

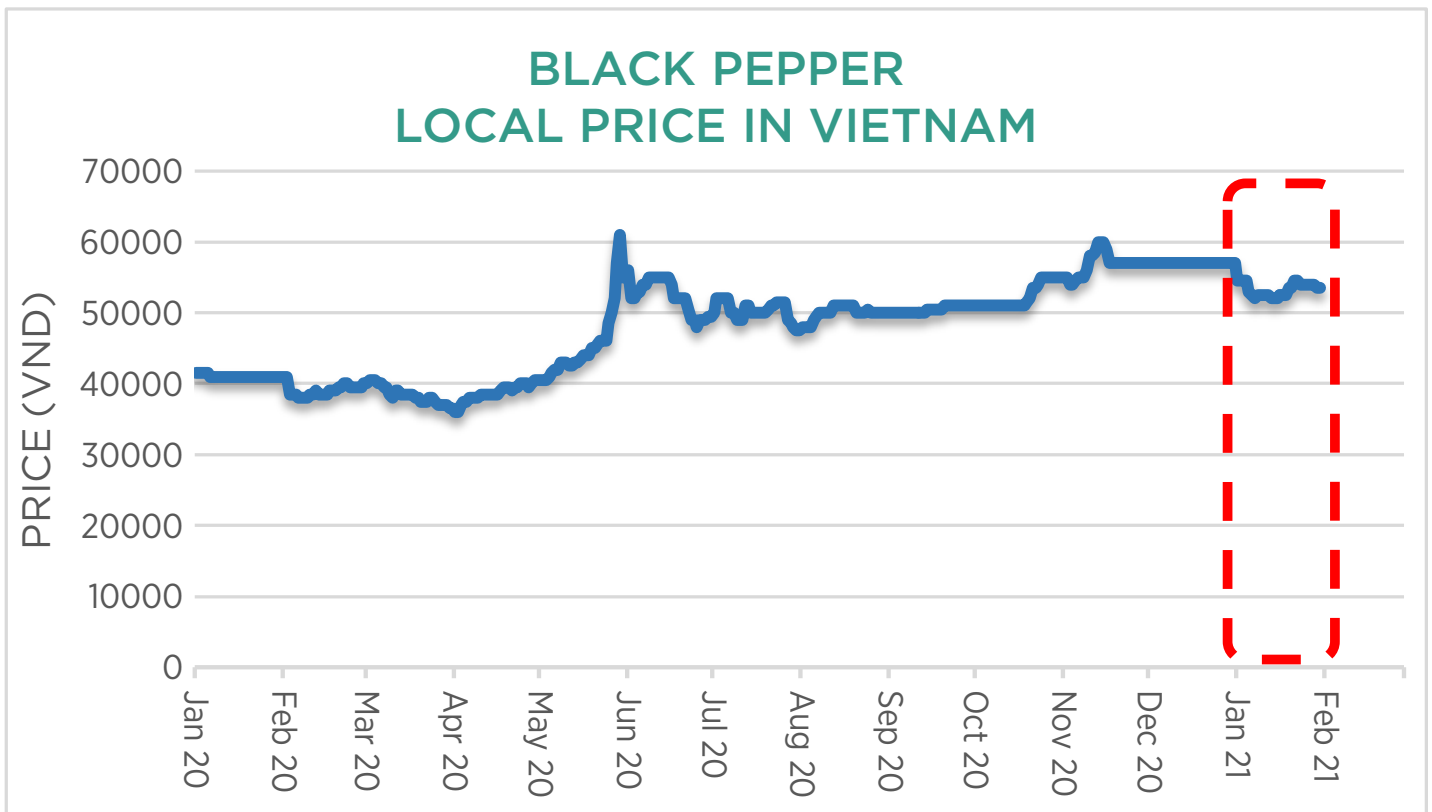
BLACK PEPPER REPORT

FEBRUARY 2021

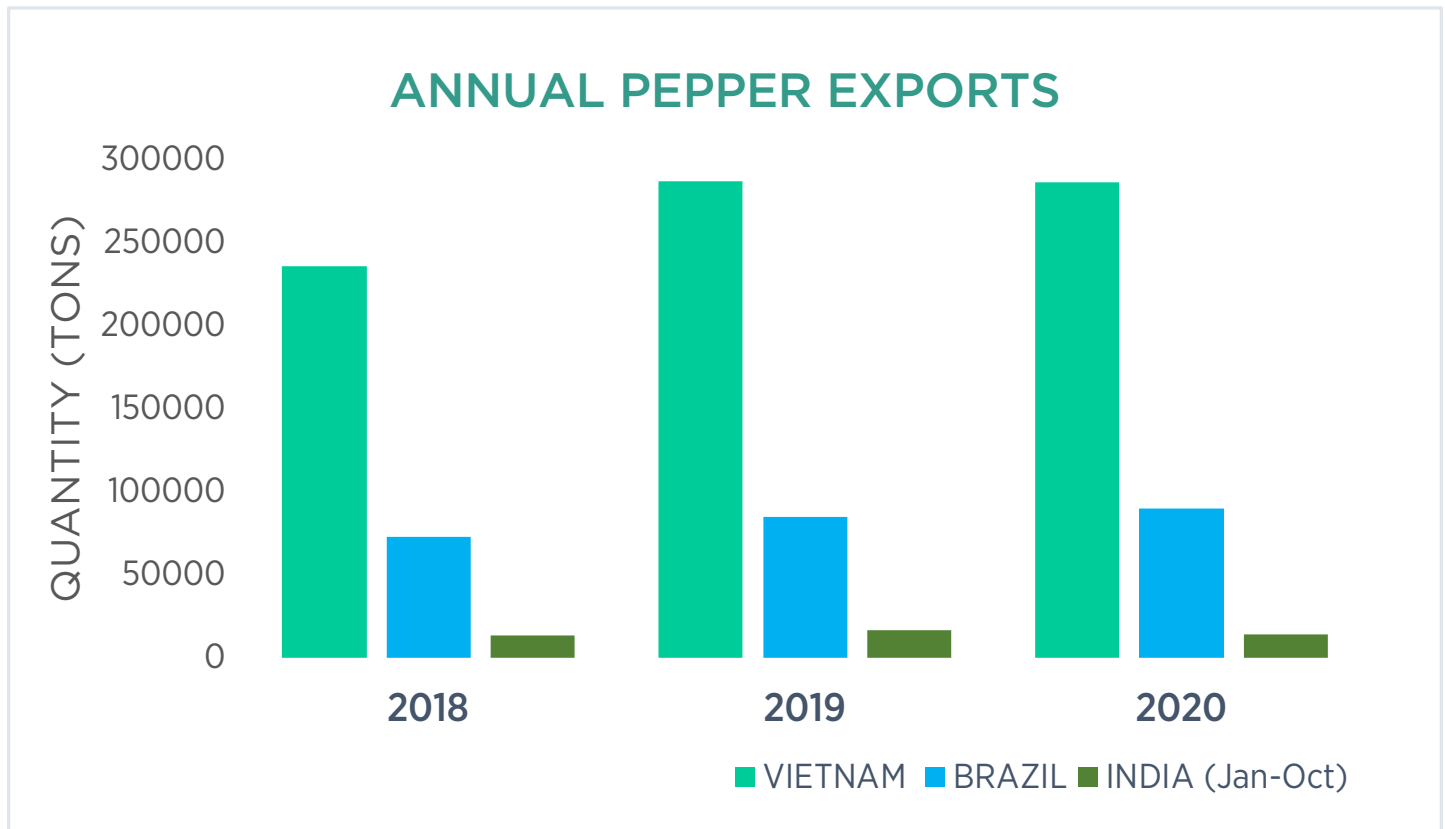
Current Market

- Market activity continues to be generally limited as buyers continue to be mostly inactive. Year-end holidays were partly responsible for keeping prices range-bound.

Selling pressure in Vietnam ahead of the Lunar New Year holidays and liquidation of old stocks ahead of new season arrivals also contributed to the general market weakness.



