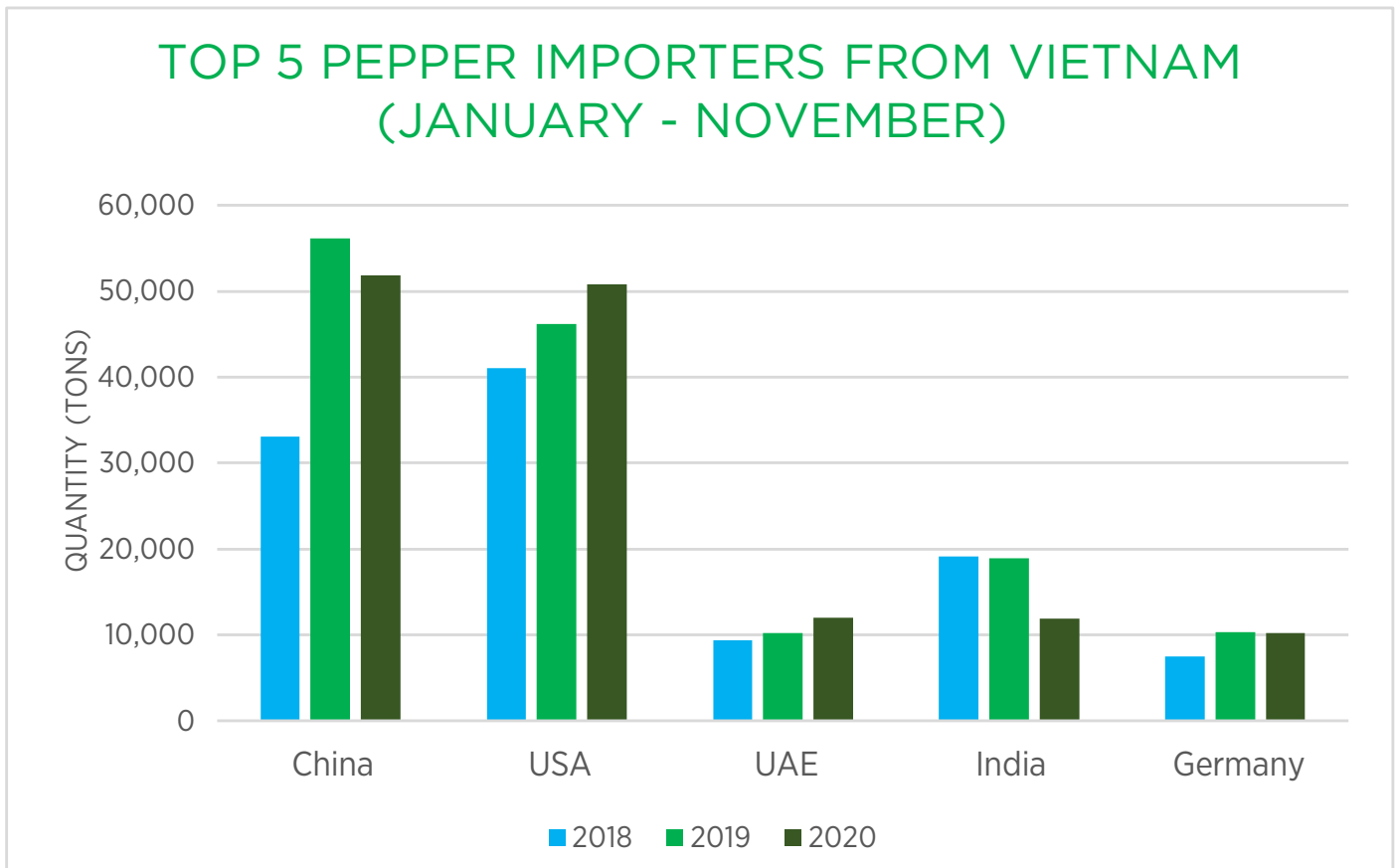


BLACK PEPPER REPORT

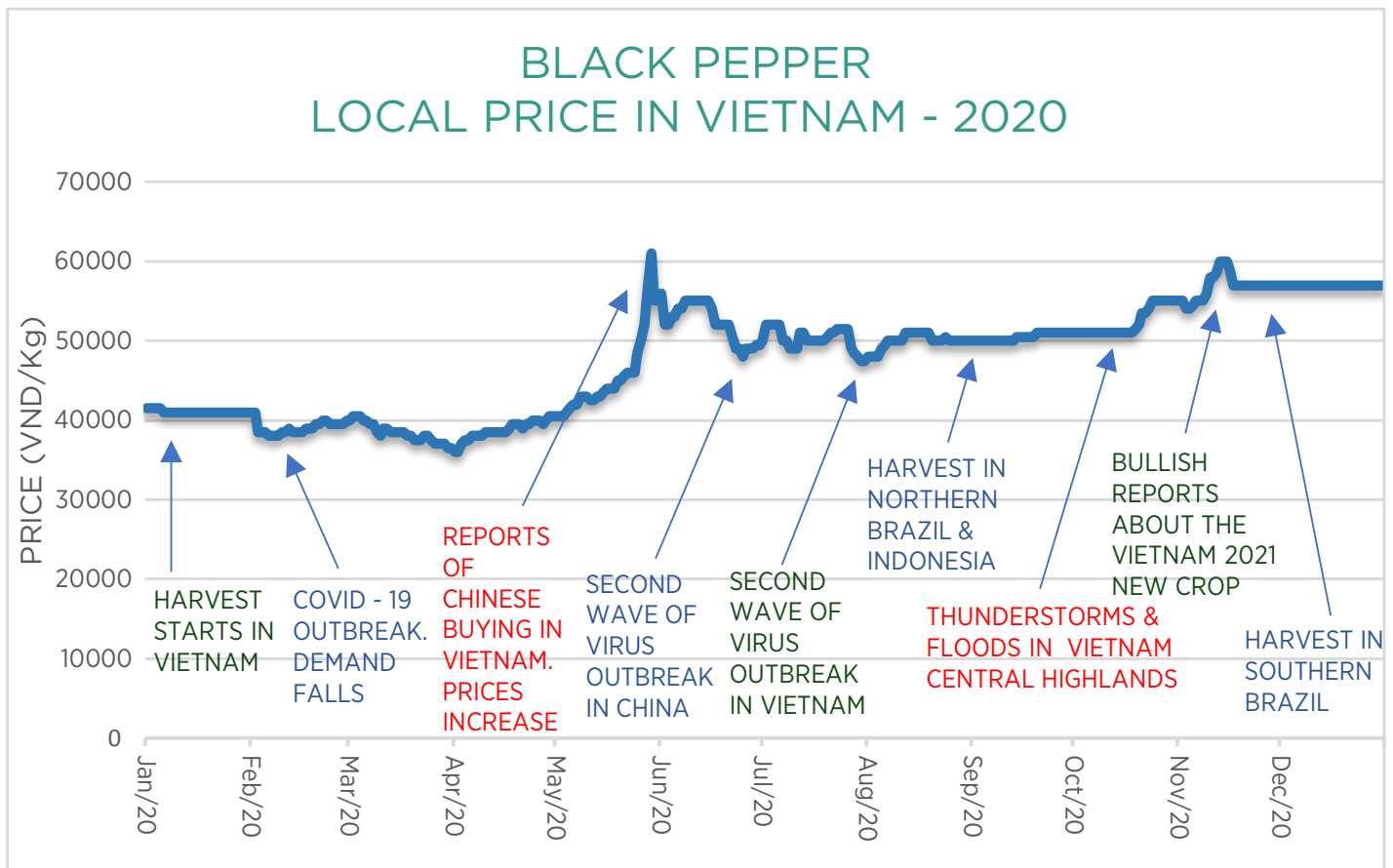
JANUARY 2021

Current Market

- Market activity has been generally subdued due to the year-end holidays and prices have remained stable as buyers have been mostly inactive. After moving up in November, prices again remained subdued in December as buyers held back.



