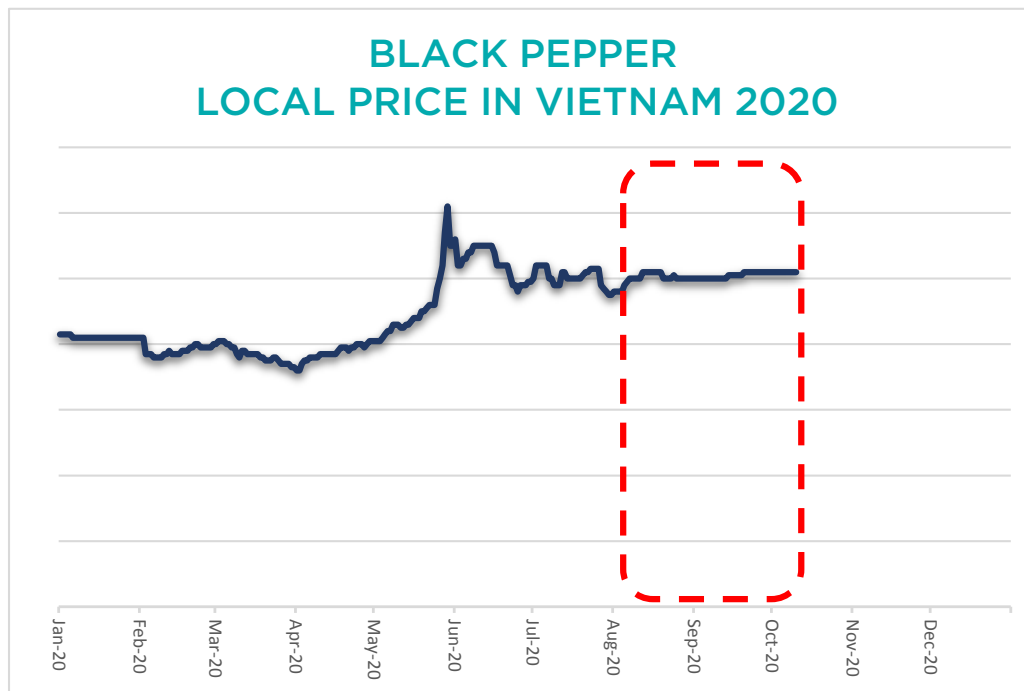


BLACK PEPPER REPORT

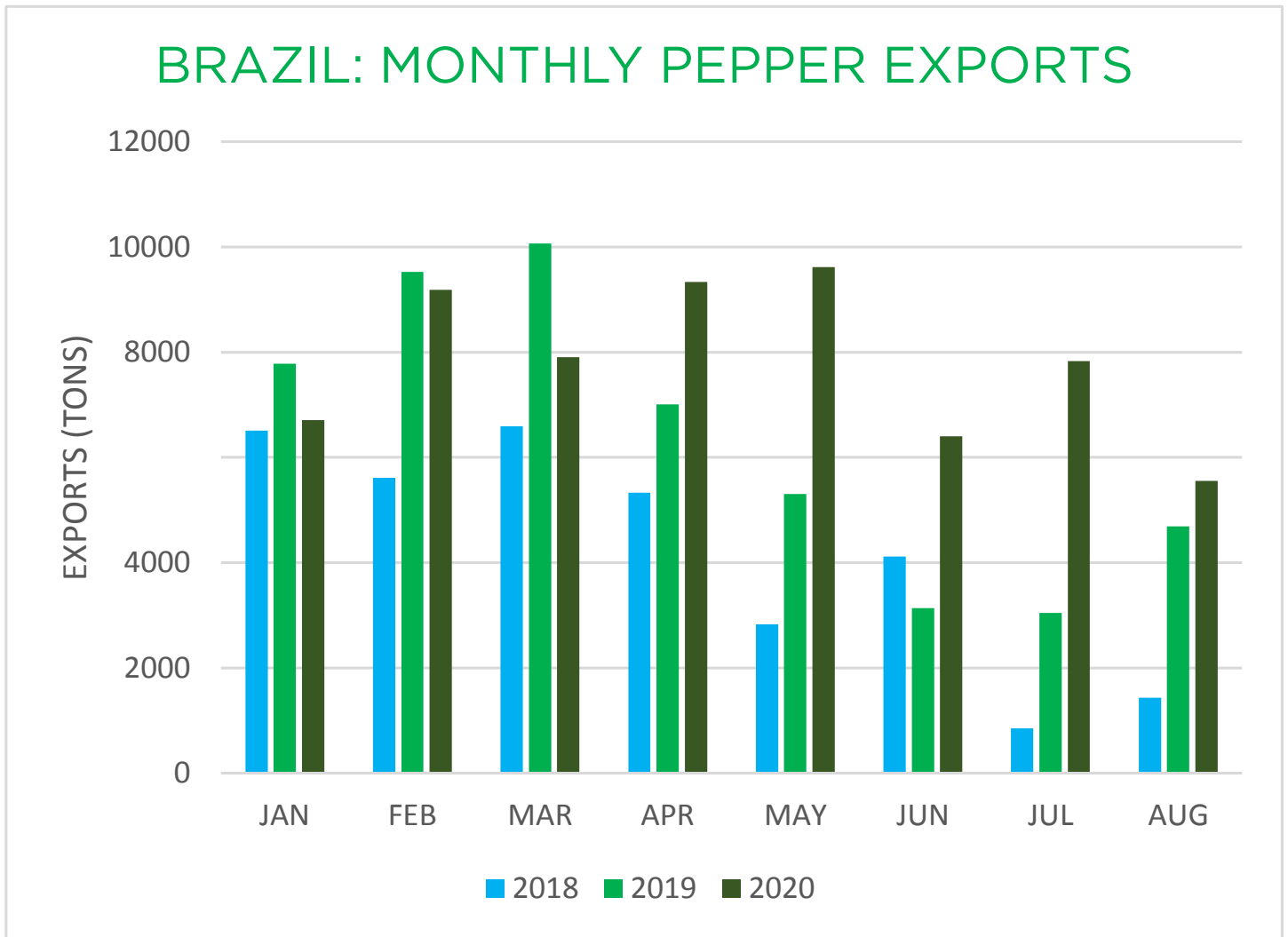
OCTOBER 2020

Current Market

- During the past month, with trading activity limited and the supply-demand situation closely balanced, prices remained rather inanimate.
- Buyers have been mostly inactive in Vietnam, looking forward to new arrivals which are expected early next year. This has kept prices flat. Compared to 223,000 tons exported from Vietnam during January - August last year, a total of 203,000 tons has been exported during the corresponding period this year. This drop in exports, an indication of a fall in demand, has been instrumental in keeping prices unchanged. Besides, a significant quantity of pepper still remains in the country, mostly with traders and speculators.



- After moving up towards the beginning of this month, prices in India again moved down to levels that prevailed during early-September. During end-September, prices had strengthened, buoyed by reports about tighter controls on imports via Nepal and also from Sri Lanka. However, during the past fortnight, there has been a gradual downward movement, as local demand remains feeble.
- In Indonesia, arrivals have been low, and there has also been good demand, keeping prices steady as harvesting comes to an end.
- Even though harvesting is in progress in northern Brazil, prices have remained strong due to demand from Europe and Asia. Local processors are also active, covering material for their export commitments.



