, India has imported a significant quantity of pepper mainly from Vietnam.

Prices of Black pepper have been steadily increasing and reached an all-time high because of decline in production and the demand supply mismatch in all the producing countries except Vietnam. Global pepper prices are also likely to be firm in the next season with Vietnam

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reporting a drop in production. The high price recorded in India is because of strong internal demand and short supply from internal sources. Consequently the price will remain high until a significant increase in production takes place in other producing countries. Considering the overall production and market information, there is no fundamental reason for any drop in pepper prices during the 2014 until significant development in production takes place in 2015.

With the above market sentiments, the econometric analysis of monthly prices in Kochi market for ungarbled pepper (for a period of 19 years from 1995) and traders' survey conducted as part of the the ICAR - "Network project on market intelligence" found that the bullish phase in black pepper will continue during the months of August, September, October and November. The price of black pepper is expected to remain firm in the coming months as the demand would outweigh supply. A price level of ₹720 to ₹ 755 per Kilogram is indicated during the next four months from August 2014 to October 2014. As this forecast will prevail only with the above market sentiments and could vary with changes in the market situation, the farmers are advised to take suitable selling decisions.

Research Team

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