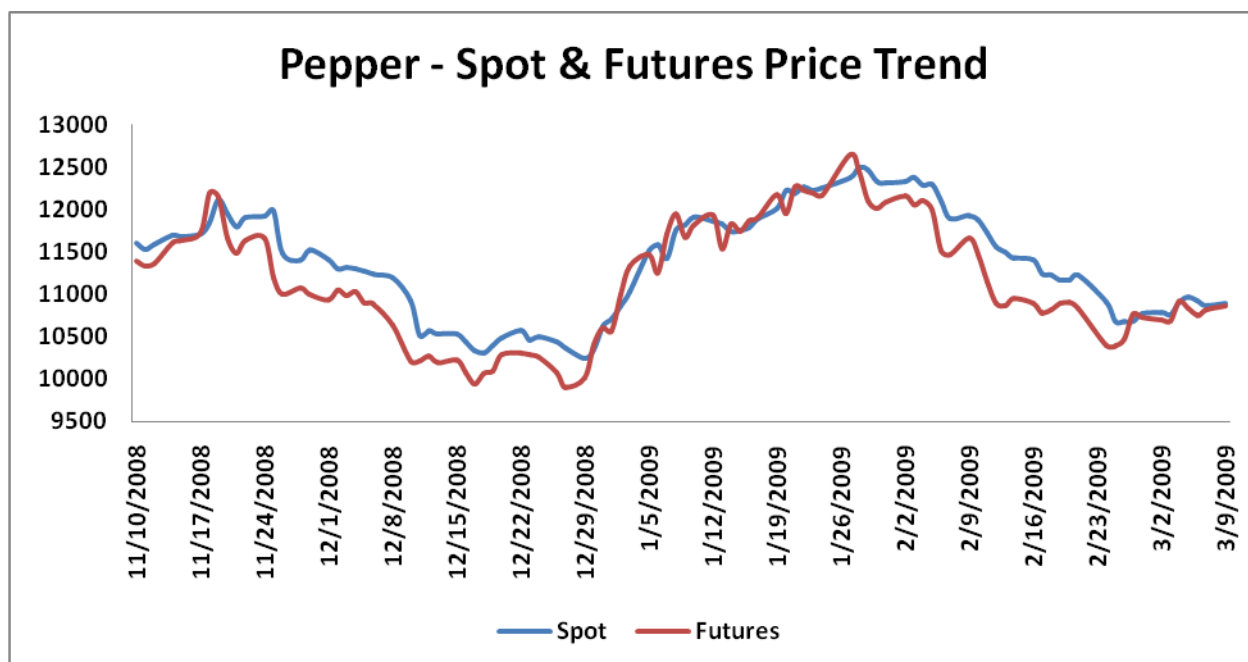


Pepper: Medium Term Report

The performance of pepper in 2008 was dull due to the absence of active trade participation in the domestic as well as international market. Although there was a fall in global pepper production, prices were under pressure because of lackluster demand from key importing nations. The financial turbulence of 2008 in the US and Europe had an adverse effect on global pepper trade as these two regions are the largest pepper importers in the world. In such a scenario, Indian pepper prices fell from \$4,000 a tonne (seen in 2008 beginning) to \$2,100 a tonne for MG-1 grade in the international market. Pepper prices of other origin also fell drastically towards \$2,400 a tonne. The prices in the spot market fell below Rs10,000 a quintal from Rs15,600 a quintal.



After testing a low of 9900 levels in December, pepper prices began moving northwards on short covering coupled with the emergence of demand from key importing nations as India was the only supplier during November-January. As a result of short covering and fresh buying, pepper futures rose to 12646 levels from a low of 9900 levels, but the market failed to sustain above the 12000 levels as expected demand failed to emerge in the market because of the global economic slowdown. However, beginning from March 2009, pepper prices started recovering once again in domestic market with the dramatic fall in the supplies and on resumed buying interest from local traders.

Factors to be watched out for:

1. According to an IPC report, total world production in 2008 was about 291,000 tonnes, down by 4% compared to the previous year.
2. The sharp fall was due to adverse climatic conditions and exhausted pepper vines in major-producing countries.

3. According to Vietnam's Ministry of Agriculture and Rural Development, the nation produced 90,700 tonnes of pepper in 2008 and it projected an output of 95,000 tonnes in 2009.
4. The pepper production in Kerala fell by 25% due to unfavorable weather conditions (during the flowering stage) and disease attack.
5. In 2008-09 season, India's production is estimated to be in the range of 48,000-50,000 tonnes.
6. Demand for pepper in the global market remained subdued due to financial turmoil and global recession.
7. However, domestic demand is good wherein stockists and traders are buying pepper from primary markets on speculation that present level will dry up in coming weeks thereby creating supply crunch in the market
8. Harvesting of new crop has begun in Vietnam and the produce is available at a much cheaper rate at \$2,050 a tonne (ASTA grade) compared to the Indian parity of \$2,100-2,150 a tonne.
9. Key importing nations are buying pepper from Indonesia, which is quoting \$1,950 a tonne (FOB).

Price Outlook

Pepper prices are expected to trade on a positive note in coming days following emergence of fresh demand from local traders on speculation that present stock level will dry up in couple of weeks. Short supply in the domestic market will support the prices to touch Rs13500 a quintal in near term.

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