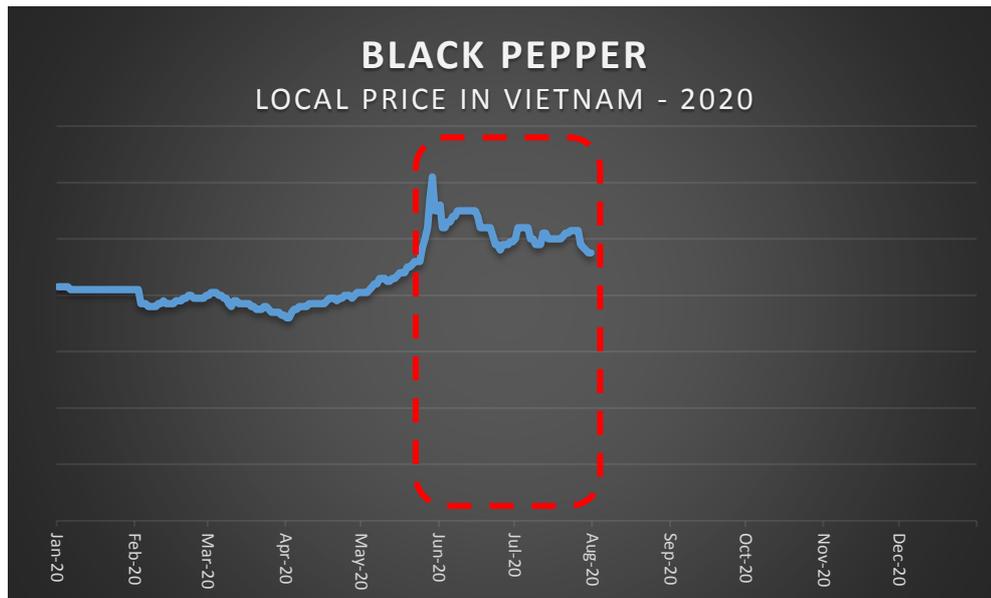




CURRENT MARKET

- After increasing towards end-May, prices started declining during mid-June, and this downward movement has continued during the past month also.
- Exports from Vietnam during January-June this year totalled 168,000 tons, compared to nearly 180,000 tons during the corresponding period last year. This drop in exports, an indication of a fall in demand, has prompted many farmers and traders to try to get rid of existing stocks before any further decline, thereby further fuelling the bearish movement.
- Meanwhile in India, there has been an increase in pepper imports during the first half of this year. The increased availability due to this has resulted in a decline in domestic prices over the past month. The heavy rains that have lashed most parts of peninsular India during the past month have also affected demand from the northern states.
- Following the trend evident in other countries, prices in Indonesia have also moved down slightly.
- Meanwhile in Brazil, after weakening along with other origins, prices slightly moved up during the past fortnight, supported by good demand.
- These price movements have been influenced to some extent by currency variations. The Brazil Real strengthened by nearly 3%, while the Indonesian Rupiah weakened by about 3% against the USD during the month.
- As consumer confidence wanes, the global economic contraction, which has resulted in a fall in the value of the USD against origin currencies, has affected global markets.



CROP CONDITIONS

- The south-west monsoon has strengthened during the past week, bringing very heavy rains to many parts of south India. Heavy rains are expected to continue during the first half of August also. Almost all parts of the country have received good rains during the past month. As flowering starts for next year's pepper crop, weather conditions have been favourable so far.
- Heavy rains and strong winds have been reported from Vietnam also. Some parts of northern Vietnam have faced landslides and floods during the past fortnight.
- Though the reduction in fertilizer application during the past year will have an impact on output, good production is expected in Para as weather conditions have been favourable in North Brazil. Harvesting is expected to start over the next one month.
- Most major pepper growing areas of Indonesia are expected to have good production this year, though prolonged rains together with dry spells earlier in the crop season have negatively affected production in some regions, especially some white pepper producing areas and parts of Tanggamus. Berries have reached the maturity stage, and harvesting is slowly starting off in some areas.



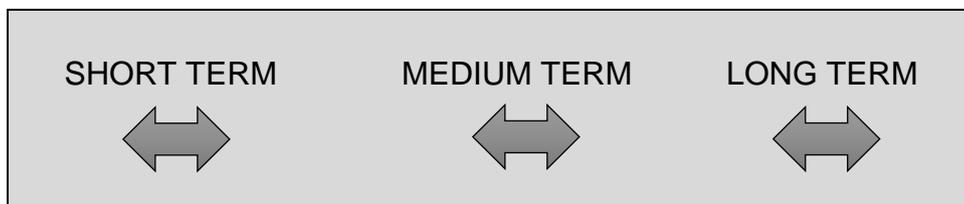
With the South West Monsoon showers continuing for over two months, berry setting has started in South India. *[Photographs taken in Kerala, India, August 2020]*

MARKET SCENARIO

- As the global economy continues to be battered by the pandemic, demand continues to be affected. As the pandemic reaches the 4-month mark, the secondary effects on the global economy are becoming visible, including the negative impact on consumer spending patterns.
- Buyers have not been very active. This has led to the general decline in prices across origins.
- 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.
- Good stock levels still remain in producer countries, and this is expected to have a stabilizing effect on prices.
- The availability of stocks, together with lacklustre demand from buyers, has provided a bearish direction to the market.

