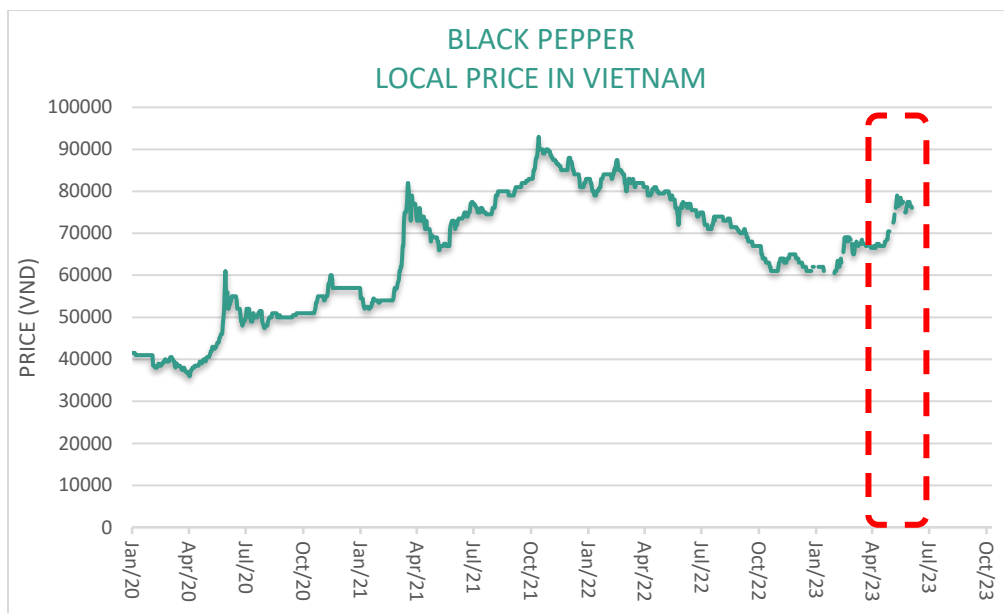


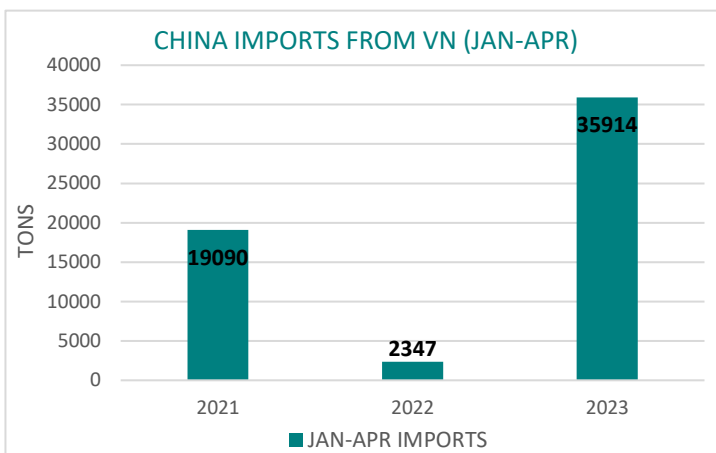
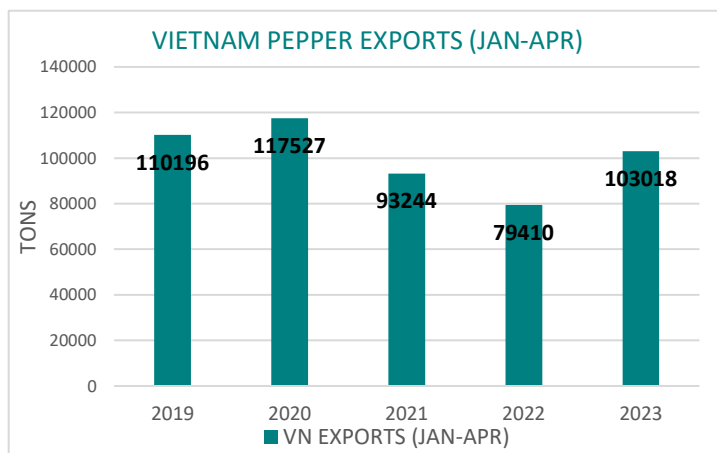
## Current Market

With harvesting complete in all areas, new season arrivals have declined in both India and Vietnam. Increased demand from China, as well as coverage by local processors, had pushed prices up during mid-May. However, with demand weakening over the past month, the rally has shown signs of losing steam.



