



HARRIS SPICE
A HARRIS FREEMAN ENTERPRISE

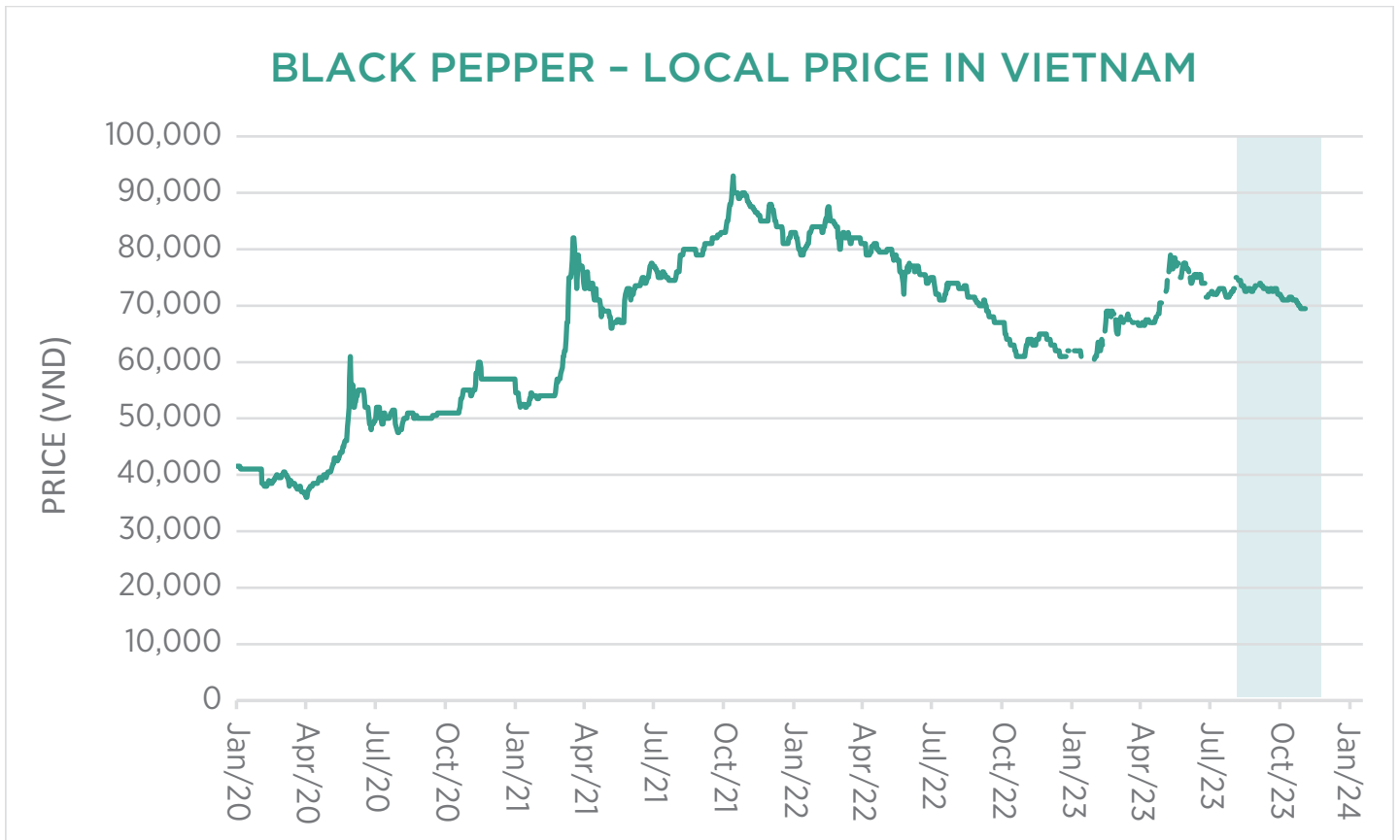


BLACK PEPPER REPORT

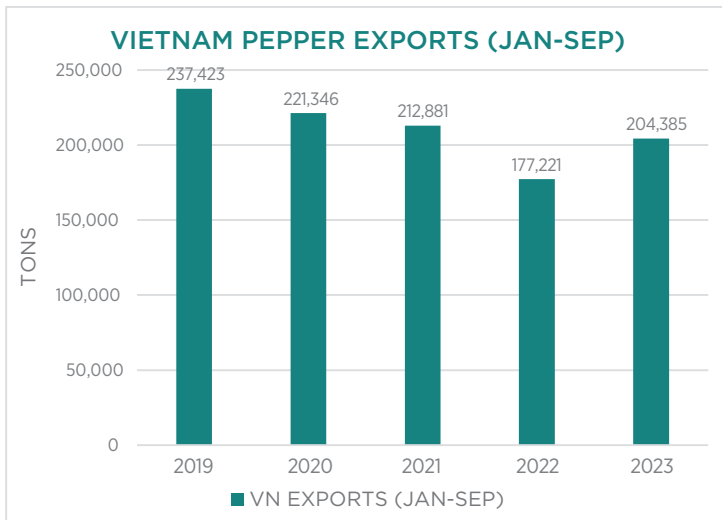
NOVEMBER 2023

Current Market

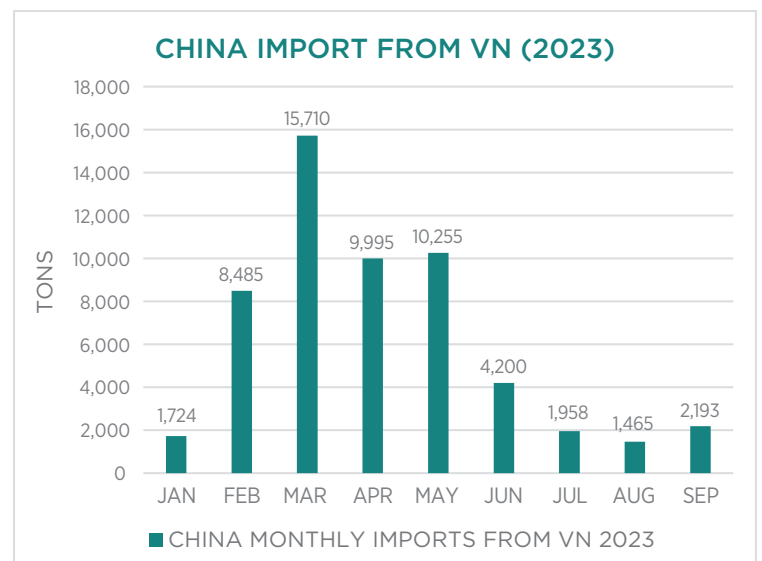
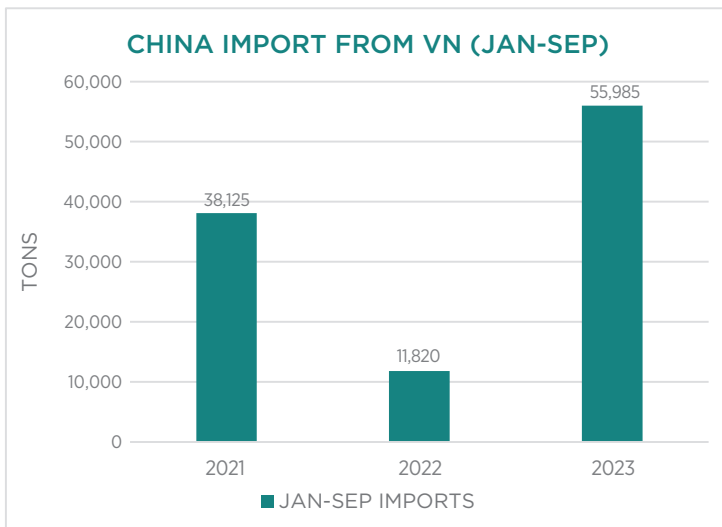
After witnessing some bearishness during the past month, mostly on account of increased selling pressure from Vietnam and Brazil coupled with limited market activity in other producing countries, prices have moved up slightly this week. Demand remains weak, with buyers mostly inactive due to adequate availability of material in the major importing countries.



