



AVT McCORMICK INGREDIENTS PVT.LTD.

Black Pepper – July 29, 2010

Black Pepper prices to remain high on tight supply

Black pepper prices continued to remain at higher levels in all origins. Prices remained strong during the past couple of weeks. Prices in India, Indonesia and Sri Lanka were higher than that of last week.

Upsurge continued in the **Indian** market where spot prices crossed the Rs.200/kg mark. Trading continued to be more active as indicated by the continuous increase in the volume of trade at the Commodity Exchange. Average prices increased by around 5-6 per cent from last week. If the current trend persists, price may cross the historic level of Rs.265/kg achieved over a decade ago.

Strong domestic demand in the country has pushed up prices. Major traders/dealers in north India are said to have stocked sufficient pepper anticipating price rise. As a result, availability of physical pepper in the market seems to have been severely squeezed.

There is an increasing huge domestic demand following the improvement in the living standards of the people and consequent change in the food habits. The per capita consumption of pepper has moved up in India.

In spite of the recession in major overseas markets, demand has been good so far.



Pepper drying -India

In **Vietnam**, the world's largest pepper producer, price of black pepper in the central highlands has shot up due to tight supply. In HCM City, the export price of black pepper shot up to US\$4,350/Mt.

Vietnamese farmers are demanding higher prices on the local market. Local pepper farmers have taken a double hit from hot weather and plant diseases. Output this year is expected to decline and estimated below 100,000 Mts. Severe drought in the Central Highlands, the country's key pepper growing area, has taken its toll on both output and quality.

Industry forecast pepper prices to stay high in the rest of the year. The stock held by farmers/ traders is falling. Remaining volume for export is said to be 30,000 Mts. i.e. 40 percent lower than the same period last year.

Vietnam exported over 59,000 Mts. of pepper in January-May. Its five largest importers were the US, United Arab Emirates, the Netherlands, Pakistan and India.

The beneficiary of the prevailing high prices will be **Indonesia**, which is harvesting its new crop. Indian prices are likely to stay out-priced given the strong domestic demand. India does not have much material to offer to overseas markets. Indonesia remains the only competitive source other than Brazil.

Export of black pepper from Indonesia in January-March 2010 increased from 6,378 Mts. in 2009 to 6,525 Mts. while export of white pepper decreased further from 6,050 Mts. in January-March 2008 to 2,719 Mts. in 2009 and 2,398 Mts. in 2010, thereby recording a consistent of declining trend.



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Sri Lanka is reportedly showing some quantities of lighter grades at competitive levels. Pepper price at growing areas of Sri Lanka increased further.

In Brazil, the harvest is expected to commence in September.

Black pepper prices of different origins in the international market are;

- MG 1 ASTA at US\$ 4750-4850/Mt
- Vietnam 500 GL at US\$ 4100-4,150/Mt.
- Vietnam ASTA at US\$ 4500/Mt.
- Lampong ASTA US\$ 4300
- Sri Lanka 500 GL at US\$ 4000/Mt (fob)
- Brazil B2 500GL – 4,075-4,100/Mt. (fob)
- Brazil ASTA US\$ \$4350-4400/Mt. (fob) Aug/Sep.

The market for **white pepper** continued to firm up. Prices in Bangka (Indonesia) and HCMC (Vietnam) increased significantly, while in Sarawak (Malaysia) were reported stable. Material of white pepper in Vietnam was very limited, while new material from Bangka, is expected to arrive in the market by August end.

In Vietnam and **Sarawak**, prices were reported stable at the higher side throughout the week. Vietnam white pepper was quoted at US\$6000/Mt and Muntok white pepper FAQ at 6100/Mt. All for delivery at Cochin

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