**VIETNAM:** Exports continue to be high. Compared to exports of 79,410 tons in Jan-Apr 2022, Vietnam has exported a total of 103,018 tons of pepper in Jan-Apr 2023. After remaining weak during 2022, demand from China has increased drastically, impacting domestic prices in Vietnam also.

Compared to imports of 2,347 tons from Vietnam in Jan-Apr 2022, China imported a total of 35,914 tons of pepper from Vietnam in Jan-Apr 2023.



**BRAZIL:** Limited trading activity has contributed to keeping prices range bound. Weak selling pressure and limited demand has been reported. Compared to exports of 27,601 tons in Jan - Apr 2022, Brazil has exported a total of 28,789 tons in Jan - Apr 2023.



There is limited activity in the other pepper producing countries. Prices in India continue to move sideways due to weak domestic demand. Similarly in Indonesia, the black pepper market remains mostly silent ahead of the oncoming harvest season.



## Global Crop Conditions

**VIETNAM:** Harvesting is complete in all the growing regions. Good quantities of pepper remain with farmers and traders. Selling pressure has been limited, partly due to good coffee prices and also due to expectations of better pepper prices later in the year. After months of elevated temperatures, monsoon winds brought scattered rains to many parts of south Vietnam almost a fortnight ahead of normal. New season flowering has started in the southern regions. In the major pepper producing province of Dak Nong, very good spike formation is seen in most areas.



**Vietnam: Flowering in Binh Phuoc (left) and Dak Nong province (right).** [Photographs taken in early-June 2023]

**INDONESIA:** Most parts of the country witnessed a prolonged rainy season this year, which resulted in uneven flowering and berry development. This has resulted in poor production in many areas.



Indonesia: Crop situation in Lampung Utara (left) and Tanggamus regency (right). [Photographs taken in end-May 2023]

In the traditional pepper growing areas of Lampung Utara and Lampung Tengah, acreage under cultivation has declined considerably during the past few years due to increased cultivation of other crops like cassava, oil palm, cocoa and vegetables. Moving west to the regions of Tanggamus, Pesawaran and West Lampung, young vines have moderate production this year. Harvesting is slowly starting in some areas.



Indonesia: Pepper harvesting in Belitung (left) and sun drying in Lampung (right). [Photographs taken in end-May 2023]

**BRAZIL:** The pepper growing areas of Espirito Santo and Bahia faced heavy rains and floods 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. Though there has been good flowering, berry setting is quite low in many areas, having an adverse effect on production. Harvesting will start in the southern provinces later this month, and in the north in August.

**MALAYSIA:** Prolonged rains and heavy flooding was reported from Sarawak during March. The North-East monsoon remained active in May also, bringing rains to many parts of Sarawak, including Kuching, Sarikei, Sibuluan and Bintulu. The prolonged rainfall has affected yields in many areas. Harvesting is continuing in many areas.

**INDIA:** Harvesting is complete in all growing regions. While very good production has been reported from Idukki, other regions have been affected by the excess rainfall received earlier in the crop season. While many areas have received scattered rains, the formation of a cyclonic circulation that intensified into a depression over the south-east Arabian Sea has led to a reduction in cloud cover, delaying the arrival of the south-west monsoon.

## Market Scenario

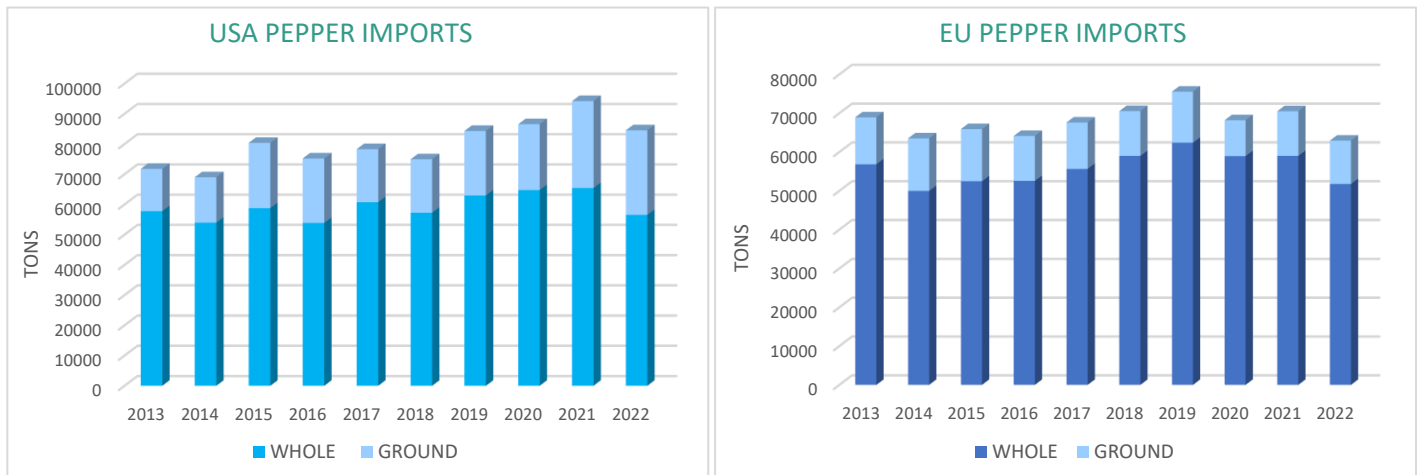
### BEARISH FACTORS:

- Harvesting in southern Brazil will start during the coming month, followed by the northern regions during August-October. New season arrivals from Cambodia will continue till mid-June, while arrivals from Indonesia will pick up by July-August. This means that there could be continuous arrival of new material till the third quarter of the year.
- There are significant stocks remaining in both the producing and consuming countries. In many producing countries, growers are keeping stocks anticipating higher prices.
- Demand from China could weaken in the short term, with the country having imported significant quantities during the past few months, and with new import regulations coming into effect during the coming months.
- 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 months in the western consuming countries.



- Production decline expected in southern Brazil and Indonesia. Selling pressure will be weakened if there is a fall in incoming material.
- Farmers in Vietnam and India will start holding back as harvesting is over. After the initial selling pressure during the peak harvesting period, farmers will hold back material, waiting to sell at higher prices.
- The shadow of an evolving El Niño looms large over the growing regions. Though rains have started in the growing regions of India and Vietnam, distribution and intensity of rainfall during the coming months will be very important. Dry conditions in South Asian countries during the flowering or berry setting stages could have an adverse effect on production during the coming season.
- With coffee prices moving up, attractive coffee prices will lead to farmers holding pepper and selling coffee. This could result in weakened selling pressure in areas where coffee is grown as an alternative crop. It is seen that in the highland provinces of Vietnam, many large-holder farmers and traders are keeping good stocks of pepper, while selling coffee due to the current high prices.



## Price Forecast

**SHORT TERM:** Significant stock levels in producing countries, especially in Vietnam, will have a stabilizing impact. Demand from China could weaken in the short term, due to the large quantities imported during the past few months, as well as due to import regulations that are coming into effect. At the same time, the severe shortfall in production in Indonesia could impart some bullishness to the market.

**MEDIUM TERM:** With harvesting complete 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 over the coming month, followed by arrivals from Para in August. The continuous availability of new material could create some selling pressure. The supply-demand balance, resulting from availability of new material, matched by moderate demand, could provide some stability to prices.

**LONG TERM:** The direction of the market in the long term will be heavily influenced by developments on the demand side, which in turn will depend on the global economic situation. On the supply side, the development of the El Niño, along with speculative activities by growers and market intermediaries will be crucial factors influencing the supply-demand balance. The USD is expected to strengthen over the second half of the year as investors take a defensive stance, shifting to safer assets in the face of a global economic slowdown. Weakening of origin currencies could have a bearish effect on export prices.

SHORT TERM



MEDIUM TERM



LONG TERM



## Coverage Recommendation

The supply and demand sides continue to remain well balanced. Over the next 6 months, arrivals from harvests in different regions will ensure continued availability of material. However, unexpected increase in demand, or reports of decline in production, could result in a sudden bullish response. While a sharp movement of prices in any direction currently looks unlikely, there is a 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 long-term potential for upward movement of prices.

CURRENCY	SPOT	CHANGE		
		1 MONTH	1 YEAR	2 YEAR
USD/IDR	14886	1.44%	3.10%	4.49%
USD/INR	82.58	1.04%	6.12%	12.89%
USD/VND	23490	0.18%	1.32%	1.94%
USD/MYR	4.61	3.83%	5.01%	11.62%
USD/CNY	7.12	3.04%	7.07%	11.42%
USD/LKR	292.72	-8.52%	-19.14%	50.11%
USD/BRL	4.95	0.00%	3.13%	-1.98%

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