



“We must accept finite disappointment, but never lose infinite hope.” Martin Luther King Jr.

The lure of a better tomorrow is holding our spirits high as India enters a new phase of economic reforms. An early start to the monsoon season is also a welcome departure from the earlier years when India faced consecutive years of severe drought. South-west monsoon season that extends from June -September is crucial for the **Kharif** crop when paddy, pulses, oilseeds and major spice are sown. How will the trend for new season be, is too early to predict but if current season is any indication then unpredictability and indecisiveness will persist.

The impact of demonetization is difficult to sum up but there has been a visible slowdown in trading activities since November 2016 and the GDP numbers of the last quarter of 2016-17 at 6.1 percent are echoing similar sentiments. Demonetization has had a profound impact on commodity trading as small traders are still grappling to come to terms with the sudden curbs imposed on cash transactions. The new GST (Goods & Services Tax) regime to be rolled out in July is also being monitored closely, as its implications on businesses are still unclear.

Spice markets during the peak harvest months of March -May witnessed high volatility and sudden spurt in arrivals. The one reason being widely attributed to the declining prices is high production. We witnessed markets awash with bumper produce like never before. Was it really the magical production numbers that submerged markets or is there more than what meets the eye. Could it be the reluctance of stockists to step-up buying or the gush of unaccounted stocks that kept prices insanely low is anyone’s guess. *For now, with the return of the monsoon, we stand by the adage – Rain Makes Grain...*

Black Pepper –Daunting Numbers Seize Global Markets...

Vietnam’s obsession with bigger crop is no secret and these numbers are just going to rise in the coming years with continuing expansion of area under pepper plantation. Production is likely to increase as new vines begin production in the next 3 years and eventually we may see market consolidation. For the present, farmers have been advised to stay calm and not to panic in the face of adversity as the widely-anticipated slide has continued unabated through the last few months. Prices of whole peppercorns in the Central Highlands have dropped from VND 180,000 (US\$8.04) since last August to around VNĐ80,000 (\$3.57) per kilogram by May-end to reach the lowest in seven years. According to the Ministry of Agricultural and Rural Development, Vietnam exported about 75,000 tonnes of pepper worth \$456 million in the first four months of 2017.

Indian farmers are never too eager to push sales and this season has been no different. With a modest production of 50-55,000 MT and robust domestic demand, India has little left to offer for exports. Price decline has been gradual and less steep than in Vietnam but the ripples have been felt in all origins. Prices have come under pressure following steady increase in cheaper imports from Vietnam. Traders are not particularly happy with imports of other origin pepper via the FTA (Free Trade Agreement) route with Sri Lanka. Sri Lankan harvests in June/July and cheaper imports into India can further pound pepper prices.

Indonesia is enjoying a quiet Ramadan. Upcoming crop in Lampung is reported to be lower. Brazil has remained competitive even with limited offers. New crop is still a couple of months away.



Black Pepper Indicative Offers

Grade	US\$ /PMT FOB
Vietnam ASTA	4,350
Brazil ASTA	4,100
Lampung ASTA	5,000
Muntok FAQ	7,100
Srilankan 550 GL	6,900
Malabar Black Pepper 500 GL	8,500