

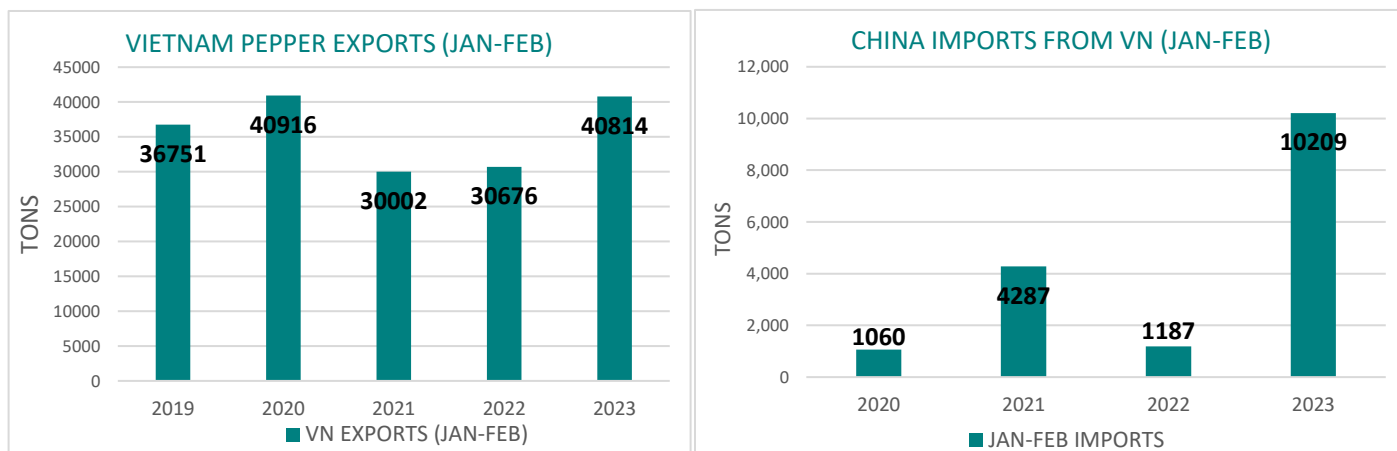
Current Market

Current season arrivals continue in both India and Vietnam. Even though market arrivals have increased in Vietnam, demand from China as well as coverage by local processors have kept prices mostly stable. After moving up during early-February, prices have remained rather steady.

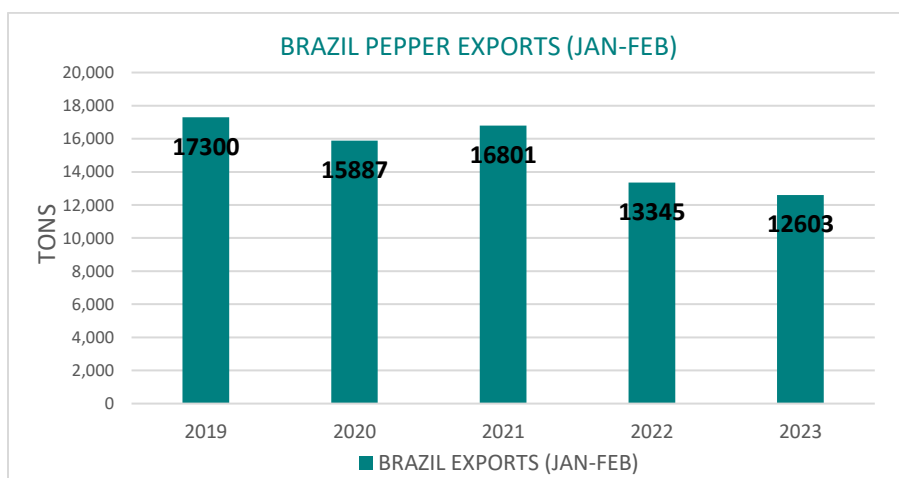


VIETNAM: Compared to exports of 30,676 tons in Jan-Feb 2022, Vietnam has exported a total of 40,814 tons of pepper in Jan-Feb 2023. After remaining weak during 2022, demand from China appears to be gradually moving back to pre-Covid levels this year.

