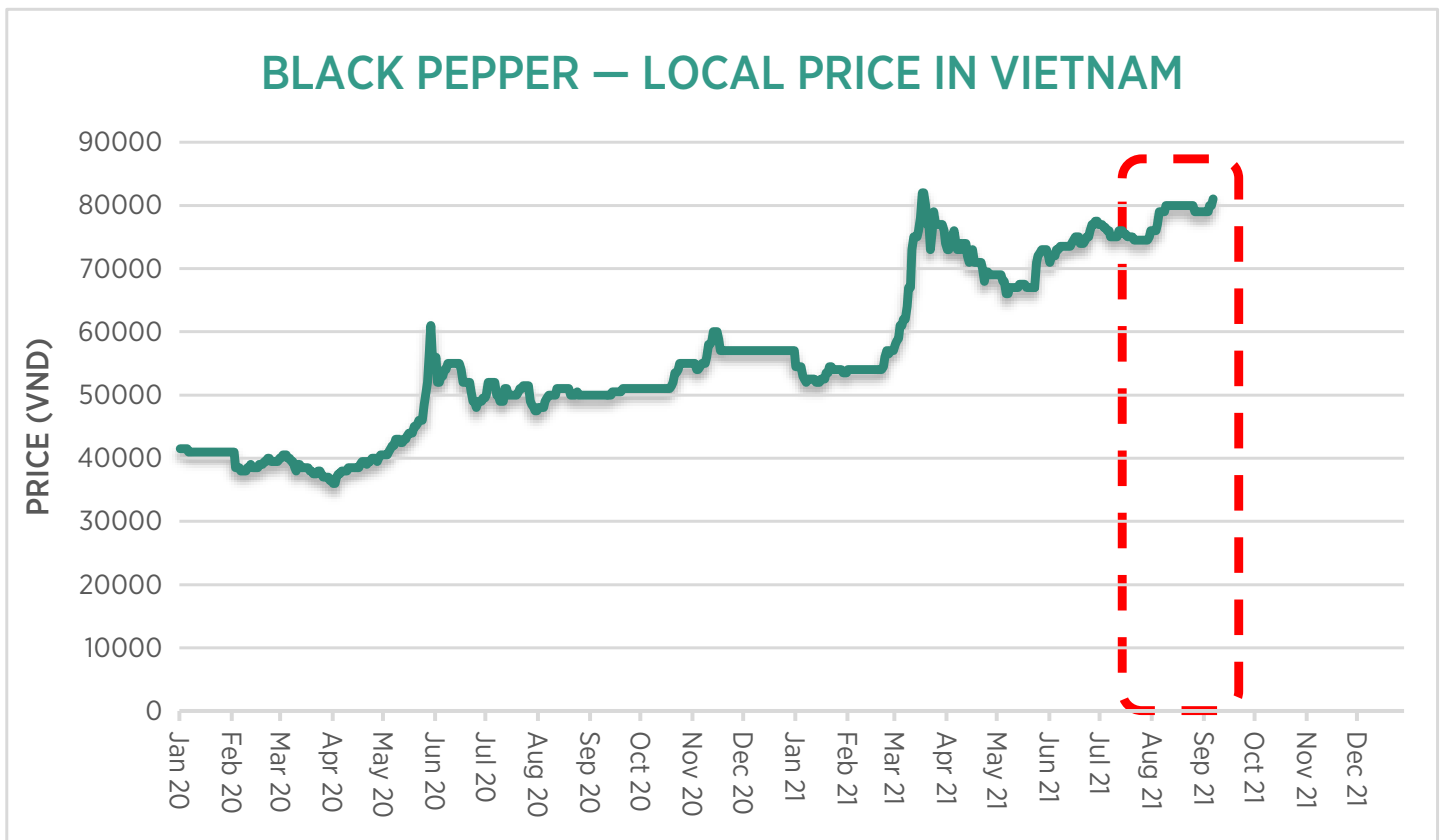


# BLACK PEPPER REPORT

SEPTEMBER 2021

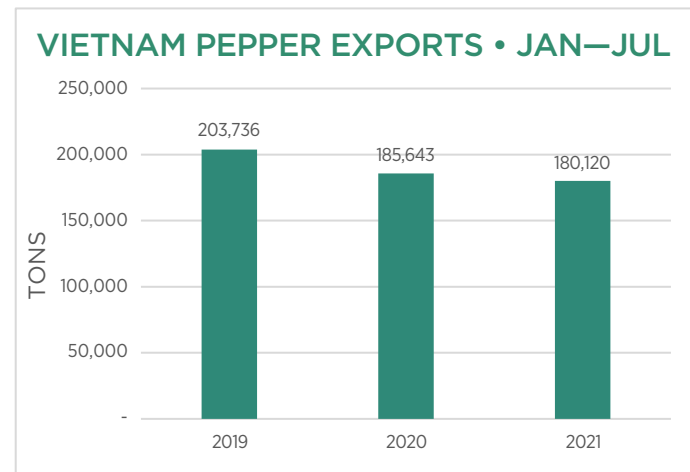
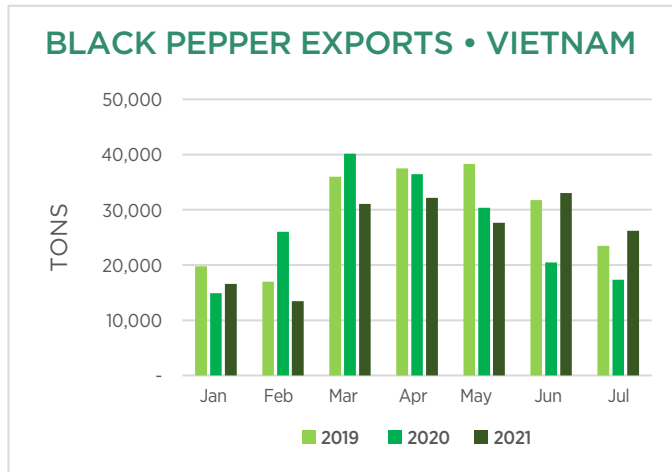
## Current Market

- Global prices continue to fluctuate within a narrow range, with supply and demand rather closely matched.



- **VIETNAM:** Covid-19 restrictions are having a dampening effect on trade activity. Material transportation has been affected by the stringent restrictions imposed in many parts of the country. Buyers have not been very active, preferring to wait due to uncertainties regarding delivery of material. Sellers are not very eager to

sell, preferring to hold back and wait for higher prices. Exports have started to slowly increase during the past two months. Vietnam has exported about 180,000 tons during Jan-July this year, compared to about 186,000 tons exported during the corresponding period last year.

