



HARRIS SPICE
A HARRIS FREEMAN ENTERPRISE

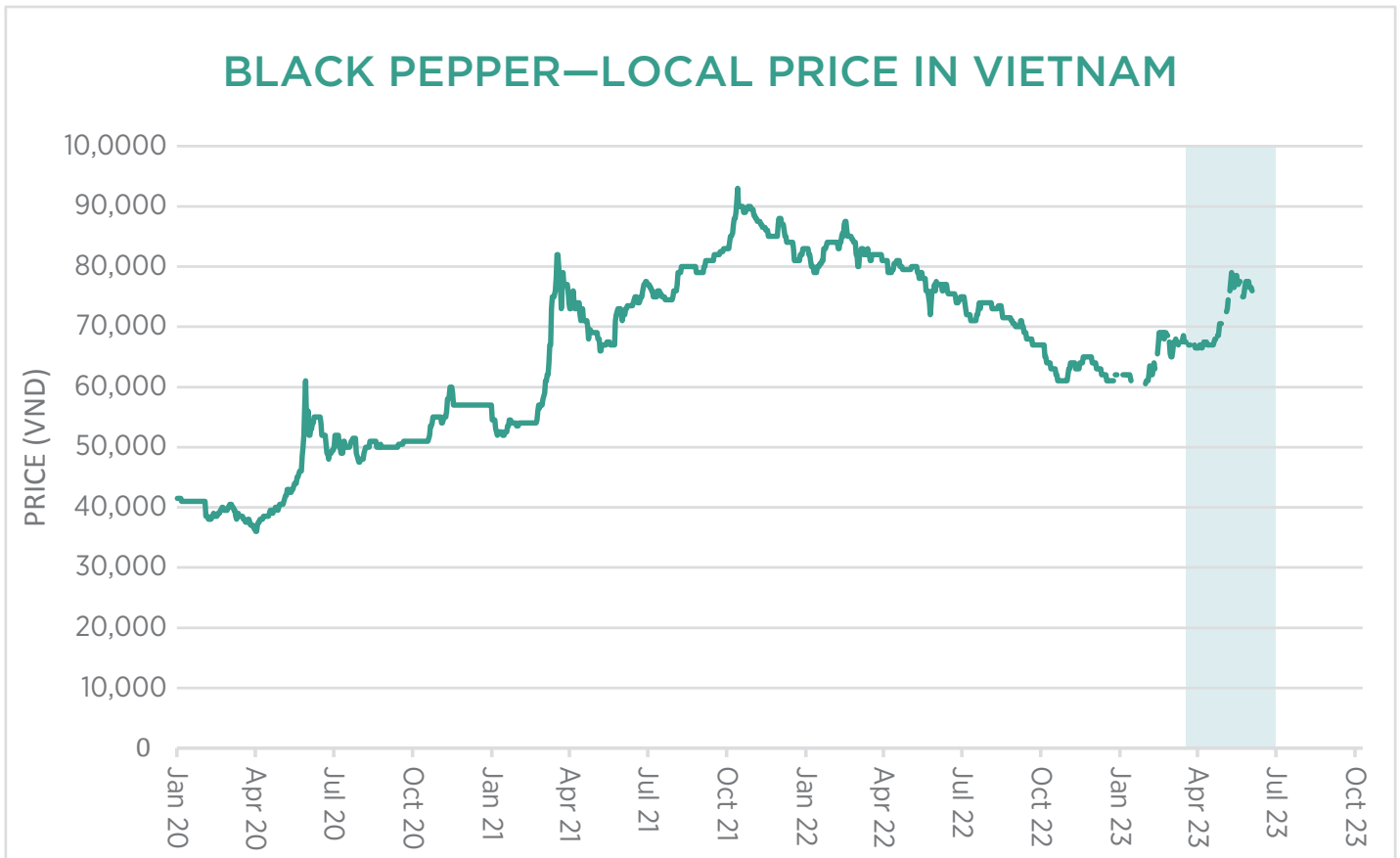


BLACK PEPPER REPORT

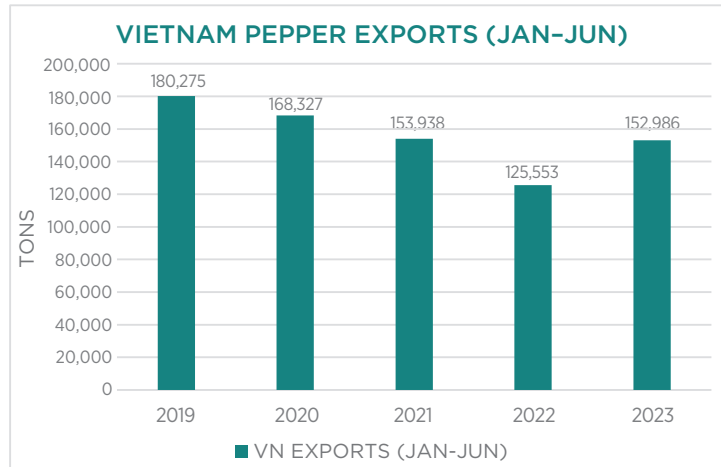
JULY 2023

Current Market

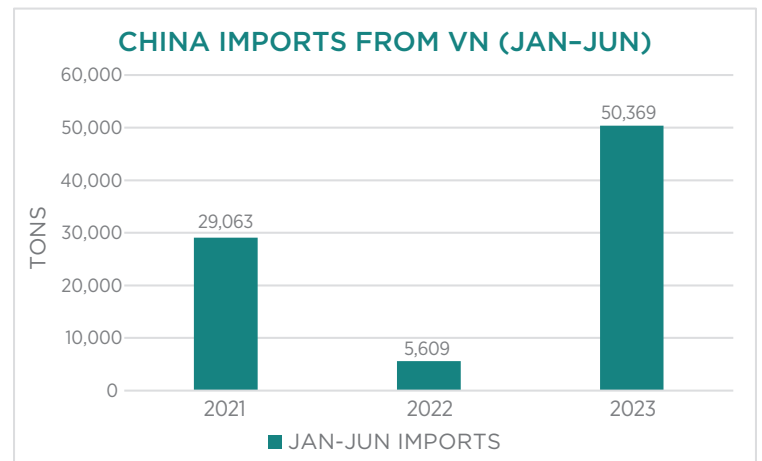
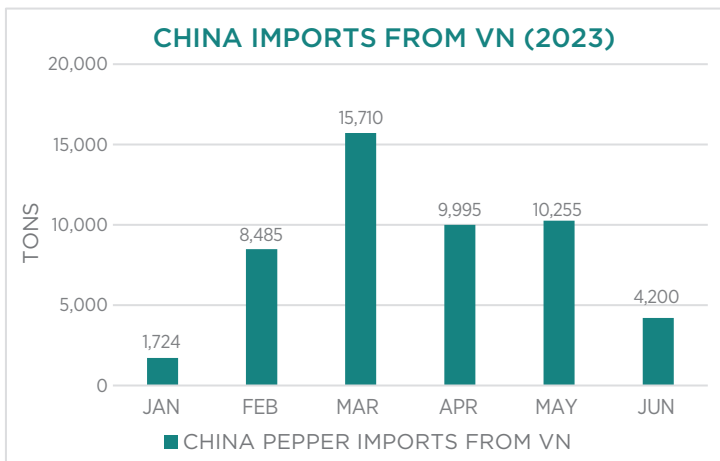
After moving down during June, markets have been mostly steady with not much activity during the past fortnight. On the supply side, new arrivals are limited in most producing countries. At the same time, buyers are mostly inactive, keeping prices stable.



VIETNAM: Exports continue to recover after the decline caused by the pandemic. Compared to exports of 125,553 tons in Jan-Jun 2022, Vietnam has exported a total of 152,986 tons of pepper in Jan-Jun 2023, an increase of over 27,000 tons over a 6-month period.



