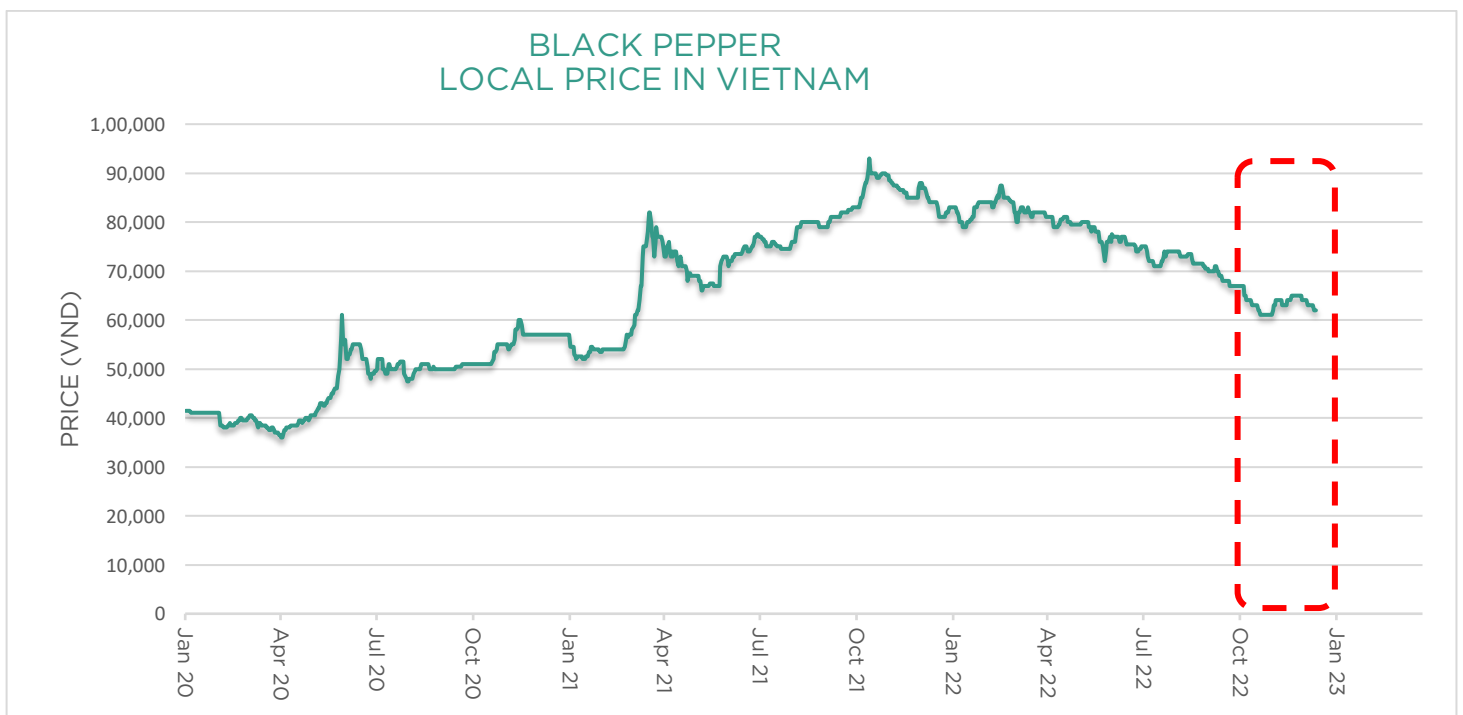


Current Market

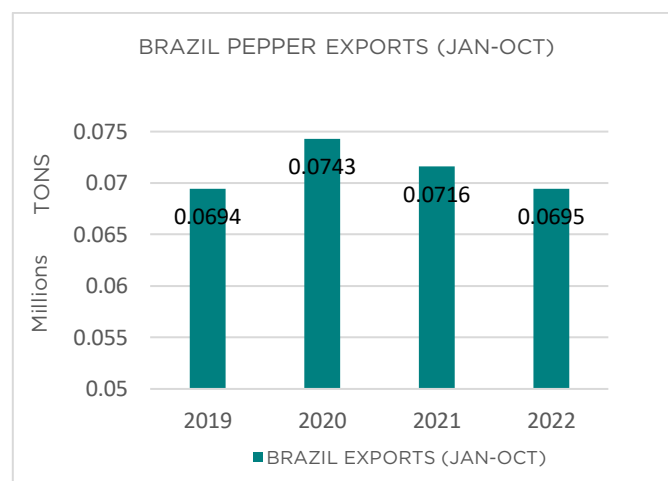
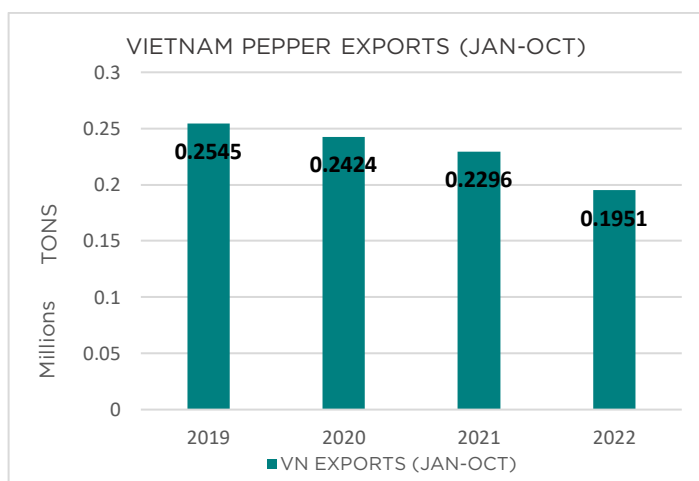
The pepper market continues to remain very silent, with rather strong bearish undertones as harvesting approaches in Vietnam and India. The demand side remains silent with buyers waiting for arrivals to increase. Demand from western countries remains weak with adequate quantities available in destination markets, and buying activity from China not picking up as expected. Meanwhile, good stock levels remain in the producing countries as farmers continue to hold back material.



VIETNAM: There has been a slight weakening of local prices during the past week. There is increased selling pressure from farmers as new harvesting approaches. Besides, demand from China has not picked up as expected. Buyers and

speculators continue to be very cautious. Exporters are also only buying limited quantities, sufficient to meet their immediate requirements and unwilling to speculate.

Compared to exports of over 229,000 tons in Jan-Oct 2021, total exports from Vietnam during Jan-Oct 2022 have been only about 195,000 tons.



BRAZIL: Adequate stocks remain, resulting in aggressive selling. Local prices have mostly followed the trend in other origins. Demand from Europe and the Middle East has provided some support to prices. Challenged by competitive offers from Asian origins, Brazil has exported 69,450 tons this year during Jan-Oct, marginally lower than total exports during the corresponding period last year. The Brazil Real remains under pressure, with uncertainty continuing about the fiscal policies of the new government.