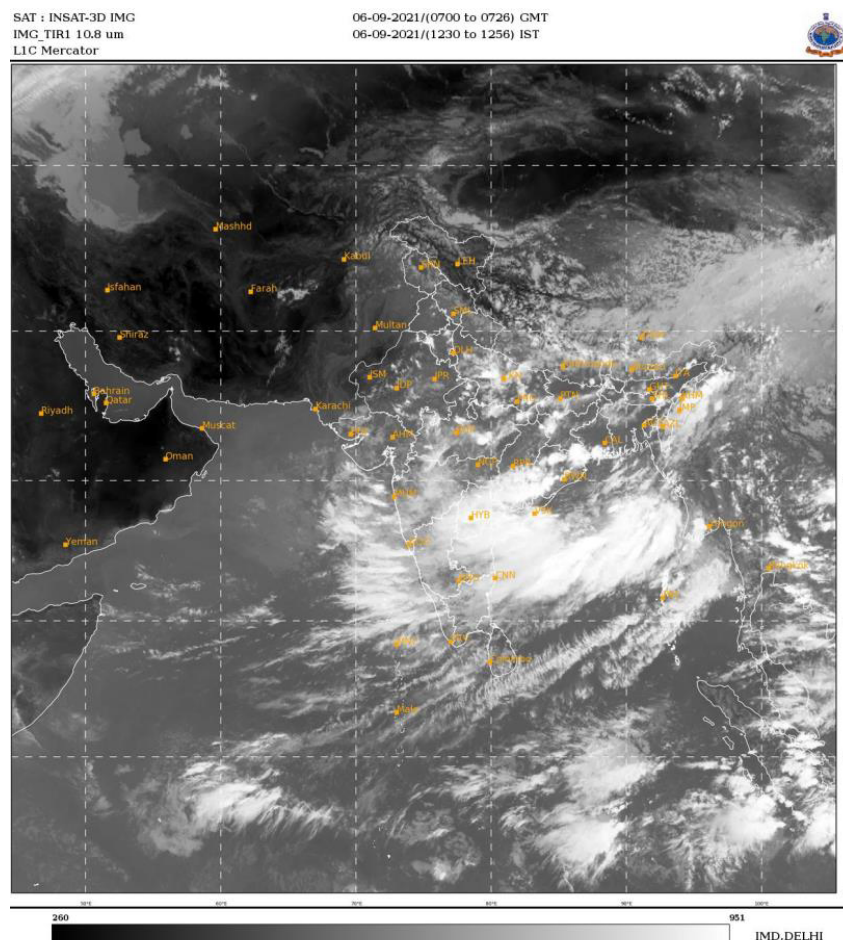


- BRAZIL:** New arrivals continue as peak harvesting continues in the northern state of Para. Strong demand from Europe and the US has been instrumental in supporting the market. Besides, over 10,000 tons have been sold forward, having a bullish impact on prices. The Brazil Real continued to weaken against the USD during July-August. Brazil posted a much larger-than-expected current account deficit in July. Increased social spending ahead of the general elections next year could raise debt, further adding to the currency volatility.
- INDIA:** Material availability is limited as farmers and traders are holding back, keeping prices firm. With Covid-19 cases slowly increasing again in the South Indian states, trade activities have been affected. Domestic demand has moved up during the past month.
