



## PEPPER REPORT – MARCH 2020

### CURRENT MARKET:

- With the impact of the Coronavirus outbreak continuing, market activity continues to be subdued.
- In Vietnam, some purchasing by Chinese buyers has resulted in a slight upward movement of prices over the past week. Markets have remained mostly silent, with the virus outbreak continuing to affect business activities and public life in the country.
- Local prices in India has weakened slightly with new crop arrivals increasing.
- Not much price variation has been reported from other origins, with buyers mostly remaining on the sidelines.
- Origin currencies weakened against the USD during the past fortnight, as investors dumped emerging market assets to seek the safety of US treasuries and assets like gold amid the rapid spread of coronavirus epidemic outside China. This has also had a bearish effect on global prices.

### CROP CONDITIONS:

- Harvesting is in progress in Vietnam. In Dak Nong, one of the most important pepper producing regions, harvesting is complete. In most southern provinces, harvesting is slowly getting over in many areas. With prices remaining low, farmers are not very eager to spend on harvesting operations, especially in the southern provinces.
- The first round of harvesting is over in Southern Brazil. Good production is reported. Harvesting is expected to be complete over the coming month.
- In India, harvesting is progressing in both Idukki and Wynad regions of Kerala. Market arrivals have increased steadily with farmers slowly selling off old stock material also. Harvesting in Karnataka is expected to start after about a month. Pre-monsoon season showers have been reported from many parts of India during this week. These showers will be good for development of berries, and also for the growth of vines due to the role in maintaining soil moisture.
- Heavy rains have been reported from many parts of Indonesia including the pepper growing regions of South Sumatra and Bengkulu. Many parts of Java were flooded after two tropical cyclones off the nation's coast, viz. cyclone Esther in the Gulf of Carpentaria and cyclone Ferdinand in the Indian Ocean, triggered extremely heavy rainfall.



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## MARKET SCENARIO:

- With harvesting reaching the peak stage, arrivals in Vietnam are slowly increasing. Farmers are rather reluctant to sell since prices are not very attractive. Chinese buyers, who have been mostly silent during the past month, are slowly becoming active, having a bullish effect on the market. Though there has not been much speculative buying, there was some coverage by Chinese traders during the past weeks.
- In India also, harvesting is slowly picking up and quantities are expected to increase as harvesting starts in the state of Karnataka later this month.
- In Brazil, good arrivals have been reported as harvesting advances in Espirito Santo. Spirited demand from Europe and Asia has been seen this year. Many shippers have forward sales commitments which is expected to continue providing stability to the market.
- Buyers have mostly held back though arrivals are increasing. With the uncertainty caused by the virus outbreak expected to continue for some more time, increased availability during peak harvesting together with limited demand from Chinese traders could combine to keep prices under check.


## PRICE FORECAST:

- **SHORT TERM:** Selling pressure is bound to increase as arrivals increase in Vietnam and India. Some old stock material will also be released into the market adding to availability of material. If trading activity from China does not recover, it will also have a bearish impact.
- **MEDIUM TERM:** Farmers are expected to start holding back once sufficient quantities have been sold initially. Buyers will also step in to cover their requirements. Both these factors can be expected to provide support to the market in the medium term.
- **LONG TERM:** The supply situation, dependent on production in the main growing areas, could play an important role. Demand from China will play an important role in the long term.

### Price Outlook

Short term: 

Medium term: 

Long Term: 



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### COVERAGE RECOMMENDATION:

- There will be some selling pressure as availability increases in Vietnam and India, two important origins, providing opportunities to extend coverage through 2020.
- At the same time, a coverage decision will have to take into account the fallouts of the recent market disruption in China on global economic activity, especially the short and medium term impact on the supply-demand situation.

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