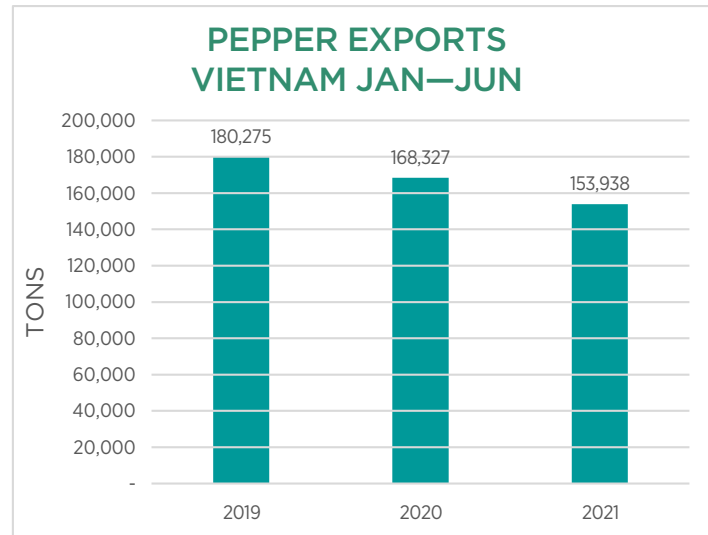
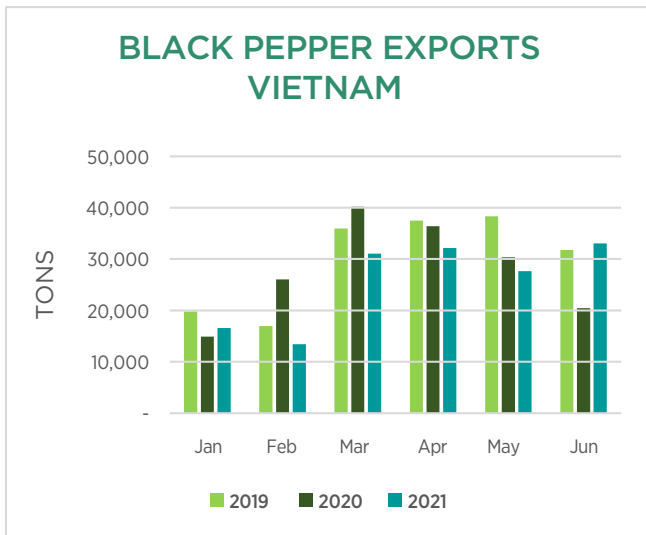