- After a decline in the first half of 2020 due to the COVID-19 restrictions, exports have gradually picked up towards the end of the year, and the major producing countries recorded export quantities comparable to those of previous years.



- Harvesting in southern Brazil has increased availability of material. At the same time, buyers continue to adopt a very cautious approach, waiting for arrivals from Vietnam to pick up.
- Marginal strengthening of the USD against other currencies during the past month has contributed to keeping prices stable, in spite of new arrivals.

Global Crop Conditions

- **INDIA:** Harvesting is slowly starting 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. With favorable weather conditions



reported during the developmental stages, good production is expected from Karnataka, where harvesting will start by March-April.

- **BRAZIL:** There is good demand from Europe and Asia as harvesting continues in Espirito Santo. Good production has been reported. A substantial quantity has been sold forward for shipment in 2021, keeping prices firm as local processors actively cover material for export.
- **INDONESIA:** There is not much selling pressure. There has been some stock building, anticipating demand during Ramadan in April-May.
- **VIETNAM:** Harvesting has started in some regions, including Dak Nong, one of the major pepper producing provinces. The late rains received in October-November have delayed the start of harvests, and peak harvesting is expected only towards end-February. The Lunar New Year celebrations will be during mid-February, and harvesting in most areas will start only after the holidays.

Inadequate rainfall in July-August has affected berry setting in many areas. This could affect production, especially in parts of the Central Highlands.



Drying of pepper berries. [Photograph taken in Dak Nong Province of Vietnam during the last week of January 2021]



There are many 2-3 years old plantations in some areas, and production from these young plantations could partially compensate for the decline in output in older fields. [Photograph taken in Dak Mil region of Vietnam in January 2021]

Market Scenario

BEARISH FACTORS:

- Economic activity continues to be weak with consumption in major importing countries affected by the resurgent COVID-19 pandemic.
- There is adequate material remaining in many of the producing countries, especially Vietnam and Brazil.
- Demand from buyers has been feeble, with buyers preferring to wait for new arrivals from Vietnam and India.
- There could be increased selling pressure in Vietnam ahead of the Tet festival in mid-February. Farmers could try to sell off existing stocks to meet festival expenses. Together with increased arrivals as harvesting progresses, this could create some selling pressure in the market.

BULLISH FACTORS:

- As coronavirus vaccines slowly become available, recovery in market activity could gradually lead to a revival in demand, especially as the gig economy recoups from the pandemic.
- Bullish reports about the new crop situation in Vietnam, together with speculative buying, could continue to create fluctuations in the market.
- The surge in the number of coronavirus cases in Vietnam this week could affect trade activities, and restrictions on transport and processing could affect availability of material.
- 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: With the Lunar New Year holidays coming up during mid-February, some selling pressure can be expected in Vietnam as farmers and traders try to get rid of old stock material before the new season harvesting starts. Demand is expected to remain weak as buyers wait for increased arrivals from Vietnam and India, two major origins.

MEDIUM TERM: New arrivals from Vietnam will pick up by end-February. With India also harvesting at the same time, increased availability of material will have a sobering effect on the market. At the same time, there are many buyers waiting to cover for long-term requirements, and this demand will provide support to the market.

LONG TERM: With COVID vaccines expected to slowly start making an impact, 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. As current restrictions are gradually removed, the resulting economic recovery could lead to an increase in global consumption.



SHORT TERM



MEDIUM TERM



LONG TERM



Coverage Recommendation

A downward push on prices can be expected as a result of increased material arrivals in producing countries. 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. Coverage can be extended further as more material becomes available, with material from Indonesia, Malaysia, Sri Lanka and northern Brazil arriving towards the middle of the year.

SALES CONTACT

North America, Central America, South America:

spicesales@harrisspice.com • Phone: 1-714-507-1915

Asia & the Middle East:

spicesales@harrisspicevn.com • Phone: +91 96 8180 4868

China:

wendy.yu@harrisfreemanaasia.com • Phone: +86 139 1032 3801

Europe:

European Spice Services akbar@spices.be • Phone: +32 (0)3 710 57 32
spicesales@harrisspicevn.com • Phone: +91 96 81 804868

