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Pepper rules firm on tight supply

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Supply crunch in the domestic market due to smaller crop is firming up pepper prices, traders said. With farmers holding on to their remaining stocks, pepper has become dearer in the market and availability has fallen substantially. Traders see imports increasing substantially in the coming months as other origins are relatively cheaper than India.

Indian pepper production is reported to be on the shorter side and estimated to be around 45,000-50,000 tonne. The crop survey conducted by the directorate of cocoa, arecanut and spices development (DASD) estimates the production to touch 51,000 tonne in 2008-09 as against 57,000 tonne in 2007-08.

The domestic demand is pegged

Side effects

- ▶ Pepper has become dearer in the market and availability has fallen substantially
- ▶ Indian pepper production is estimated to be around 45,000-50,000 tonne
- ▶ Import of pepper during current financial year has been lower by 3,000 tonne



between 40,000 to 50,000 tonne. Rough estimates from the Spices Board reveal that import of pepper during the current financial year has been lower by almost 3,000 tonne, when compared to the previous year.

Lower carry-over stocks and less imports would naturally compound the supply situation, a trader at the terminal market of Kochi said. Production in the Coorg re-

gion is reported to be higher, but the ability of the big plantations in the region to hold on to the stock is better compared to their Kerala counterparts.

Faiyaz Hudani at Kotak Commodity Services is bullish on the short-run on the availability factor. "There is a supply crunch in the market. Kerala crop is very small due to disease," he said. Lesser carry over stock from the previous

crop also adds to the firmness, he added. Unconfirmed reports from the Kochi market suggest huge imports from Indonesia. "Imports will definitely go higher in the coming days with imports becoming more viable given the high cost of procurement from the domestic market," a trader said.

The trade is looking for cues from Vietnam, the largest producer of pepper, which is still holding on to its stocks and rates. If Vietnam decides to sell rather than hoard for bigger gains like they did in the past two years, the prices could ease to lower levels. Unlike last year, the Vietnamese authorities have not spoken of a reduction in crop. This, according to trade experts, signals that the production in Vietnam is large. "Willingness of Vietnam to sell at lower levels would ease the market in the long-run," Faiyaz said.