

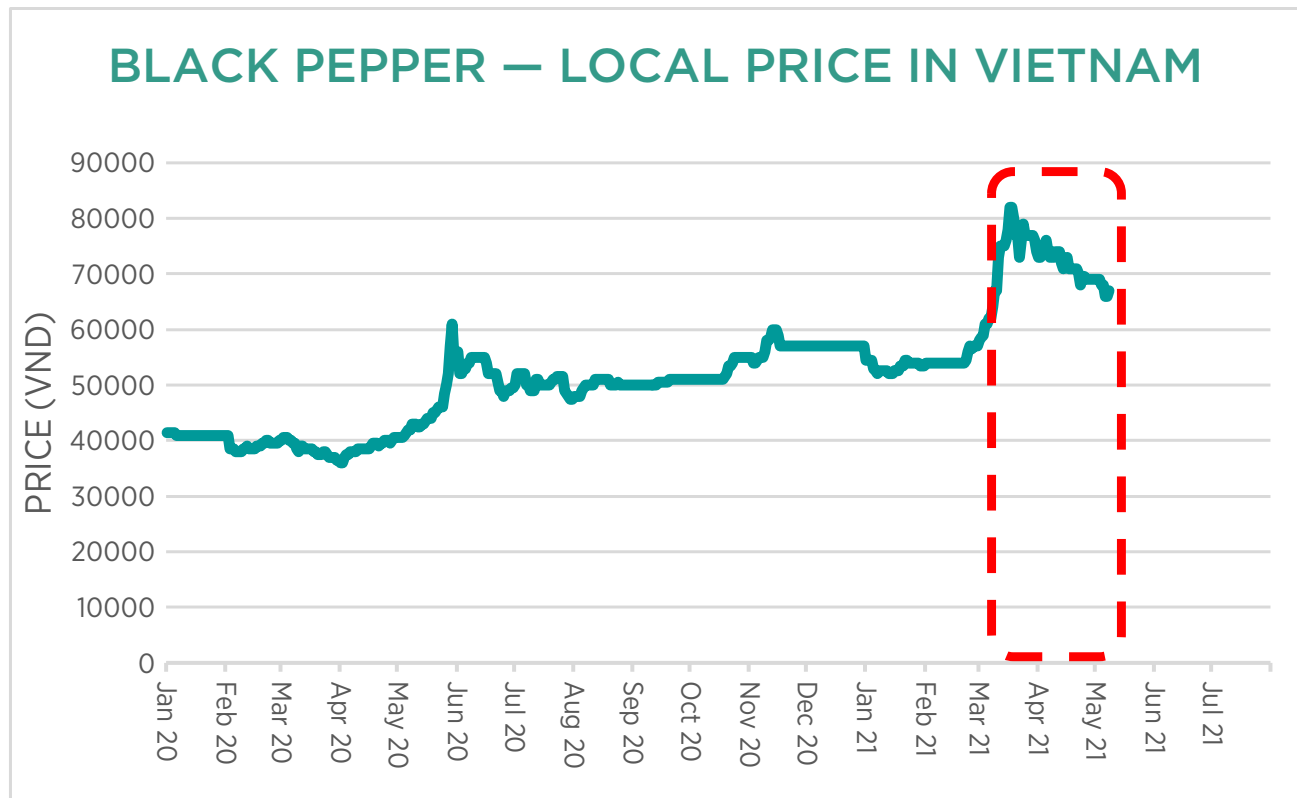
BLACK PEPPER REPORT

MAY 2021

Current Market

- After moving up sharply in March, prices have slowly spiraled downwards slightly over the past month.
- New crop arrivals have increased in Vietnam, and prices have fluctuated within a narrow range, having a bearish undertone. Exports in Jan-March 2021 have been significantly lower than those during the same period last year, buyers are slowly becoming active, and there has also been increased activity by Chinese speculators.
- Prices in Brazil have quite closely followed movements in Vietnam. After moving up in April, there has been some weakness of late. The Brazil Real has gained strength against the USD in April, providing some support to prices.
- Limited market activity in India kept the market mostly steady. With most parts of the country facing lockdowns due to the rising number of Covid-19 cases, business activity has been severely affected throughout the country.
- Prices have remained mostly unchanged in Indonesia also, with limited activity during the Ramadan month.
- The Brazil Real has been gaining strength over the past month, and this rally could continue on hopes of progress on reforms, and early signs that the pandemic's new wave might be starting to ease. Surging commodity prices have also resulted in a trade surplus situation.
- The Indian Rupee has gained slightly over the past fortnight, after dropping in April as the coronavirus pandemic continues to batter the country. The surge in

Covid-19 cases, recently crossing over 400,000 new cases per day, poses a downside risk to India's economic outlook.



Global Crop Conditions

INDIA: Harvesting is over in almost all areas. The coronavirus surge has affected availability of workers, slightly delaying harvesting operations in some areas. Many of the larger growers still have stocks remaining. Scattered rains and thunderstorms have been reported from coastal regions of peninsular India, which could have an impact on flowering later this year.

BRAZIL: Harvesting is complete in southern Brazil. New arrivals are slowing down and trading activity is limited. Many large farmers and traders reportedly still have good stocks remaining. Harvesting in the southern state of Bahia is expected to start in June, and good production is expected. Central Brazil is facing a severe drought. During the rainy season from November to March, rainfall was the lowest in 20 years.



VIETNAM: Harvesting is complete in almost all areas. 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. Most areas received unseasonal scattered rains during the past month. The effect of these rains on the new crop flowering is not clear, with the possibility that the rains could lead to more vegetative growth, reducing spike formation.

