

AVT McCormick Ingredients Pvt Ltd.

Black Pepper

Black pepper markets continue to be highly volatile.

After touching a historic high, the Indian futures market have declined by 7% over last month, while physical material has declined by 4%. This decline is largely the result of speculator activity. By bringing down the futures market, the current physical market rates reduce as well.

Indian Black Pepper is currently the most competitive origin in terms of price. A lower raw material price combined with the strengthened USD as compared to the INR, makes Indian Black Pepper a very attractive option. Exports from India have increased by 12% compared to the same period last year, and this is expected to continue while prices are low. Ultimately increased exports should edge this commodity higher however this is dependent on the speculators and their activity in the futures market. It's unknown where their "target" price will be.

In India, the North East Monsoon, which typically concludes in October, has carried over into November this year. Depending on how long it continues, it may delay the crop arrival, and subsequently product to the market. Indian farmers have been showing more interest in other lucrative crops which may not be as labour intensive. This will undoubtedly impact the overall volumes. A decline as high as 15% has been cited.

Trade sources indicate lower production in Vietnam, Indonesia and Brazil this year. Carry over stock levels are also reported to be lower.

The International Pepper Community (IPC) has suggested the global crop for 2011 will be 2% less than last year. The IPC will be holding their annual "Global Pepper Conference" in Indonesia November 22-26. Following this a more comprehensive global outlook will be available.

Demand, on the other hand, continues to increase globally. With lower production rates and increasing demand, rates can



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