Compared to imports of 1,187 tons from Vietnam in Jan-Feb 2022, China imported a total of 10,209 tons of pepper from Vietnam in Jan-Feb 2023.



BRAZIL: Weak selling pressure and lackluster demand have kept prices moving sideways in Brazil. There was some demand from South Asia and Middle East countries ahead of Ramadan. Compared to exports of 13,345 tons in Jan - Feb 2022, Brazil has exported a total of 12,603 tons in Jan-Feb 2023.



There is not much activity in the other pepper producing countries. Ahead of key US inflation figures, the USD continues to fluctuate within bounds against origin currencies. Foreign inflows and healthy trade surplus have strengthened the Indonesian Rupiah at the beginning of the year, though Dollar strength in February had a moderating effect. Though the Brazil Real has gained against the USD this year, institutional economic concerns continue to plague the market. The USD/INR movements have also been mostly horizontal, with the Indian Rupee hovering around the 82.00 mark against the greenback. Foreign capital



inflows, easing global crude oil prices and a rally in domestic stocks have boosted investor sentiments, while a strong dollar ahead of US inflation data capped the rupee's gains.

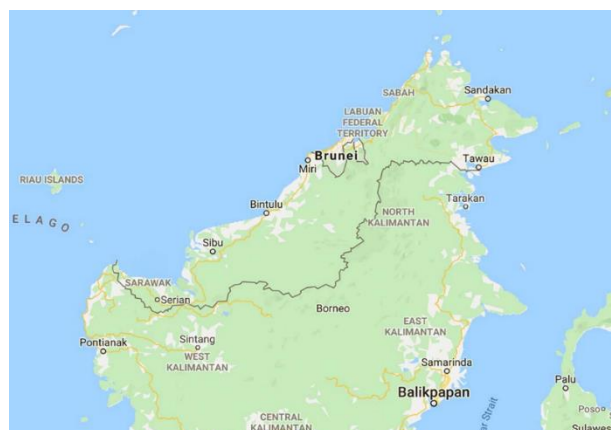
Global Crop Conditions

VIETNAM: Harvesting continues in most of the highland provinces. Extended rains during the berry development stage have resulted in good production in many areas. Young vines have also produced well this year. Selling pressure has been limited, partly due to good coffee prices and also due to expectations of better pepper prices later in the year.

INDONESIA: The prolonged rainy season last year has resulted in fairly good off-season production which was harvested during Jan-Feb this year. Rains have extended beyond normal this year also. With the 'triple-dip' La Nina coming to an end, there are worries of an El Nino developing this year, which could impact yield levels. Facing the possibility of prolonged dry weather in south-east Asia if the El Nino weather pattern develops, the Indonesian government last month issued a warning to farmers and plantation companies to take precautions against fires in Sumatra and Kalimantan.

BRAZIL: Heavy rains and floods have affected the growing areas of Espirito Santo and Bahia during Dec-Jan. The continuous rainfall and flooding have resulted in the spread of diseases and yellowing of vines, especially in the northern parts of Espirito Santo. Harvesting will start in the southern provinces in June, and the excess rains could have an adverse effect on production.

MALAYSIA: Many parts of Sarawak faced heavy flooding during March. The wet season has extended far beyond normal, and many parts of Sarawak, including Kuching, Sarikei, Sibu and Bintulu, reported rains during the past fortnight also as the North-East monsoon remained active. The wet weather has affected pepper berries, especially in areas that start harvesting early. Yields are reported to be slightly lower than normal in areas that received prolonged rainfall. The normal harvest period is from May to July.



INDIA: Harvesting is slowly getting over in south Karnataka. Yield levels are marginally lower than last year, with excess rainfall affecting flowering and berry setting in some areas. In both Idukki and Wynad regions of Kerala, harvesting is complete. Very good production has been reported from Idukki as weather conditions have been favorable during the berry development stage.