BLACK PEPPER REPORT

AUGUST 2021

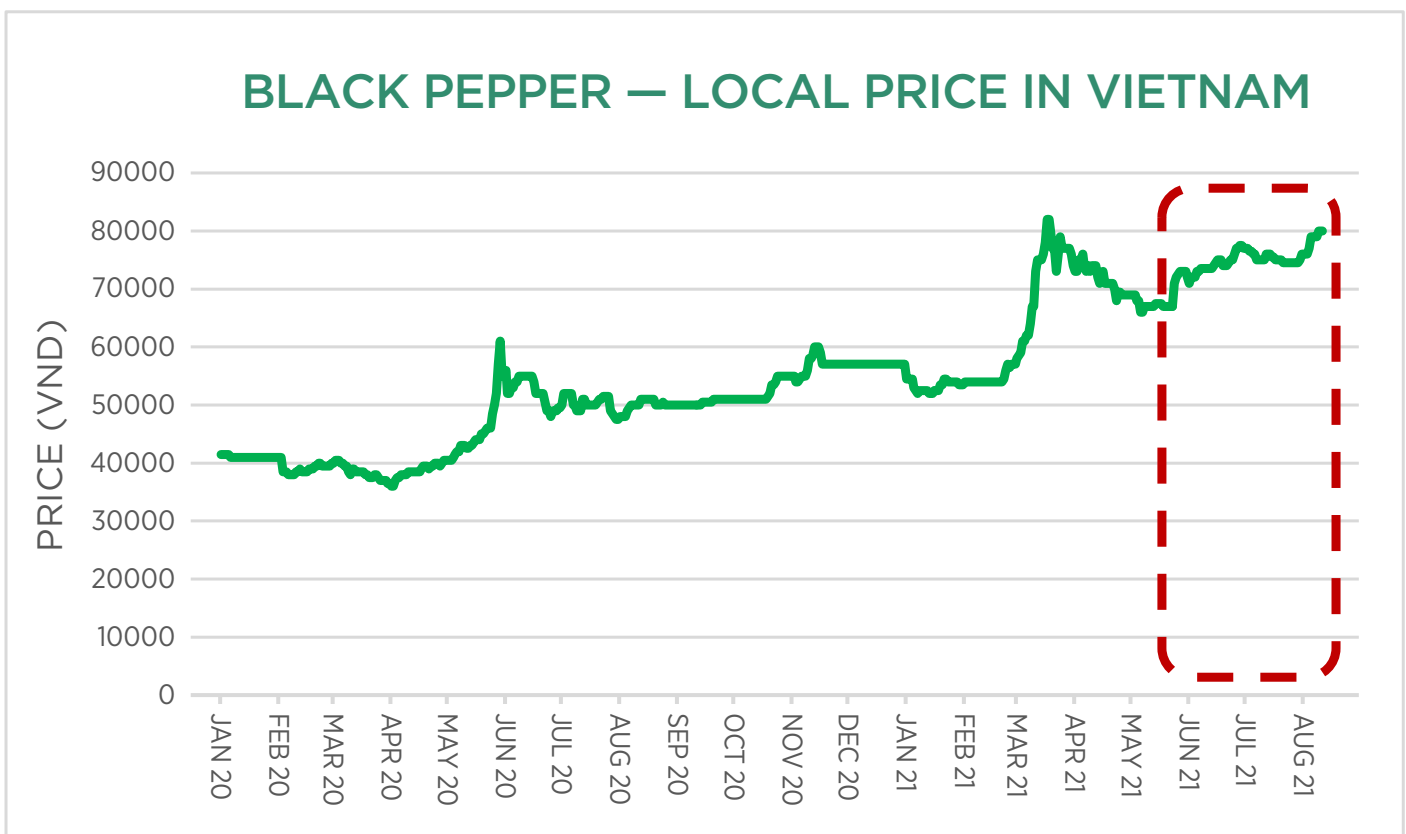
Current Market

- Global prices fluctuated within a narrow range, with increased market activity in Brazil balancing the bearish impact of new arrivals in Brazil and Indonesia.
- In Vietnam, Covid-19 restrictions are having a dampening effect on trade activity. Sellers are not very eager to sell, preferring to hold back. Buyers are also not very active with most preferring to wait. After remaining low for the past 4 months, exports picked up in June. Vietnam has exported about 154,000 tons during Jan-June this year, compared to 168,000 tons exported during the corresponding period last year.



- Prices in Brazil remained mostly steady with a slight bearish undertone. Though new arrivals have started, strong demand has been instrumental in supporting the market. After gaining against the USD in March-June, the Brazil Real weakened during early-July and has remained range-bound thereafter.

- Black pepper prices in Indonesia have remained mostly steady, while white pepper witnessed some firmness due to limited availability of material. As the highly transmissible Delta variant tears through the country, Indonesia is facing a devastating surge in Covid-19 cases. The Indonesian Rupiah gained against the USD during the past few days, lending support to export prices.
- The easing of lockdown restrictions in many South Indian states during the past month has improved availability of material, resulting in a slight softening of local prices. Trading activity is limited due to weak domestic demand. Earlier in the year, supply tightness due to Covid-19 related restrictions had led to a sharp increase in prices. During the past fortnight, the INR has gained about 1% against the USD.



