

Price Forecast of Black Pepper for May, June and July 2016

Pepper prices to increase and then show fluctuations

The global output of black pepper for 2015 as per the IPC estimates was 4,07,158 tonnes. India is the third largest producer of black pepper after Vietnam and Indonesia. The production in India during 2014-15 was about 70,000 tonnes as per the Spices Board, out of which, 47 per cent was produced in Karnataka and 40 per cent in Kerala. The emergence of Karnataka as the major producing state in the country is mainly attributed to the expansion of area under the crop. Due to drought and other erratic weather conditions in Kerala and Karnataka, the black pepper output in India during 2015-16 is expected to decline to about 55,000 tonnes. The production in Indonesia and Srilanka are also expected to fall due to severe drought and erratic weather conditions in these countries.

The average price of ungarbled black pepper decreased from ₹660 per kg in December 2015 to 618 per kg in March 2016 and subsequently increased to ₹685 per kg in April 2016. As forecasted earlier, the prices started declining from January 2016 to March 2016 due to increased market arrivals after the harvest. The increasing pattern of prices from March to April 2016 could be attributed to growing demand against tight supply. In spite of the new marketing season, the arrivals in the markets are low and hence, the prices are still ruling in the range of ₹680 to 695 per kg. Due to lower estimates of production in 2016, the farmers who are having stock of black pepper are also holding back the commodity in anticipation of further increase in prices in the coming months.

The domestic consumption in India has been growing annually at 4-5 per cent and the major share of the production of black pepper in India is absorbed for meeting strong internal demand. Low arrivals of black pepper at the terminal markets have caused shortage of supply and hence import to India has been increasing. Out of the 20,806 tonnes of black pepper imported to India from April 2015 to February 2016 for production of value added products, the major share has been from Srilanka, followed by Vietnam.

The study of the seasonality pattern in black pepper prices has revealed that, in most of the years after 1995, the prices increase in the month of May, then slightly decreases in June and again start increasing from July. Futures prices are also exhibiting a slight decreasing to stable pattern for contracts maturing up to July. Considering the overall production and market information, at the prevailing demand-supply situation, there is an expectation of moderately increasing trend in black pepper prices during May 2016, subsequently with a marginally

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decreasing trend in June and first half of July 2016. The prices are also expected to increase towards the end of July

With the above market sentiments, the econometric analysis of monthly prices in Kochi market for ungarbled pepper (for a period of 21 years from 1995) and traders' survey conducted as part of the the ICAR - "Network project on market intelligence" found that the black pepper prices will increase in May 2016 and then decrease marginally in June and again start increasing from July 2016. 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.

The ranges of forecasted prices are as follows:

Months	Forecasted Price (₹ per Kilogram)
May 2016	680-730
June 2016	660-710
July 2016	670-720

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