INDIA: Prices have moved mostly sideways. There is not much selling pressure and domestic demand also remains low. The continuing rains in the growing areas have dampened trade momentum. This week, the Indian Rupee has drifted down against the USD, affected by the recent recovery in oil prices as well as the firmer USD.

Global Crop Conditions

VIETNAM: The new season crop has reached the maturity stage. Most growing areas have recorded well-distributed rains in the early stages. Harvesting in many areas will start after the Tet holidays in end-January. In the south-eastern provinces, viz. Ba Ria - Vung Tau and Dong Nai, an increase in production is expected this year. However, in areas extending from Binh Phuoc to the southern regions of the highlands, including the major growing areas of Dak



Nong, there is a decline in spike formation, and production is expected to decline. While yield is not very good in many areas, the production from young vines is expected to result in a marginal increase in overall output.

INDONESIA: Harvesting is over in all the major growing areas. Due to the extended rainy season this year, flowering was late in some areas. This had resulted in delayed maturity of berries, and picking extended beyond normal in a few areas including the hilly regions of West Lampung and South Sumatra.

BRAZIL: Harvesting will start in the southern state of Espirito Santo within a month. Weather conditions have been generally good. However, farmers have not taken very good care of plantations due to the current low prices, and this could affect yield levels. With arrivals expected to increase, there has been some aggressive selling.

INDIA: Harvesting will start in January. In the Idukki region of Kerala, weather conditions have been favorable, and output is expected to be very good.