VIETNAM: With new season arrivals expected to commence early next year, there has been some bearishness as traders try to sell off existing stocks. The upcoming coffee harvest season has also created some need for increased liquidity, prompting local collectors to sell off some material. Exports have been slightly lower than pre-pandemic levels. Compared to Jan-Sep exports exceeding 220,000 tons during the pre-pandemic years, Vietnam has exported a total of 204,385 tons of pepper in Jan-Sep 2023. This fall in exports is partly due to a fall in demand from China during the past few months.



After remaining strong during the first 5 months of the year, demand from China has weakened over the past 3 months.

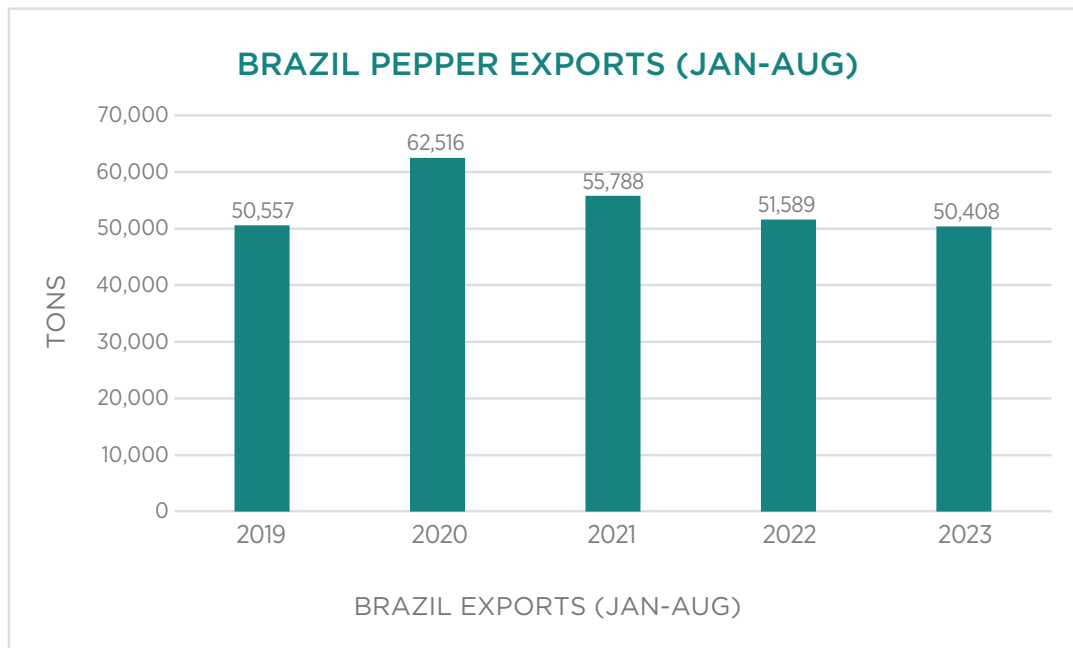


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Compared to imports of 11820 tons from Vietnam in Jan-Sep 2022, China imported a total of 55,985 tons of pepper from Vietnam in Jan-Sep 2023. However, during the past 4 months, imports have been quite low compared to the previous months.

BRAZIL: Selling pressure continues, as new arrivals continue from the northern region. Demand from the Middle East and Asia continues to provide support.



INDIA: Prices have been mostly steady. Limited availability of material has contributed to some firmness during the past months. However, demand is weak at higher levels, providing some check to prices. Limited availability of material, together with feeble demand, has kept market activity limited in other producing countries including Indonesia.

Global Crop Conditions

VIETNAM: New season crop development is well underway in all growing areas. Growing conditions have been mostly good. After the dry conditions earlier in the year, rains have picked up, resulting in good flowering. Though there has been good spike formation in most areas, irregular rainfall has affected berry setting in some areas, especially in the highland provinces.