- INDONESIA:** Though new arrivals continue, prices have remained mostly firm, following other origins. Speculative buying has also contributed to keeping prices steady. The Indonesian Rupiah gained against the USD during the past few days, lending support to export prices.



## Global Crop Conditions

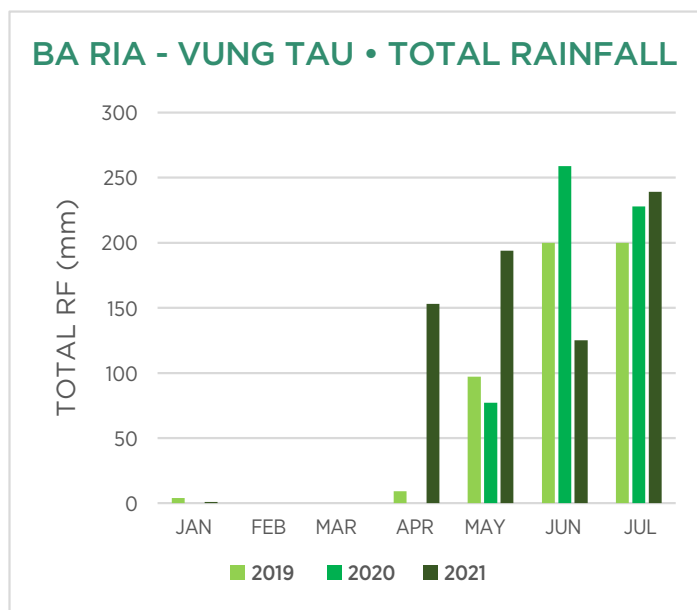
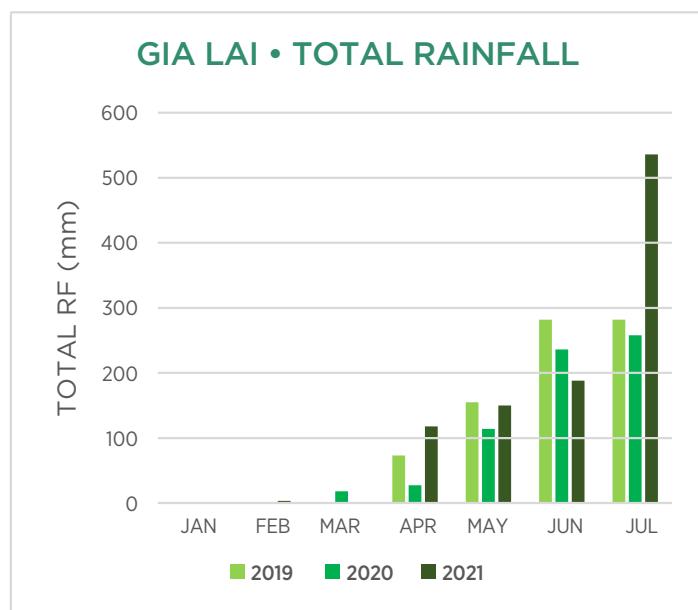
**INDIA:** With the revival of the South-West monsoon, enhanced rainfall activity with fairly widespread heavy rain has been reported from the southern states of Karnataka, Tamil Nadu and Kerala during the past week. These rains are expected to continue for the next few days and reduce in intensity and distribution thereafter. Following an extended break in rainfall in August, India's overall monsoon rainfall deficit at the end of August stands at 9%. A cyclonic circulation forming on the eastern coast has resulted in widespread rain across the Deccan Plateau. During the South-West monsoon season, most parts of South India have recorded normal rainfall figures. 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.