Crop Conditions

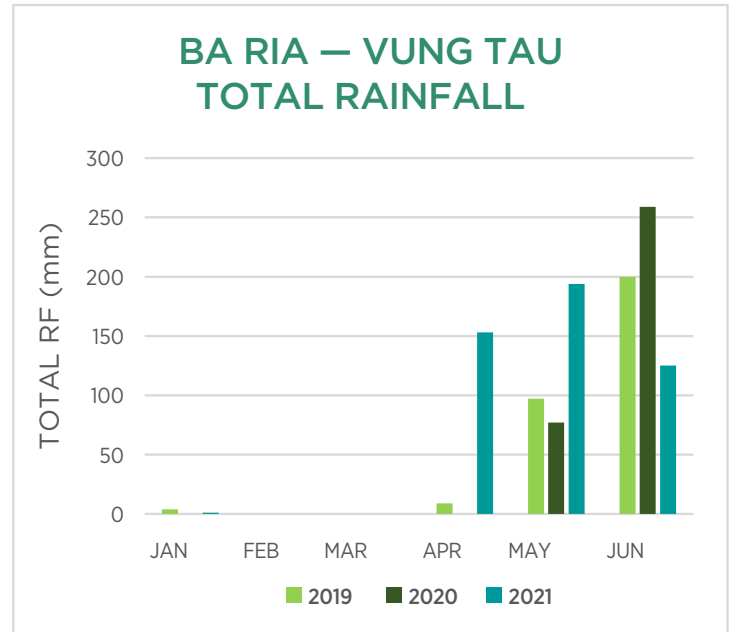
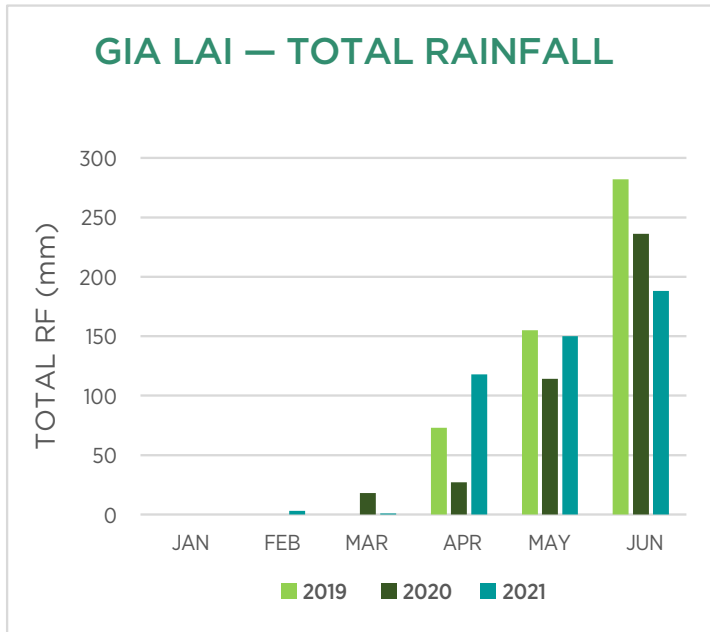
INDIA: After the initial heavy rains during early June, the South-West monsoon has gradually declined over peninsular India. During the past fortnight, many parts of Tamil Nadu, Kerala and interior Karnataka received moderate rainfall. With rains continuing for nearly three months, the southern peninsular is reported to be in rain surplus by about 8%. This year, the pre-monsoon summer showers which extended beyond normal, together with tropical cyclones in end-May, resulted in good rainfall in the pepper growing regions. The excess rains in the pre-monsoon period could have an impact on flowering of pepper vines later in the year. According to initial reports, the extended rains in the pre-monsoon period have been favorable for flowering of pepper vines.

BRAZIL: Harvesting is mostly complete in the southern states of Bahia and Espirito Santo. Harvesting has started in the northern state of Para, slightly earlier than usual. Though central Brazil has been affected by drought conditions followed by frost this year, the pepper growing areas have not been directly affected. Weather conditions in the pepper regions have been favorable so far, and good production is estimated.

