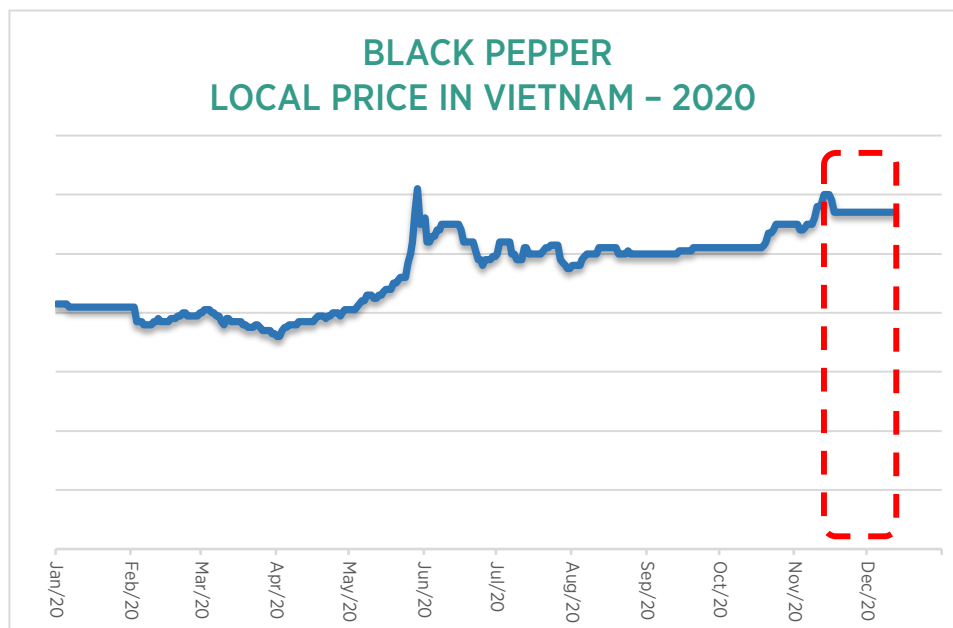


BLACK PEPPER REPORT

DECEMBER 2020

Current Market

- After moving up during end-October, prices have remained mostly stable during the past month.
- Bullish reports about next year's production in Vietnam, together with unexpected flooding in Central Vietnam, and reports of Chinese buying, were responsible for the sudden upward movement of prices during end-October.
- However, during the past month, sellers have remained rather inactive. New arrivals from southern Brazil have increased availability of material. Buyers have also adopted a very cautious approach, resulting in a steady cooling of the market.



- Market activity has been generally subdued due to the year-end holidays.
- New arrivals from Brazil have increased availability of material, but weakening of the USD against origin currencies, especially in Brazil and Indonesia, has led to some stability in offer prices. The Brazil Real has strengthened by over 6% against the USD over the past one month.

Crop Conditions

- Scattered rains continue over many parts of south India. Harvesting is expected to start later this month in some regions. So far this year, conditions have been mostly favorable.
- Harvesting has started in southern Brazil. Good production has been reported. There is strong demand from Europe and Asia, and local processors are also actively buying material to cover forward sales.
- Harvesting is over in Indonesia. Stocks are slowly getting depleted due to interest from buyers who have turned to this origin as prices in Vietnam started increasing.

Medium to high intensity rainfall has been reported from many parts of Indonesia, including Bengkulu, South Sumatra and Lampung. The Meteorology, Climatology and Geophysics Agency (BKMKG) has warned that the current La Nina could increase accumulated precipitation in Indonesia by up to 40%, with heavy rainfall expected in several regions across the archipelago.

- Vietnam has witnessed intense storms and rains since October. Heavy rains have been reported from the pepper growing areas. So far, apart from abnormally heavy rain, not much damage has been reported from the pepper growing areas due to the typhoons.

However, lack of adequate rainfall earlier in the year during the berry setting stage is reported to have affected the new crop. Though there had been good flowering in most areas, rains were insufficient in July-August, resulting in poor setting in many areas. This could affect production, especially in parts of the Highlands. Harvesting will start by end-December.



Market Scenario

- Demand continues to be weak, with buyers preferring to wait for new arrivals from Vietnam and India. Besides, global economic activity continues to be weak, with the COVID-19 pandemic taking a toll on demand in consuming countries.
- There is adequate material remaining in many of the producing countries, especially Vietnam and Brazil, with speculators keeping significant quantities.
- Ongoing harvests in southern Brazil have resulted in sufficient new arrivals.
- Adequate stocks in producing countries, together with lackluster demand from buyers, has resulted in a rather steady market. However, conflicting reports about the crop situation in Vietnam, together with Chinese buying, could continue to create fluctuations in the market.
- Uncertainties in the global freight situation continue to affect availability of cargo space, pushing up freight rates. There could be increased pressure to get cargo out, leading to an increase in CNF prices to most destinations, even if material is available.



Price Forecast

SHORT TERM: As buyers wait for arrivals from two major origins, viz. Vietnam and India, demand is expected to remain weak. Adequate availability of material in producing countries could contribute to keeping prices moving within a narrow range.

MEDIUM TERM: New arrivals from Vietnam will start in January. With India also harvesting at the same time, increased availability of material will have a sobering effect on the market. At the same time, with Ramadan 2021 coming up in April-May, there will be buying activity in the beginning of the year to meet this demand.

LONG TERM: On the supply side, the effect of the evolving La Nina on production remains unclear. At the same time, the demand side will be influenced by consumption rallying as the global economy tries to bounce back from the impact of the pandemic. With COVID vaccines becoming a distinct possibility, the resulting economic recovery could result in a growth in consumption, having a bullish impact in the long-term.

SHORT TERM



MEDIUM TERM



LONG TERM



Coverage Recommendation

On the supply side, the effect of the evolving La Nina on production remains unclear. At the same time, the demand side will be influenced by consumption rallying as the global economy tries to bounce back from the impact of the pandemic. With COVID vaccines becoming a distinct possibility, the resulting economic recovery could result in a growth in consumption, having a bullish impact in the long-term.

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