IDUKKI: Excellent spike formation and berry setting is seen, and good production is expected (left). Farmers are moving towards cardamom cultivation in areas around Kumily, affecting the acreage under pepper (center). Pepper lying in a local collector's warehouse in Kattapana. Farmers are slowly selling some of the old stock material ahead of the new harvest season (right). (Photographs taken in Nov 2022)

However, moving north to the major growing areas of Karnataka, spike formation is low in most areas. Heavy rains earlier in the season have resulted in dropping of flowers. The crop situation in the Sakleshpur-Chikmagalur region is relatively better than that in the surrounding areas. Though pepper stocks still remain with farmers in most areas, there is not much selling pressure as growers are holding back.



KARNATAKA: Berry setting has been affected by excess rainfall in some areas near Siddapur (left). The excess rainfall has also caused diseases and yellowing of vines in areas near Madapur (center). Replanting of vines seen in a plantation near Sakleshpur (right). (Photographs taken in Nov 2022)

Market Scenario

BEARISH FACTORS:

- Adequate stocks remain both in the producing countries as well as in the destination markets. This could continue to have a dampening effect on demand. With harvesting starting in the major origins during the coming month, the supply side could continue to be well replenished.
- Currency depreciation across origins could continue to push down markets.
- Global economic uncertainties will continue to curb speculative trading activity.
- Selling pressure from farmers in Vietnam ahead of the Chinese New Year could have a bearish impact in the short term.

BULLISH FACTORS:

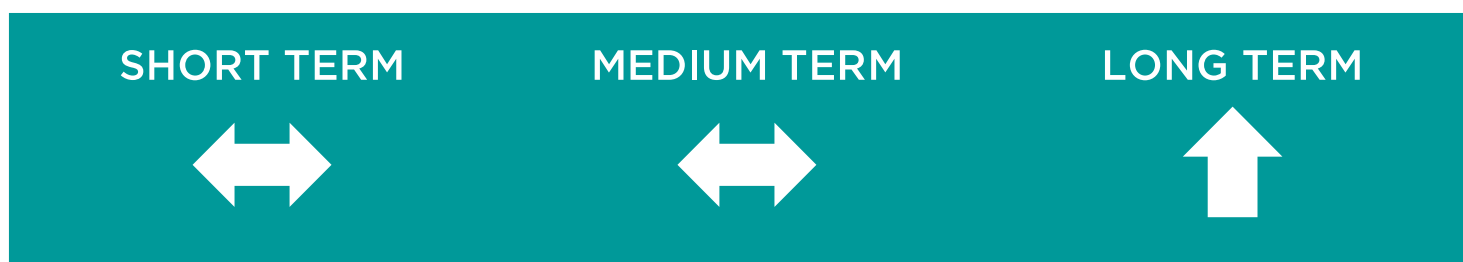
- Year-end and winter consumption could have some impact on the demand side.
- Demand from China is expected to gradually increase as trade activity opens up. If import volumes pick up, this could exert some upward pressure on the market.

Price Forecast

SHORT TERM: Stock levels remain high in origins, and farmers are expected to sell material before the Chinese New Year holidays. Increased selling pressure could have a bearish impact on prices, though reluctance to sell at low prices could provide support at lower levels.

MEDIUM TERM: Demand from China could provide some stability to the market. Besides, once farmers in India and Vietnam have sold enough material to meet their immediate monetary needs, they will start holding back material expecting better prices later in the year.

LONG TERM: The demand side could play an important role in deciding the direction of the market in the long term. Consumption will be heavily influenced by the global economic situation. Though continuing low prices could slowly affect global production, consumption trends will have a pivotal role in determining the supply-demand balance.



Continued on Next Page



Coverage Recommendation

With stocks remaining in producing and consuming countries, increased market arrivals during peak harvesting in major origins during the coming months could have a bearish impact on prices. With the upside prospect remaining if China and other countries become more active, it is advisable to cover for forward requirements while arrivals continue in the major origins.

CURRENCY	SPOT	CHANGE		
		1 MONTH	1 YEAR	2 YEAR
USD/IDR	15669	1.26%	9.11%	10.69%
USD/INR	82.66	2.68%	9.01%	12.10%
USD/VND	23605	-4.88%	2.72%	2.06%
USD/MYR	4.43	-4.32%	4.98%	9.38%
USD/CNY	6.98	-1.83%	9.58%	6.56%
USD/LKR	368.16	0.98%	82.24%	100.29%
USD/BRL	5.32	0.38%	-6.34%	5.14%

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