Satellite image of India on 06 Sept 2021 [Source: India Meteorological Department]

**BRAZIL:** Peak harvesting continues in the northern state of Para, and is expected to continue till end-September. Weather conditions have been good this year, and good production is reported. Though central Brazil has been affected by drought conditions this year, the pepper growing areas have not been directly affected.

**VIETNAM:** The pepper growing areas received above-normal rains during April and May, resulting in more vegetative growth during this period, especially in the south-eastern province of Ba Ria-Vung Tau. This was followed by reduced rainfall in most areas during June, which adversely affected flowering. Heavy rainfall was reported in July, especially in the Central Highlands, resulting in shedding of spikes. Overall, the altered weather pattern this year is reported to have affected spike formation and berry setting in many areas.



## Market Scenario

### BEARISH FACTORS:

- Repeated waves of the coronavirus pandemic continue to affect the major consuming countries, having an impact on demand.
- There are still significant quantities remaining with farmers and traders in Vietnam, India and Brazil. Only a portion of the harvested material has been sold so far.



- Peak harvesting continues in Brazil, and significant quantities are expected during the coming month. Increased availability of material could create some selling pressure.
- Weakening of the Brazil Real against the USD could have a bearish effect on export prices.

**BULLISH FACTORS:**

- Vietnam has been reporting an increase in Covid-19 cases during the past month, and the restrictions imposed to control the spread of the pandemic are affecting trade activities. Farmers are not very eager to sell, and buyers are also hesitant, considering the restrictions on travel and transportation.
- The strict lockdown in Vietnam and adverse weather in Central Brazil have pushed up the price of coffee, which is grown alongside pepper in many regions. This could increase the holding capacity of pepper farmers.
- A significant amount of material has been sold forward in Brazil, and as arrivals increase, a major portion will be used to meet these forward sales commitments. This could generate some local demand.
- As market activity recovers from the pandemic, a gradual revival in demand can be expected as vaccines become available globally.
- Freight rates continue to be affected by uncertainties in the global freight situation.
- According to the National Oceanic and Atmospheric Administration (NOAA), a La Nina is likely to develop later this year. Changes in the rainfall pattern in South Asia and Latin America could hamper pepper production in Vietnam, India and Brazil next year.

*Continued on next page*



## Price Forecast

**SHORT TERM:** New material arrivals in Brazil could help in keeping prices stable as harvesting continues. Besides, there is material remaining with farmers in Vietnam and Indonesia, which could aid market stability in the short term.

**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. Uncertainty about the new crop situation in Vietnam could turn out to 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:** Weather patterns will have an important role in the direction of the market during the coming months. If a La Nina develops towards the end of this year, it could adversely affect production in Asia and South America. Besides, 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

Though selling pressure from Brazil will have a significant impact in the short to medium term, increased speculative activity can be expected to have a bullish impact once new arrivals start declining. 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	14224	-1.52%	-3.55%	1.12%
USD/INR	73.05	-1.95%	-0.33%	1.95%
USD/VND	22768	-0.71%	-1.78%	-0.95%
USD/MYR	4.14	1.90%	0.24%	-0.96%
USD/CNY	6.45	0.46%	-5.70%	-9.41%
USD/BRL	5.19	-0.76%	-2.08%	27.52%

## 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@harrisfreemania.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

