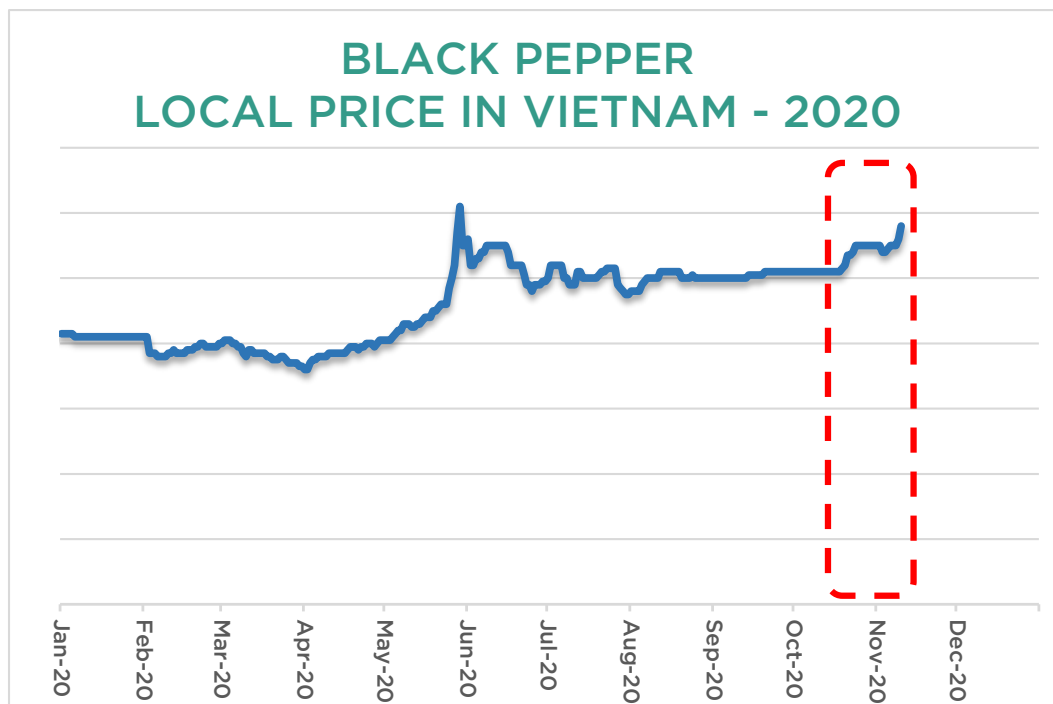


BLACK PEPPER REPORT

NOVEMBER 2020

Current Market

- After months of remaining unchanged, the pepper market suddenly witnessed some activity.
- Limited supply, together with some bullish reports about next year's production in Vietnam, resulted in a slight upward movement of prices during the past fortnight.
- Unexpected heavy rains and flooding in Central Vietnam, together with reports of Chinese buying, were also partly responsible for the price increase in Vietnam.



- With harvesting over and new arrivals drying up, Brazil also followed suit, moving prices up slightly. There has been good demand from Europe and Asia, and local processors have been busy covering material to meet forward shipment commitments.
- Market activity was restricted due to three days of local holidays in Indonesia during the last week, and limited availability of material also ended up having a bullish effect.
- However in India, where festival season demand is slowly evident, prices have remained mostly range-bound. The high number of COVID-19 cases reported daily from South-India is having a dampening effect on general market activity.

Crop Conditions

- The north-east monsoon season has set in over south India during the past week, following the delayed withdrawal of the south-west monsoon rains. Many regions received light rains during 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 slowly getting over. At the same time, many parts of southern Brazil, where harvesting is expected to start later in the year, have reported above-normal temperatures this year. The La Nina has resulted in drought conditions in many regions of southern Brazil, especially the coffee producing regions of Minas Gerais, Espirito Santo and Parana. However, it is expected that pepper cultivation will not be affected by the dry weather, with sufficient water available in reservoirs for irrigation.
- Central Vietnam continues to be battered by torrential rains and thunderstorms. A series of typhoons have hit the country over the past month, resulting in floods and landslides in many provinces. Super typhoon Goni, the world's strongest typhoon this year, caused heavy rainfall in the central region. This has been followed by typhoon Atsani, heading towards Vietnam this week after moving across the Philippines. So far, apart from abnormally heavy rain, not much damage has been reported from the pepper growing areas due to the typhoons.



- However, lack of adequate rainfall earlier in the year during the berry setting stage is reported to have affected the new crop. Though there has been good flowering in most areas, rains were insufficient after this in July-August, resulting in poor setting in many areas. This could affect production, especially in parts of the Highlands. Harvesting will start by end-December.
- Harvesting is over in most areas of Indonesia. 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.



Pepper situation in Dak Lak Province (left) and Dak Nong Province (right) of Vietnam. There is good spike formation, however berry setting is not very good in some areas of the Highlands. Vines look very healthy due to reduced incidence of diseases in the Central Highland Provinces. (Photographs taken in October 2020).

Market Scenario

- As many consuming countries continue to battle repeated waves of the COVID-19 pandemic, global economic activity continues to be weak, taking a toll on demand.
- There is adequate material remaining in most of the producing countries, especially Brazil and Vietnam, where speculators still hold significant quantities.

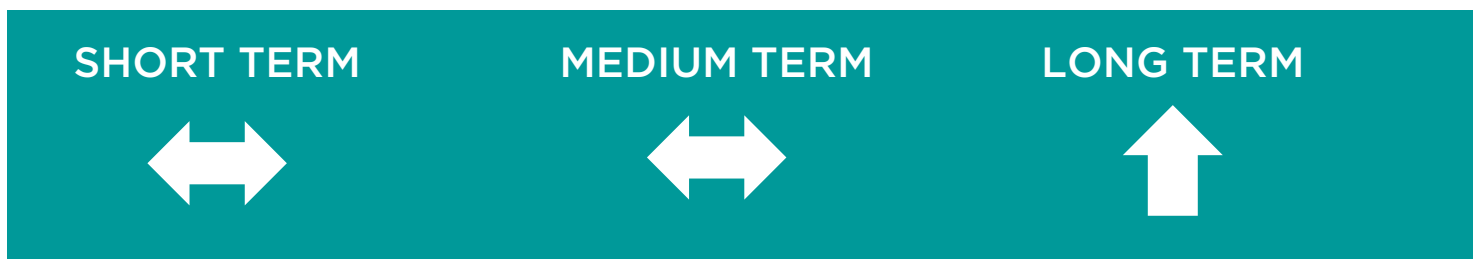
- Harvesting in southern Brazil is expected to start within a month. While good production is expected, demand from Europe and Asia will contribute to keeping up prices. Besides, most processors have export commitments extending well into the coming year.
- The availability of adequate stocks in producing countries, together with lackluster demand from buyers, has resulted in a rather quiet market. However, conflicting reports about the crop situation in Vietnam, together with some Chinese buying, have resulted in some sudden spikes in the market. This is expected to continue having a strong impact on prices.

Price Forecast

SHORT TERM: As the COVID-19 pandemic continues to affect global markets, demand is expected to remain weak. Adequate availability of material in some producing countries could contribute to keeping prices moving within a narrow range.

MEDIUM TERM: New arrivals from south Brazil are expected later in the year. With the demand side also expected to remain quiet, markets are expected to remain balanced.

LONG TERM: The supply side will be greatly influenced by production in Vietnam and India, two major producing countries. The effect of the evolving La Nina on production is still unclear. At the same time, the demand side will depend on consumption recovery as the global economy tries to bounce back 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

Some price fluctuations can be expected during the coming months. 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.

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