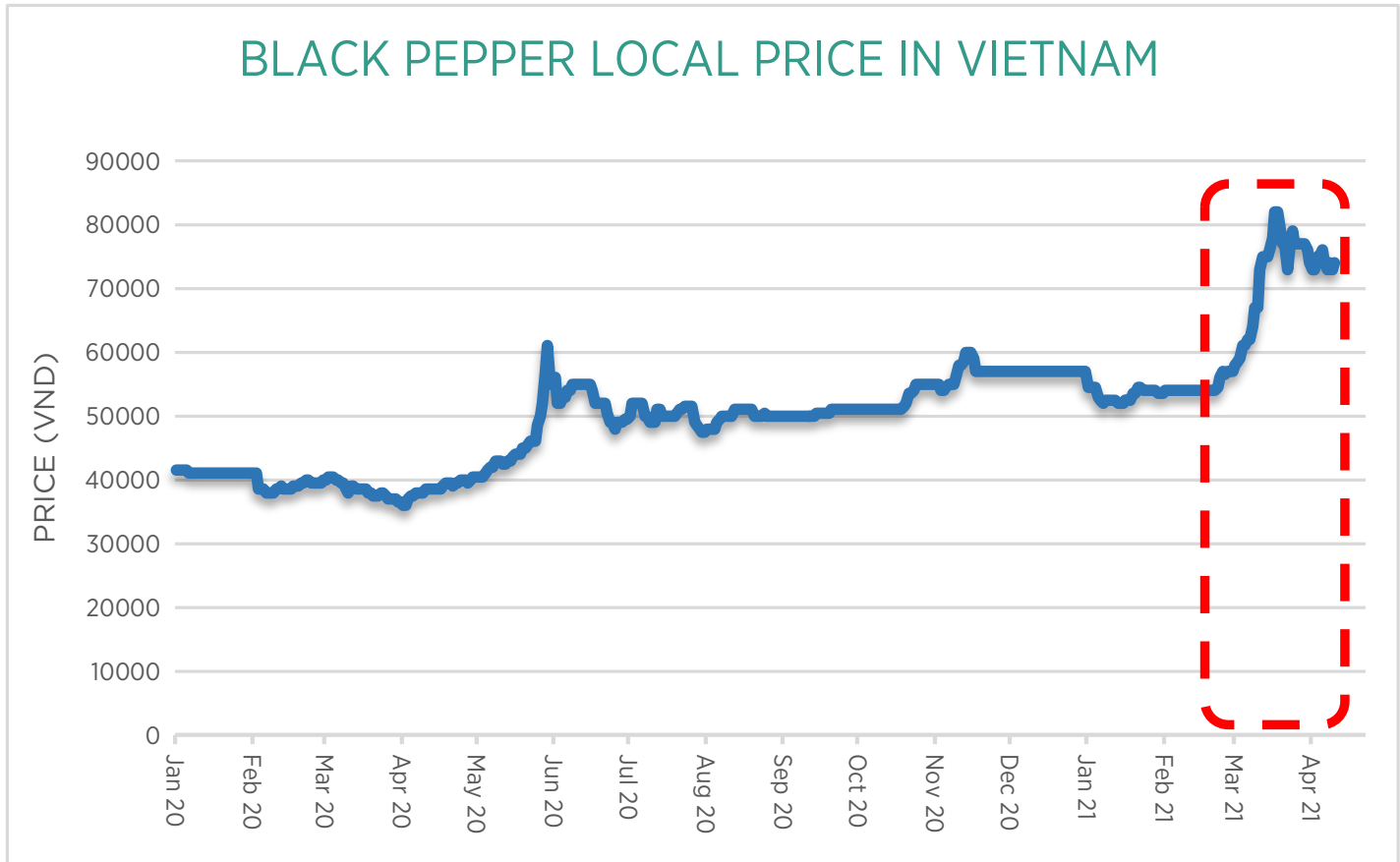


BLACK PEPPER REPORT

APRIL 2021

Current Market

- The lunar Year of the Ox started with a wild bull run, the market caught between its horns, and as the bull slows down, the market waits, trying to catch its breath.
- After markets returned from the Chinese New Year holidays and trading activity gathered steam, there has been an unexpected and sudden increase in prices.
- During the past month, prices in Vietnam have gone up by over 40% before steadying down at a higher orbit. Over the past week, as new crop arrivals increased, prices have fluctuated within a narrow range. Even though exports in Jan-March 2021 have been significantly lower than those during the same period last year, buyers are slowly becoming active, and Chinese speculators are also reported to be covering.
- Prices in Brazil have rather closely followed movements in Vietnam. After moving up last month, there has been some weakness of late. There has been good support from buyers in Europe and the US.
- Prices in Indonesia have also followed a similar trend, remaining mostly steady after moving up last month.
- In India, local prices have remained mostly firm as speculators and domestic traders continue to be very active even though new crop arrivals still continue in some areas.



- The rising number of daily COVID cases in India has put the Indian Rupee under pressure, and this week the Rupee saw its biggest drop in nearly two years, ending at a 6-month low against the USD. The weakening of the INR could make export prices competitive.

Global Crop Conditions

- **INDIA:** Harvesting is mostly over in the states of Kerala and Tamil Nadu. The unseasonal rains received in December-January have slightly delayed the commencement of harvesting in some regions and also led to more vegetative growth of vines, which could have an effect on flowering later this year. Harvesting operations have also been delayed due to a temporary labor shortage. With state elections in Kerala, Tamil Nadu and West Bengal underway this month, many workers, including migrant laborers, have gone home to cast their votes, creating a temporary paucity of workers for harvesting operations in many states including Karnataka. Harvesting continues in Karnataka, and is



expected to be over within a few weeks. Many of the larger growers still have stocks remaining.