INDONESIA: During the initial flowering and berry development stages, above-normal rains have been reported. The La Nina, which coincided with the peak rainy season earlier in the year, brought torrential rains. Most pepper growing areas have faced heavy rains and strong winds. The altered rainfall pattern has affected flowering and berry development in pepper vines, and a 10% reduction in production is estimated this year. Heavy rains and flooding continued in some provinces during the first week of August also.

VIETNAM: Rainfall has been above normal in April-May this year, with many areas receiving unseasonal scattered rains. However, there was a sharp decline in rainfall during June. The altered rainfall pattern is reported to have affected spike formation and berry setting in some of the southern pepper growing areas.





In the Central Highland province of Gia Lai, total rainfall in April and May was higher than last year's levels. This was followed by reduced rainfall in June. Similarly, in the south eastern province of Ba Ria - Vung Tau, total rainfall in April and May increased significantly compared to that during the past two years. Here also, total rainfall in June was significantly lower than last year's levels. The changes in rainfall pattern are expected to have an effect on flowering and berry setting during the coming season.

Market Scenario

BEARISH FACTORS:

- Demand continues to be affected as the major consuming countries continue to be battered by repeated waves of the coronavirus pandemic.
- With exports remaining weak, farmers in Vietnam and India have sold only a portion of the material harvested this year. There are still sufficient quantities remaining in the major producing countries.
- 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.
- New arrivals from Brazil are expected to increase over the next two months. Increased availability of material could create some selling pressure.



- Origin currencies have weakened against the US\$ during June-July.

BULLISH FACTORS:

- Increasing cases of coronavirus infection are affecting trade activities in Vietnam. Farmers are also not very eager to sell, holding back material and waiting for higher prices.
- Drought in Central Brazil has affected many soft commodities, pushing up prices. The high price of alternate crops, including coffee, which is grown alongside pepper in many areas, could increase the holding capacity of pepper farmers.
- Changes in the normal rainfall pattern have been reported from both Vietnam and India. The effect of these changes on new crop development is still unclear.
- Though increased availability of material is expected in Brazil as harvesting peaks, a significant amount of material will be used to cover forward sales commitments. It is estimated that over 10,000 tons have been sold forward.
- There could be a gradual revival in demand as coronavirus vaccines become increasingly available and market activity recovers.
- CNF prices from Asia could be affected due to increased pressure to move cargo out.
- Freight rates continue to be affected by uncertainties in the global freight situation.

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Price Forecast

SHORT TERM: Harvesting in Brazil will create some selling pressure as more material arrives. This could result in some bearishness in the short term. Besides, there is material remaining with farmers and traders in Vietnam and Indonesia.

MEDIUM TERM: Once peak arrivals are over in northern Brazil, it is likely that farmers and speculators will try to hold on to material, having a bullish impact on prices. The selling behavior of farmers in Vietnam will also be crucial. At the same time, increased production is expected from southern Brazil later in the year, and this could have a stabilizing effect.

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

SHORT TERM



MEDIUM TERM



LONG TERM



Continued on next page



Coverage Recommendation

Increasing activity by traders and speculators, together with the tendency of farmers to hold material expecting better prices later in the year, will continue to have a bullish impact on prices, though selling pressure from Brazil will have a significant impact in the short to medium term. The downside possibility appears limited and it is advisable to take adequate coverage if conditions are attractive. It would be advisable to use dips in the market to extend coverage as material becomes available from producing countries.

CURRENCY	SPOT	CHANGE		
		1 MONTH	1 YEAR	2 YEAR
USD/IDR	14408	-0.83%	-3.07%	1.54%
USD/INR	74.47	-0.03%	-0.60%	4.83%
USD/VND	22805	-0.69%	-1.60%	-1.74%
USD/MYR	4.24	1.19%	0.95%	1.44%
USD/CNY	6.48	0.00%	-6.76%	-8.22%
USD/BRL	5.19	-1.33%	-3.53%	31.73%

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@harrisfreemana.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