Crop Conditions

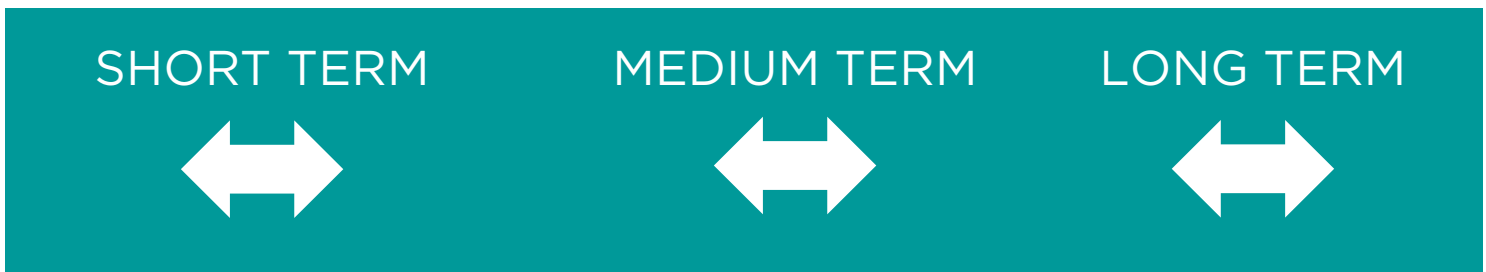
- Rains continued in the pepper growing areas of south India. A cyclonic circulation has brought fairly widespread rain and thunderstorms over southern India over the past week. So far this year, most areas have received good rains, and conditions continue to be favorable for next year's pepper production.
- Good production is reported from north Brazil, where harvesting is currently underway. At the same time, many parts of southern Brazil have reported above-normal temperatures this year. However, with sufficient water available in reservoirs for irrigation, it is expected that pepper cultivation will not be affected by the dry weather.
- Torrential rains have battered many parts of Central Vietnam over the past week, triggering floods and landslides in many provinces including Quang Tri, Dak Lak and Gia Lai. A low-pressure trench off the south-central coast of Vietnam has combined with the tropical low-pressure region to the east of the Philippines, resulting in strong seasonal winds which have brought heavy rains to the central and southern parts of the country. According to the local meteorological agency, rains are expected to continue into the second half of this month. Apart from rains and heavy winds, no damage has been reported from the pepper growing areas, and harvesting will start by end-December.
- Harvesting is getting over in most areas of Indonesia. Though intermittent dry spells along with prolonged rains have affected some areas, there has been overall good production, especially in the regions with young pepper vines. According to the Meteorology, Climatology and Geophysics Agency (BMKG), the developing La Nina could increase precipitation in Indonesia till February, with heavy rainfall expected in several regions including South Sumatra, Bangka Island and Lampung.

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Market Scenario

- Global demand continues to be weak, a fallout of the decline in overall economic activity due to the COVID-19 pandemic.
- As harvesting slowly draws to a close, there is adequate availability of material in both Brazil and Indonesia.
- In Brazil, demand from Europe and Asia is contributing to keeping prices firm. Most processors are busy covering material to fulfil export commitments during the next two months. An increase in local wages has pushed up harvesting costs, adding to the bullish sentiments in the domestic market.
- The availability of adequate stocks in producing countries, together with lackluster demand from buyers, has resulted in a rather quiet market. Besides, buyers also appear to be waiting for some indication about the crop situation in south Brazil and Vietnam, where harvesting will start towards the end of this year.



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Price Forecast

SHORT TERM: Demand is expected to remain weak as the COVID-19 pandemic continues to affect global markets. With arrivals from Indonesia and Brazil, increased availability of material is also providing support to the supply-side.

MEDIUM TERM: With the demand side expected to remain quiet, markets are expected to remain weak. The supply side is also expected to remain balanced, with good production expected from south Brazil later in the year.

LONG TERM: New season developments in Vietnam and India will have a significant impact on price movements during the coming months. Market direction in the long term will depend to a large extent on demand revival as the global economy tries to recover from the impact of the pandemic. The direction of the market in the long term will be greatly influenced by the supply-demand balance that evolves.

Coverage Recommendation

Limited price fluctuations can be expected during the coming months, and it would be advisable to cover for short-term requirements if favorable prices are available. However, beyond this, it may be better to wait and watch, since developments on the supply side could create favorable conditions for extending coverage.

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@harrisfreemanasia.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