- **BRAZIL:** Harvesting is mostly complete in southern Brazil. Arrivals are expected to continue during the coming month also. Good demand, both from domestic traders and from buyers in Europe and Asia, continues. Many large farmers and traders reportedly still have good stocks remaining. Local processors have been actively covering material for export, to meet forward shipment commitments. Harvesting in the southern state of Bahia is expected to start in June, and good production is expected.
- **VIETNAM:** Harvesting is expected to be complete in most areas by the middle of this month. While good production has been reported from the south-eastern provinces, yields have not been very good in the highland provinces. Farmers have sold only limited quantities to meet their immediate cash needs, and are holding on to material, expected better returns later in the year. Export volumes this year have been below normal, as buyers remain very cautious.

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Market Scenario

BEARISH FACTORS:

- With repeated waves of the coronavirus pandemic continuing to affect global economic activity, consumption continues to be affected in major importing countries.
- The major producing countries, including Vietnam and Brazil, still have sufficient material remaining. Besides, arrivals will pick up in Vietnam during the coming month.
- Demand is relegated to short term coverage and so the absence of large buying demand has seen buyers preferring to slow down and adopt a wait-and-watch status.

BULLISH FACTORS:

- There is a significant quantity sold forward from Brazil, and active demand is expected as processors cover this amount.
- High coffee prices currently prevailing could increase the holding capacity of farmers, since coffee is growing as an alternate crop to pepper in many parts of Vietnam (Highlands), Indonesia (Lampung), Brazil (Espírito Santo) and India (South Karnataka).
- Recovery in market activity could gradually lead to a revival in demand as coronavirus vaccines slowly become available globally.
- As speculators step in sensing an opportunity, farmers in Vietnam could try to hold back material, after selling a limited quantity initially to meet immediate monetary needs. This pattern could be followed by other producing countries also.
- There will be good demand from buyers who have been waiting to cover from Vietnam.
- Freight rates continue to be affected by uncertainties in the global freight situation. CNF prices from Asia could be affected due to increased pressure to move cargo out.

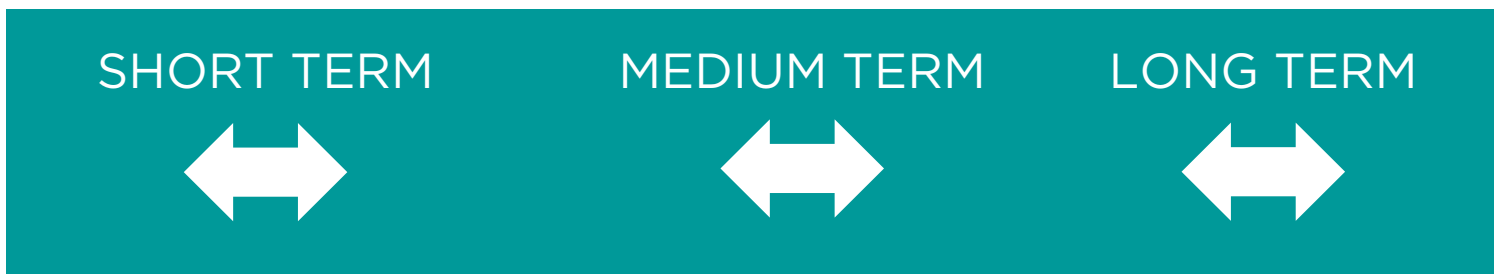


Price Forecast

SHORT TERM: While speculators and buyers are increasingly becoming active in Vietnam, India and Brazil, strong bullish sentiments prevail as new arrivals remain limited. At the same time, as harvesting picks up in Vietnam and farmers try to sell off at least a part of the harvested material initially, increased selling pressure can be expected in the short term.

MEDIUM TERM: Farmers in Vietnam will start holding back material once they have sold sufficient quantities initially. There are also many buyers waiting to cover for long-term requirements, and this demand will also provide support to the market.

LONG TERM: As the global economy moves forward to recovery from the impact of the pandemic, the demand side could be influenced by increase in consumption, having a bullish effect on the market in the long term. The supply side might struggle to meet the increase in demand expected in the long term, as both buyers and speculators become active.



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Coverage Recommendation

Though increased arrivals during peak harvest period could provide some stability in the short term, limited availability of material in Vietnam will continue to have a bullish effect on prices. It is advisable to cover during the peak arrival period for requirements during Q3, and partially through Q4 if conditions are attractive. Coverage can be extended further as material becomes available from northern Brazil (Bahia), Cambodia, Malaysia, Sri Lanka and Indonesia during the coming months.

CURRENCY	SPOT	CHANGE			COMMENTS
		1 MONTH	1 YEAR	2 YEAR	
USD/IDR	14596	1.36%	-8.25%	3.57%	Rising US treasury yields have weakened the IDR while inflation dropped below expected figures.
USD/INR	74.95	2.98%	-2.27%	8.32%	The COVID-19 pandemic and domestic economic issues continue to weaken the INR.
USD/VND	23071	0.03%	-2.37%	-0.50%	
USD/MYR	4.14	0.49%	-4.17%	0.73%	After gaining over the past year, the MYR has dropped in end-March and stayed range-bound.
USD/CNH	6.56	0.77%	-6.82%	-2.09%	The USD gained on prospects of a solid economic recovery due to increasing vaccinations and massive fiscal stimulus.
USD/BRL	5.57	-3.97%	9.00%	43.56%	Recent strengthening of the BRL could support prices in the short term, bucking the past 1-2 years' trend.

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