- There has also been a slight decline in exports from Vietnam during the past year: During Jan-Nov 2020, Vietnam has exported a total of about 265,000 tons of pepper, compared to over 270,000 tons exported during the corresponding period last year. One of the main reasons for this has been the decline in exports to China: Compared to over 56,000 tons exported during Jan-Nov 2019, Vietnam has exported about 52,000 tons of pepper to China in Jan-Nov 2020.
- New arrivals from southern Brazil in December have increased availability of material. At the same time, buyers have adopted a very cautious approach, waiting for arrivals from Vietnam to pick up.



- While there is sufficient availability of material, transportation costs continue to play a crucial role, with freight rates from Asia continuing very high compared to those from Brazil. Besides, after gaining strength during the first half of the month, the Brazil Real has also weakened against the USD during the past fortnight, putting a lid on prices from Brazil.



Global Crop Conditions

- **INDIA** North-east monsoon rains are over in India, and dry conditions have been reported from the growing regions. Initial pickings have started in a few isolated areas. So far this year, growth conditions have been mostly favorable.
- **BRAZIL** Harvesting continues in Espirito Santo. Good production has been reported. There is strong demand from Europe and Asia, and a substantial quantity has been sold forward for shipment in 2021. Local processors are actively buying material to cover forward sales commitments.
- **INDONESIA** There is not much selling pressure. With Ramadan 2021 coming up in April-May, anticipated festival demand is leading to some stock building. There has also been some interest from buyers who have turned to this origin as prices in Vietnam started increasing.
- **VIETNAM** The pepper growing areas have witnessed above-normal rainfall this year, possibly a fallout of the La Nina conditions currently prevailing. Heavy rains have been reported from the pepper growing areas. Apart from abnormally heavy rain, not much damage has been reported from the pepper growing areas due to the typhoons.

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. Initial picking has started in a few areas, and peak harvesting is expected by mid-February.

Market Scenario

BEARISH FACTORS:

- Market activity has been feeble, with buyers mostly silent due to the year-end holidays. With many consuming countries facing the resurgent COVID-19 pandemic, economic activity continues to be weak.
- With speculators holding on to significant quantities, there is adequate material remaining in many of the producing countries, especially Vietnam and Brazil.



- Lackluster demand from buyers, who prefer to wait for new arrivals from Vietnam and India, together with adequate stocks in producing countries, has resulted in a rather steady market.
- The Lunar New Year festival, coming up in early-February, could lead to increased selling to meet festival expenses. Together with increased arrivals as harvesting progresses, this could create some selling pressure in the market.

BULLISH FACTORS:

- Bullish reports about the new crop situation in Vietnam, together with speculative 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: Demand is expected to remain weak as buyers wait for increased arrivals from two major origins, viz. Vietnam and India. The global pandemic, together with adequate stocks in producing countries, could together keep prices 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. With the Lunar New Year Tet festival celebrated in early-February, there will be some selling pressure as farmers in Vietnam try to sell off material to meet festival expenses. 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: With COVID vaccines expected to slowly make an impact, the resulting economic recovery could lead to an increase in global consumption. The demand side could be influenced by consumption rallying as the economy tries to recover from the impact of the pandemic, having a bullish effect on the market in the long-term.



SHORT TERM



MEDIUM TERM



LONG TERM



Coverage Recommendation

Increased arrivals in producing countries can be expected to exert a downward push on prices. New crop harvests in Vietnam, India and southern Brazil, together with carry-over stocks from 2020, will ensure decent pipeline status. It is advisable to cover at the beginning of the year for requirements through Q3, and partially through Q4 if conditions are attractive. Material from Indonesia, Malaysia, Sri Lanka and northern Brazil will arrive towards the middle of the year, and coverage can be extended further as more material becomes available.

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