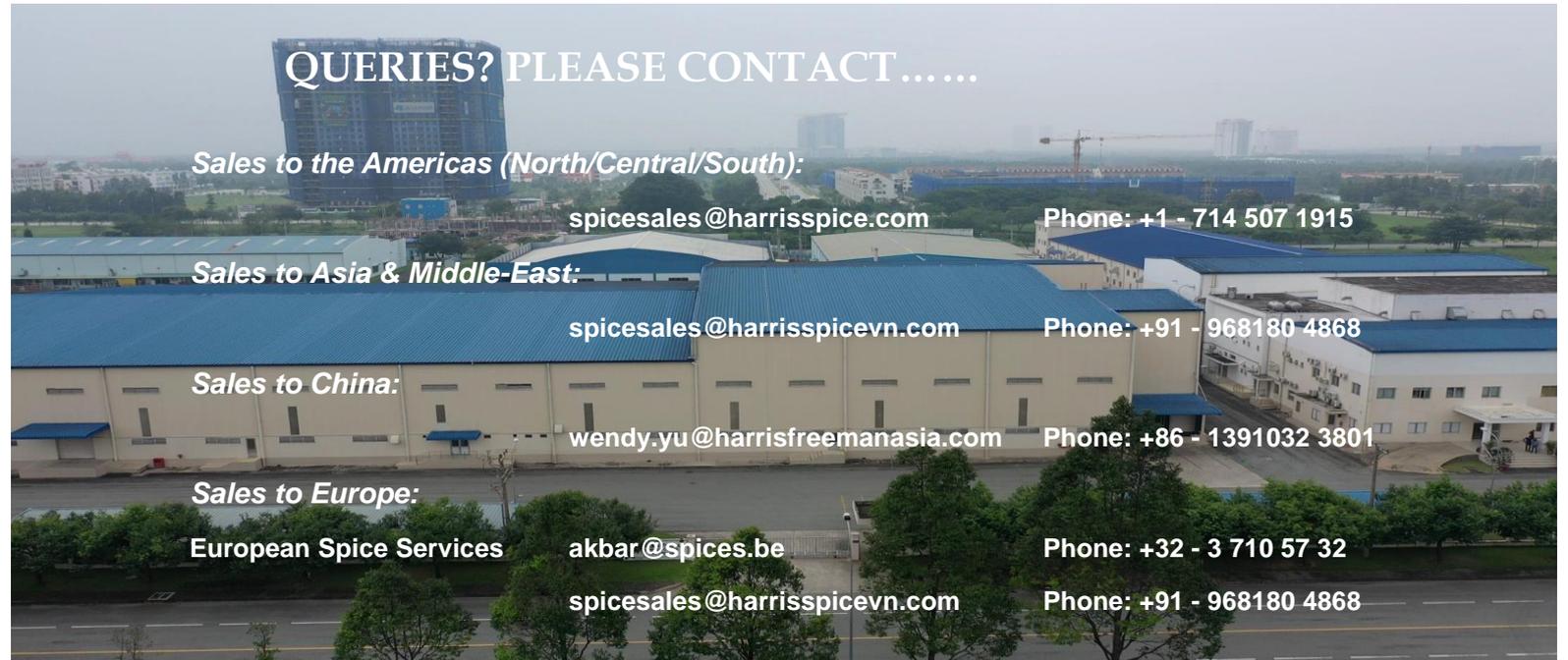
PRICE FORECAST

- **SHORT TERM:** Demand is expected to remain weak as the COVID-19 pandemic continues to affect market activity across the globe. The impending arrivals from two major origins will also affect market sentiments.
- **MEDIUM TERM:** Arrivals from Indonesia and north Brazil will gradually increase as harvesting starts. Increased arrivals, together with stocks already remaining in producing countries, are expected to have a weakening effect on the market.
- **LONG TERM:** Development of the new season production in Vietnam and India will have a major impact on price movements during the coming months. At the same time, as the global economy 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

- As prices fluctuate, there will be opportunities to cover during the coming months. There are a number of factors that will affect the market, both on the demand and supply sides. Any price dip resulting from selling pressure due to increased stock levels in producing countries can be taken as an opportunity to extend coverage for the rest of the year.



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