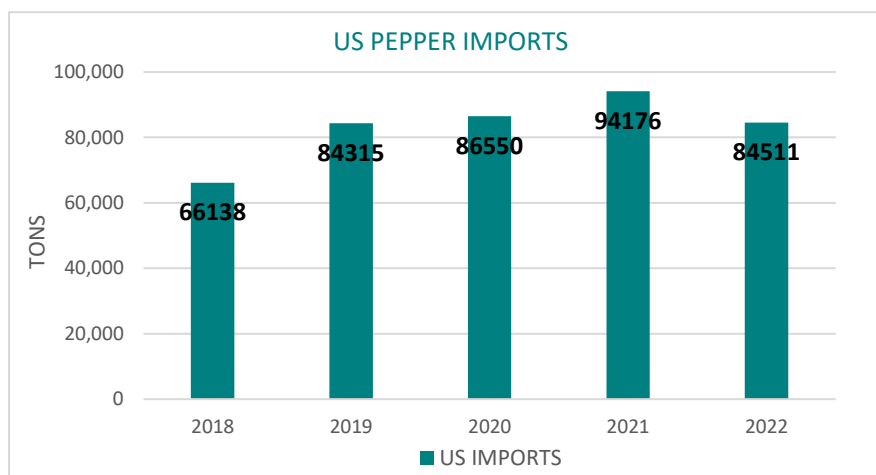
Market Scenario

BEARISH FACTORS:

- New arrivals in Vietnam will continue till April-May. Harvesting in southern Brazil will be in June-July, followed by the northern regions during August-October. This means that there could be continuous arrival of new material till the third quarter of the year.
- Global economic uncertainties will continue to have a dampening effect on demand and will also curb speculative trading activity.

BULLISH FACTORS:

- Moderate stock levels in pepper-importing countries. Imports have been below normal during the past year in the consuming countries.



- Increased demand from China will have a strong bullish impact. Import volumes are expected to gradually increase as trade activity picks up, exerting some upward pressure on the market.



- El Nino conditions could develop later in the year. Dry conditions in South Asian countries during the flowering or berry setting stages could have an adverse effect on production during the coming season.
- Attractive coffee prices could present farmers with the option of selling their coffee while holding pepper. This could result in weakened selling pressure in areas where coffee is grown as an alternative crop, especially in the highlands of Vietnam, South Sumatra region of Indonesia, south Karnataka region of India and northern regions of Espirito Santo.

Price Forecast

SHORT TERM: New arrivals continue in Vietnam. Continued selling pressure could have a stabilizing effect on prices, though reluctance to sell at lower levels as well as increased demand from China could provide support to the market. There could also be increased demand from the Middle East during Ramadan.

MEDIUM TERM: Once harvesting is over in Vietnam, farmers will start holding back material expecting better prices later in the year. At the same time, harvesting will start in southern Brazil in early-June, followed by arrivals from Para in August. The continuous availability of new material could create some selling pressure.

LONG TERM: Consumption trends as well as developments on the supply side will play an important role in deciding the direction of the market in the long term. Demand will be heavily influenced by the global economic situation. Besides, the pace of economic recovery in China will also have a salient role. On the supply front, the intensity and timing of the El Nino, together with speculative tendencies from growers and market intermediaries, will be crucial factors determining the supply-demand balance.

SHORT TERM



MEDIUM TERM



LONG TERM



Coverage Recommendation

The supply and demand sides currently remain rather finely balanced. Continuing arrivals from harvests over the next 6 months will ensure availability of material. However, any increase in demand, or reports of production failure, could trigger an unexpected bullish response. While the prospects of any major decline in prices remains limited, there is a definite possibility of a bull run if market sentiments turn supportive or if there is any change in current market fundamentals. It is advisable to cover for forward requirements considering the potential for an upside breakout.

CURRENCY	SPOT	CHANGE		
		1 MONTH	1 YEAR	2 YEAR
USD/IDR	14969	-2.35%	4.16%	3.06%
USD/INR	82.18	-0.22%	8.13%	11.99%
USD/VND	23465	-1.08%	2.74%	1.70%
USD/MYR	4.41	-1.56%	4.75%	6.52%
USD/CNY	6.87	-0.72%	8.02%	4.57%
USD/LKR	329	-4.91%	10.40%	67.86%
USD/BRL	5.06	-2.69%	8.58%	-11.38%

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