



CURRENT MARKET

- Market activity continues to be limited in the growing regions as the repercussions of the COVID-19 pandemic on normal economic activity persist across the globe.
- The 15-day nationwide isolation imposed in Vietnam is over, but restrictions remain in most provinces. Spice companies have not been affected much since spices have been included in the essential commodities list. Though harvesting is over in all areas, market activity has been muted and this has kept prices fluctuating within a narrow range during the past fortnight.
- In Indonesia, spice companies continue to operate mostly unaffected by the virus outbreak. Though travel restrictions are in place, field activities for the new season have not been affected. With the Ramadan month having started last week, market activity has been limited.
- After increasing by almost 10% during early-April, prices in India have moved down slowly during the past week. Lack of demand, both from buyers and traders, is reported to be the main reason for this decline. With a nationwide lockdown still in place, many spice companies are slowly coming back to normal operations, affected by limited availability of labour and material.
- In Brazil also, apart from isolated reports from Espirito Santo, most spice processors continue operations unaffected by the restrictions in place. Prices have remained mostly steady, with new arrivals gradually declining.
- Sri Lanka has been under a country-wide curfew till May 11, with densely populated parts of Colombo severely affected by the COVID outbreak. Most spice companies have limited operations, with movement of material becoming difficult.
- Weakening of the greenback saw origin currencies gaining marginally during the past week, after weakening since the beginning of the year. The Brazil Real saw a sharp decline this year, falling by nearly 26%.

CROP CONDITIONS

- Harvesting is over in Vietnam. Warm dry conditions have been reported from the Central Highland provinces; this is quite normal for the post-harvest summer months. Trade activities have been mostly muted, with buyers staying on the sidelines.
- In India, prices had slightly moved up earlier this month as traders started buying material directly from growers, expecting a shortage in available stocks due to the restrictions on transportation. However, during the past week, with demand remaining low, local prices have weakened. Pre-monsoon showers continued in parts of south India during the past week. These rains will be good for vegetative growth of vines, maintaining soil moisture during the hot summer.
- Favourable weather conditions have been reported in North Brazil. If conditions remain favourable, good production is expected in Para this year. Harvesting will start during the latter half of the year.
- Favourable weather conditions have been reported from Sri Lanka also, and good production is estimated this year. Arrivals will start later this month.
- With the Ramadan month starting in Indonesia, farm operations have been mostly limited. The new crop is still in the early stages of development.

MARKET SCENARIO

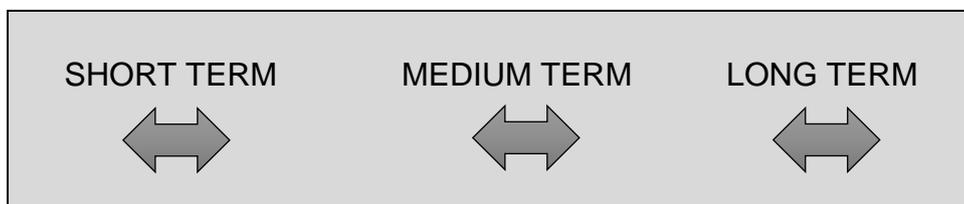
- In Vietnam, India and Brazil, three major producing countries, harvesting is over.
- The new arrivals have not had a significant impact on prices in Brazil with most of the material already sold forward for export during the rest of this year. As per initial reports, good production is expected in Para later this year, and exporters have started offering material from the new season.
- Good stock levels in producer countries is having a stabilizing effect on prices currently.

The exorbitant price of pepper during the middle ages was one of the inducements that led the Portuguese to seek a sea route to India. Vasco da Gama's initial voyage to India (1497-1499) was the first to link Europe and Asia by an ocean route, connecting the Atlantic and Indian oceans. Vasco da Gama, a Portuguese explorer and the first European to reach India by sailing around Africa, landed in Calicut on May 20, 1498.

- At the same time, there is moderate demand from buyers. Exports from Vietnam during January-March this year have been over 81,000 tons, compared to 72,000 tons during the corresponding period last year. The gradual depletion of stocks could have a bullish effect later in the year.
- With eateries and other public places closed in many consuming countries and the global economy taking a hit, retail demand has been affected.
- Once the current economic downturn is under control, increased global demand and speculative activity could provide support to the market down the road.

PRICE FORECAST

- **SHORT TERM:** Till retail consumption picks up, demand is expected to remain weak. Though this could have a bearish effect, not much downward movement can be expected since prices have fallen significantly over the past year and growers may not be willing to sell at very low levels.
- **MEDIUM TERM:** Farmers are expected to start holding back once they have sold sufficient quantities to meet their immediate cash needs. With China also expected to slowly become active, increased activity can also be expected from the buyers' side. This could provide some stability in the medium term.
- **LONG TERM:** Demand will slowly start gathering pace once the current crisis condition has been controlled and economic activity starts picking up. Depending on the situation in the main production areas during the coming months, the supply-demand balance that evolves could have an impact on prices.



COVERAGE RECOMMENDATION

- There will be opportunities to cover as prices continue to fluctuate. Uncertainties on the demand side are expected to keep prices range-bound. Price dips resulting from selling pressure due to increased stock levels in production areas can be used to extend coverage for the rest of the year.

QUERIES? PLEASE CONTACT

Sales to the Americas (North/Central/South):

spicesales@harrisspice.com

Phone: +1 - 714 507 1915

Sales to Asia & Middle-East:

spicesales@harrisspicevn.com

Phone: +91 - 968180 4868

Sales to China:

wendy.yu@harrisfreemanasia.com

Phone: +86 - 1391032 3801

Sales to Europe:

European Spice Services

akbar@spices.be

Phone: +32 - 3 710 57 32

spicesales@harrisspicevn.com

Phone: +91 - 968180 4868