



# PEPPER REPORT – MAY 2019

## CURRENT MARKET:

- Prices continued to remain mostly stable in most origins during the past fortnight.
- In Vietnam, with harvesting getting over, selling pressure has declined. Chinese buyers, who were earlier active in the local market during peak harvest, have withdrawn. With farmers unwilling to sell aggressively finding current prices not very attractive, and buyers also preferring to remain on the sidelines, prices have fluctuated within a narrow range.
- In Indonesia, with new crop harvesting approaching, there has been a slight decline in prices. There is also some selling pressure from old stocks remaining with traders.
- With security tightened in Sri Lanka, exports to India have been severely affected. As a result, export quantities have declined. Pepper prices in Sri Lanka dropped by nearly 2% during the past week. However, with market arrivals also very limited, further decline in prices has been checked.
- Meanwhile in India, with arrivals from Sri Lanka getting affected, domestic prices have gone up. Arrivals from Sri Lanka have been affected due to restrictions imposed there.

## CROP CONDITIONS:

- Very dry conditions have prevailed in the Highland provinces of Vietnam during the first quarter of this year. Temperatures in the country reached an all-time high in March. During the past two weeks, scattered rains have been reported in some areas. New season flowering will depend on rainfall conditions.
- Very high temperatures have prevailed in the pepper growing areas of India. Cyclone Fani, which moved along the east coast of India, has not affected any of the pepper growing areas. Summer showers during early-May have helped lower temperature slightly in the growing areas.
- Rainfall has been above-normal in northern Brazil. Very heavy rainfall has been reported within the past few months. The new crop is still in the early stages of development.
- In Indonesia, the new season production is in the berry development stage.
- In Sri Lanka, harvesting of light berries has started. Local market arrivals have been limited. Heavier berries will be harvested only after a month.



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### MARKET SCENARIO:

- Harvesting is over in all major origins, viz. India, Vietnam and southern regions of Brazil. Selling pressure is limited, with farmers preferring to hold material.
- Buyers are also adopting a very cautious approach. While there is some demand reported from Europe for material from Brazil, other origins have seen very limited activity.
- There is a fairly good quantity of material still remaining with farmers, especially in Vietnam and India.
- Buyers are expected to follow a wait and watch approach, till the new crop situation in Indonesia and Brazil becomes clearer.

### PRICE FORECAST:

- With growers in no hurry to sell, and buyers not very aggressive, the market is expected to move sideways. Available material in origins is expected to keep a lid on prices.
- New arrivals are expected to start in Indonesia during the next two months. There could be some selling pressure initially. Farmers can be expected to sell some quantities to meet their immediate cash needs, but reluctance to sell below certain levels will have a stabilizing effect.
- Uncertainty continues about the effect of weather conditions in growing areas. Warm and dry conditions have been reported from Vietnam and India. Production from these origins will have an impact on prices in the long term.

#### Price Outlook



Short term:

Medium term:



Long Term:



### COVERAGE RECOMMENDATION:

- With current prices not very attractive for growers, selling pressure is expected to remain limited. Once buyers step in, some bullishness can be expected. Coverage till end-2019 is recommended.
- Beyond this, a decision can be taken once the new crop situation in Vietnam & India is clear.



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## Queries? Please contact...

Sales to the Americas (North, Central, South):

[spicesales@harrisspice.com](mailto:spicesales@harrisspice.com)

Phone: +1-714-507-1915

Sales to Europe, Middle-East & Asia:

[spicesales@harrisspicevn.com](mailto:spicesales@harrisspicevn.com)

Phone: +91 - 968180 4868