Commodity International Pepper Exchange starts in India

The stage is all set for the commencement of international futures trading in pepper.

The International Pepper Exchange, first of its kind in the world, has been equipped with the necessary infrastructure for trade to start this month itself in Cochin (Kochi), in the Southernmost Indian state of Kerala.

The establishment of an International Commodity Exchange (ICE) in Cochin also marks the positive move of the pepper trade, which has a hoary tradition here, towards globalization. The pepper futures market would enhance liquidity and provide total transparency in transactions, Pepper producing nations will also set up delivery points in Cochin and in Singapore, Brazil, Malaysia, Thailand and Indonesia. Operations at the exchange will be implemented in three phases: developing the trading floor system; introduction of the screen-based trading; and, networking with overseas markets.

Alongside, a clearing house system to promote transactions would be set up at an estimated cost of US$2.86 million. At least 1000 trading units have to be ensured daily; one trading unit is pegged at two and a half tons of MG grade pepper. Transactions, which involve 4-5% will be permitted.

According to Vidyasagar, chairman of Indian Pepper and Spice Trade Association (IPSTA), Global Futures has been delayed by nearly a year due to a lack of interest on the part of the banks to participate in the equity of the First Commodity Clearing Corporation of India (FCCCI). According to by-laws of the exchange, banks are required to raise about 45% of the paid-up capital of US$1.43 million and the remaining is to be raised by the members. The total authorized capital is US$2.86 million.

According to S M Acharya, joint secretary of Commerce Ministry, the support extended by IPC and other international organizations for the exchange came at the right time. The exchange would come into being when the country is on the threshold of celebrating the 500th anniversary of the landing of Vasco da Gama in

Kerala. It has come at a time when the pepper exports have crossed the Rs 1000 crore (US$285.7 million) mark. India tops the list of pepper producers in the world. It contributes about a third of the estimated global production. Kerala accounts for nearly 90% of the total output produced.

The global demand is growing. with the need for 1996-97 having been 1,20,000 tons, with supplies of only 95,000 tons. Of this, India meets some 40,000 tons. Pepper growers and traders in India never had it so good as global shortage is pushing up the prices. Pepper, which was sold at US$2 per kg last year, is now priced at US$5 per kg.

Cheers for Sri Lanka: The World Bank says Sri Lanka is poised to regain its top position among the world's tea exporters but it has to sharpen its marketing skills in order to increase its earnings from this traditional commodity. The report appeared in The Wall Street Journal. The bank issued this advice as part of an assessment of the recent privatization of Sri Lanka's 23 estate firms. In a study released in the third week of August the bank urges Sri Lanka and other Asian producers to direct more of their marketing efforts at the Mid- east, Russia and Eastern Europe where local tastes still favor tea to bottled beverages.

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