Market Scenario

BEARISH FACTORS:

- Consumption continues to be affected in major importing countries as repeated waves of the coronavirus pandemic continue to affect global economic activity.
- The major producing countries, including Vietnam and Brazil, still have sufficient material remaining. Farmers in Vietnam have sold only a portion of the harvested material.
- The absence of large buying demand has seen buyers preferring to slow down and adopt a wait-and-watch approach, relegating demand to short-term coverage.
- Imports by the US during the past few months have been higher than usual, and this coverage could have an impact on short-term demand.

BULLISH FACTORS:

- As processors in Brazil try to cover quantities that have been sold forward, active demand can be expected in the short term.
- The current high price of coffee, an alternate crop to pepper, could increase the holding capacity of farmers. In many pepper growing areas, coffee is grown alongside pepper vines.
- Central Brazil is facing the worst drought in two decades, and this has affected many commodities including coffee, maize and sugarcane. With the situation not expected to improve anytime soon, hydro-electric power generation and irrigation activities could be affected.



- Unusually heavy rainfall has been reported from many parts of Indonesia. The Meteorological, Climatological and Geophysical Agency (BMKG) has forecast heavy rains and strong winds in several provinces including Lampung and South Sumatra. This could affect production during the coming season.
- 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.

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Price Forecast

SHORT TERM: While speculators and buyers are increasingly becoming active in Vietnam, India and Brazil, strong bullish sentiments prevail as farmers try to hold back material, limiting new arrivals. This delicate balance between supply and demand could result in some price fluctuations in the short term. The third wave of coronavirus infections is becoming discernible in Vietnam, dampening trading activities.

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



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Coverage Recommendation

Though increased selling pressure initially could provide some stability in the short term, limited availability of material in Vietnam will continue to have a bullish effect on prices. With the downside risk appearing limited, 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	CHANGE			
	SPOT	1 MONTH	1 YEAR	2 YEAR
USD/IDR	14234	-2.27%	-4.44%	-0.60%
USD/INR	73.40	-1.78%	-3.34%	4.96%
USD/VND	23060	0.12%	-1.45%	-1.23%
USD/MYR	4.12	-0.48%	-4.85%	-0.96%
USD/CNH	6.43	-1.83%	-9.44%	-5.72%
USD/BRL	5.22	-8.10%	-11.38%	31.82%

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