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VIETNAM: Though most areas have good spike formation, berry setting is moderate. Current crop situation in Dak Nong (left), Dak Lak (center) and Gia Lai (right). *[Photographs taken during end-October 2023]*

Scattered rains still continue in the growing areas. Initial pickings are expected to begin by end-December, while harvesting in most areas will start during January. Weather conditions have been mostly favorable. Overall, production is expected to be slightly lower, by about 2-5%, this season. In many parts of the Central Highlands, farmers have increased cultivation of alternate crops like coffee and fruit trees like durian and avocado. This could have an impact on acreage of pepper in the long term.



VIETNAM: Farmers are taking good care of plantations and are replanting old vines. Current crop situation in Dak Lak (left), Ba Ria - Vung Tau (center) and Gia Lai (right). *[Photographs taken during end-October 2023]*

INDONESIA: Harvesting is complete in all growing areas. The harvest season has been slightly extended this year due to uneven berry development, caused by the extended rains received earlier in the season. Good production has been reported from West Lampung and South Sumatra mainly due to the presence of younger plantations.

BRAZIL: Harvesting is getting over in the northern province of Para. Production is reported to be nearly the same as last year's levels. The effects of the El Nino are becoming increasingly evident in many parts of the country. The Amazon River basin is at its lowest in over 100 year. In Brazil, El Nino typically brings heavy rains across the south, droughts in the north and uneven rainfall across the west-central parts. This year, the southern region has received excessive rains, while the north remains parched.

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INDIA: Most pepper growing areas have received good rains during the past two months. This has made up for some of the rainfall deficit reported earlier in the season. Berry setting is complete, and weather conditions during the coming months will have an impact on current season yield levels.

Market Scenario

BEARISH FACTORS:

- New arrivals continue from both the southern and northern regions of Brazil. There is also adequate availability of material in Indonesia. There could be some selling pressure due to the continuous availability of material.
- Stocks remain with traders and growers in India and Vietnam. There are significant stocks remaining in both the producing and consuming countries. This will affect both the supply and demand sides.
- With China having imported significant quantities during the first half of the year, demand could continue to be weak in the short term. The economic situation in the country could have a significant impact on consumption trends.
- Demand from western consuming countries continues to be weak, and this could continue to affect buying behavior. The conflict in the Middle East brings the threat of higher oil prices, and also the risk of inflation, and could affect the global economic growth outlook.

BULLISH FACTORS:

- Even though there are stocks remaining in the producing countries, these are unlikely to be released at lower prices. These stocks are mostly in strong hands, held by farmers and speculators expecting higher prices, and their unwillingness to sell at lower levels could provide some stability to the market.
- Once consumption picks up, imports to the western consuming countries could increase. Meanwhile, the drought at the Panama Canal exacerbated by the El Nino has led to increased transit times, forcing vessels to wait days or take the much longer route around Chile's Cape Horn to get to their destinations, leading to delays in the supply chain.
- The impending El Nino could affect yield levels in producing countries. Any decline in production will affect the supply side, having a bullish impact on the market.

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Price Forecast

SHORT TERM: Stocks in both producing and consuming countries will have a stabilizing effect on prices. There is adequate material still remaining in many of the producing countries. Demand from China could continue to remain weak in the short term.

MEDIUM TERM: Global geo-political uncertainties could affect both the supply and demand sides during the coming months. Economic uncertainty could curb speculative trading activity. The consumption side could also be affected. This could keep prices mostly stable.

LONG TERM: Current season production early next year from Vietnam and India, two major pepper producing countries, will have a major impact on the supply side. On the demand side, geo-political instability could affect buying behavior. Consumption patterns in the major importing countries will have a significant impact on the supply-demand balance.



Coverage Recommendation

There is a possibility of an upward price movement if market sentiments turn supportive or if there is any change in current market fundamentals. At the same time, the downside potential remains limited. It would be advisable to be adequately covered for forward requirements, considering the long-term bullish potential.

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