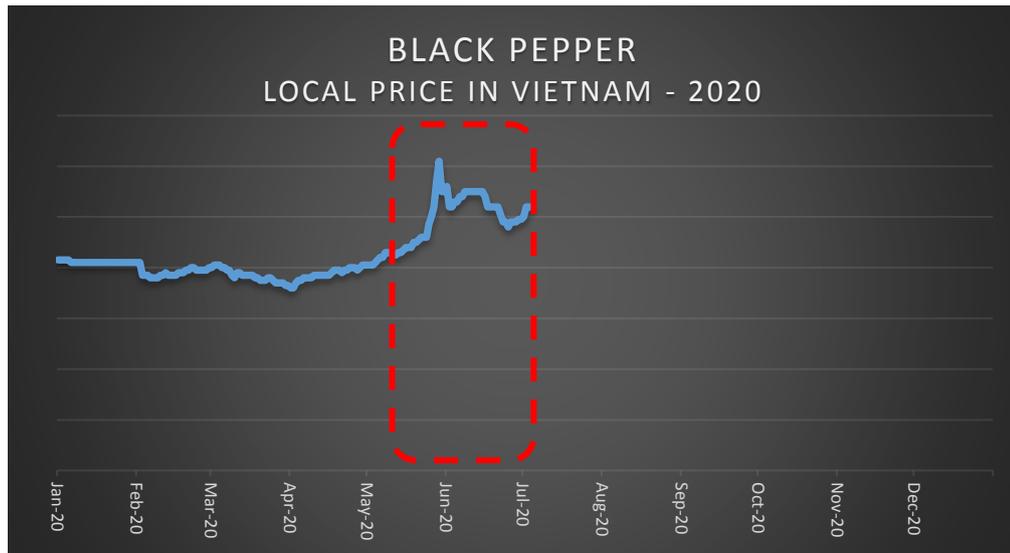




## **CURRENT MARKET**

- After a sudden increase during end-May, prices have weakened over the past month as buyers mostly stepped back.
- After the rapid upward movement in end-May and early-June, prices in Vietnam eased towards the latter half of June. However, there has been a slight firmness during the past week, as some local traders who had sold forward stepped forward to cover their short positions.
- In other origins also, after the firmness during end-May, prices have moved down.
- Exchange rate fluctuations were partly responsible for the variations in offer prices. The Indonesian Rupiah and Brazil Real strengthened against the USD by about 5% and 9% respectively during mid-May to mid-June, a period when pepper prices moved up. During the latter half of June, these currencies weakened by about 2% and 6% respectively, coinciding with a downward movement in prices.

*Tellicherry Black Pepper, the popular grade of pepper globally renowned for its large size of berries and mature flavour, is considered by some to be the finest grade of black pepper. Tellicherry (now known as Thalassery), is a small town on the Malabar Coast in South India, and was a trade hub where Dutch, British, Portuguese, Chinese, Arab and Jewish traders had considerable influence on the spice trade. Though not much pepper is grown in Thalassery now, it adjoins the major pepper growing areas of Wynad (north Kerala) and Coorg (south Karnataka).*



## CROP CONDITIONS

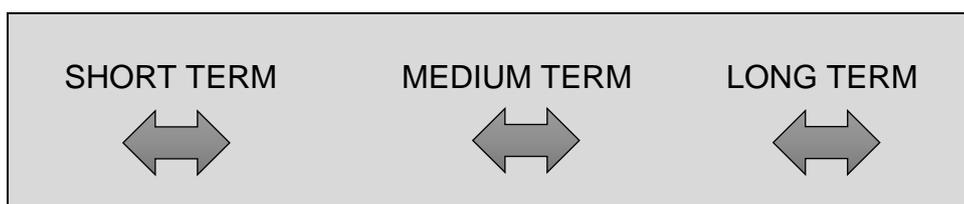
- Almost all pepper growing areas of India received good rains during the past month. The South-West monsoon, which set in during early-June, has been strong over peninsular India, and many states have received above-average rains. Heavy rainfall has been reported from the major pepper growing areas, including South Karnataka and Wynad. Only some parts of Idukki have recorded below-normal rains during the past month. Overall, weather conditions have been good for growth of pepper vines.
- Harvesting is mostly complete in Sri Lanka. With weather conditions favourable, an increase in production has been reported this year.
- Heavy rains and strong winds lashed many parts of southern Vietnam with *Storm Nuri* forming over the East Sea during mid-June. *Storm Nuri* is the first tropical storm to affect Vietnam this year, causing torrential rain in almost all the southern provinces.
- Weather conditions have been favourable in North Brazil, and even though the reduction in fertilizer application during the past year will have an impact on output, good production is expected in Para. Harvesting is expected to start in August.
- Prolonged rains intermingled with dry spells have negatively affected production in some parts of Indonesia, especially some white pepper producing areas and parts of Tanggamus. However, most other areas have good production. The new crop has reached the berry maturity stage, and harvesting will start within a month.

## MARKET SCENARIO

- After firming during early-June, markets have slowly moved down towards the end of the month. Buyers have not been very active.
- Following the decline in Vietnam, prices have fallen slightly in Indonesia and Brazil also.
- On one hand good production is expected from both Brazil and Indonesia. Harvesting is expected to start in Indonesia later this month, while Brazil will start by end-August or early-September.
- Besides, good stock levels still remain in producer countries, and this is expected to have a stabilizing effect on prices.
- Exports from Vietnam remain at almost the same levels as those recorded last year. A total of 147,800 tons has been exported during Jan-May this year, compared to a total of 146,500 tons during the same period last year. The gradual depletion of stocks is helping to keep prices steady.

## PRICE FORECAST

- **SHORT TERM:** As the COVID-19 pandemic continues to affect market activity across the globe, demand is expected to remain weak. Some price fluctuation can be expected as speculative activity continues as the global economy tries to recover from the pandemic.
- **MEDIUM TERM:** As harvesting starts, arrivals from Indonesia and north Brazil will gradually increase within the next few months. Increased arrivals, together with stocks already remaining in producing countries, are expected to have a debilitating effect on the market.
- **LONG TERM:** As global economy activity tries to recover from the effects of the pandemic, market direction in the long term will depend to a large extent on demand revival. Once economic activity picks up, demand will slowly start gathering pace. The supply-demand situation that evolves will have a major impact in deciding the direction of the market.



## COVERAGE RECOMMENDATION

- There will be opportunities to cover as prices continue to fluctuate. The market will continue to be affected by uncertainties on both the demand and supply sides. Any price dip resulting from selling pressure due to increased stock levels in production areas can be taken as an opportunity to extend coverage for the rest of the year.

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July 06, 2020