After remaining strong for almost 5 months, demand from China appears to have waned in June, impacting domestic prices in Vietnam also. Compared to imports of 5,609 tons from Vietnam in Jan-Jun 2022, China imported a total of 50,369 tons of pepper from Vietnam in Jan-Jun 2023.



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BRAZIL: New arrivals have created some selling pressure in Brazil. Demand from Asia and the Middle East continues to provide support. There is limited activity in the other pepper producing countries. Weak domestic demand has kept domestic prices mostly unchanged in India. In Indonesia also, with peak harvesting approaching, the black pepper market has remained mostly silent as demand continues to be weak.



Global Crop Conditions

VIETNAM: Rains started in many parts of south Vietnam during May, almost a fortnight ahead of normal. Total rainfall this year has been below normal in the growing regions. However, in many areas including the major pepper producing provinces of Dak Lak and Dak Nong, very good spike formation has been reported. The rainfall pattern during the coming months will be very important in determining production during the current season.

INDONESIA: Harvesting is underway in all growing areas. A prolonged rainy season this year, which resulted in rains even in June, has led to uneven flowering and berry setting. This has resulted in production of more light berries, and delayed harvesting in many areas.

BRAZIL: Harvesting has started in the southern province of Espirito Santo. In this region, berry setting is quite low, though there has been good flowering. The growing regions faced heavy rains and floods during Dec-Jan, which resulted in spread of diseases and yellowing of vines. In the northern province of Para, harvesting will start in August.

INDIA: South-west monsoons have set in over the Indian peninsula during early June. Many growing areas received good pre-monsoon showers in May, which resulted in good flowering. Though there has been a shortfall in monsoon rains during June, copious showers during early July have made up for some of the deficit.



Market Scenario

BEARISH FACTORS:

- Harvesting in southern Brazil will continue during July-August, and Para will be harvesting during Aug-Oct, followed by the northern regions during August-October. New season arrivals from Indonesia will pick up by July- August. There could be some selling pressure as arrivals continue over the next five months.
- 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. There are also indications that the post-COVID economic recovery could be losing steam, including in retail sales.
- Buying could continue to be affected by weak demand from western consuming countries. Global economic uncertainties will continue to have a dampening effect on demand and will also curb speculative trading activity.
- After gaining against the USD during the past month, the Brazil Real could weaken steadily, reversing most of the recent gains. This could translate to bearishness in the short term.

BULLISH FACTORS:

- Imports to the western consuming countries have been below normal during the past months. This could provide support to the demand side, once economic activity picks up.
- Though there are stocks in growing regions, the high price for coffee has led 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 trading coffee due to the current high prices.
- The decline in production estimated in southern Brazil and Indonesia will lead to reduced pressure on the supply side.
- Changes in weather patterns could severely affect production. The beginning of July was the hottest week on record for the planet, and it followed the warmest June on record. The El Nino continues to develop, and its impact could continue into 2024. Distribution and intensity of rainfall during the coming months will be very important.



Price Forecast

SHORT TERM: Stocks remaining in producing countries, especially in Vietnam, and also in the consuming countries, will have a stabilizing effect on prices. 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. The shortfall in production in Indonesia and southern Brazil will provide some support.

MEDIUM TERM: Continuous availability of new material can be expected for the next 5 months, with harvesting in southern Brazil to be followed by arrivals from Indonesia and Para in August. The supply of new material could create some selling pressure. The supply-demand balance, resulting from availability of new material, matched by moderate demand, could keep prices range-bound.

LONG TERM: Developments on the demand side will be very important during the coming months, considering changes in the global economic situation. On the supply side, the development of the El Nino, along with speculative activities by growers and market intermediaries, will be crucial factors influencing the supply-demand balance.



Coverage Recommendation

Though the supply and demand sides are currently well balanced, the possibility of an upward price movement remains if market sentiments turn supportive or if there is any change in current market fundamentals. It is advisable to be adequately covered for forward requirements, considering the long-term bullish potential.

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