

Current Market

After moving up rapidly in December, prices have mostly stabilized at a higher level. Speculative activity and increased buying have contributed to the upward movement in Vietnam. Material available with farmers is limited. Other countries have remained mostly stable.

Global Crop Conditions

INDIA: Good production is expected this year in almost all the growing areas of South India. There were scattered rains earlier in the season which resulted in good flowering. This was followed by rains in July-Sept favorable for good berry setting. Harvesting will start in January in Kerala, and in Feb-Mar in Karnataka.

VIETNAM: This year, weather conditions have been mostly favorable. Good rains have been received almost throughout the crop season. There has been a gradual shift towards increased planting of other crops like coffee, fruit trees and vegetables, and this is likely to have an impact in future on acreage under pepper cultivation. A slight decline in total production of pepper of about 2-5% is expected this year.

INDONESIA: After the dry spell during Aug-Sep, good rains have been reported in Sumatra during the past few months. Good flowering is reported, and catch-crop production is expected during Feb-March. With rains continuing in South Sumatra and West Lampung, weather conditions are favorable for pepper production.

BRAZIL: Abnormally dry conditions have been prevailing in many parts of the country. The El Nino has adversely affected agricultural production in many areas. New season flowering could be affected by the drought.

Market Scenario

BEARISH FACTORS:

- Stocks remaining with growers in India & Brazil.
- New season harvesting coming up in India & Vietnam.

BULLISH FACTORS:

- Stocks remaining in Vietnam are mostly with traders and speculators, and speculative activity could continue to support the market.
- The impending El Nino could affect the production side, especially in Brazil.
- Any increase in demand from consuming countries, especially if there is demand from China, could have a bullish impact.

Price Forecast

With new arrivals expected to commence in India and Vietnam, increased availability of material could have a stabilizing effect on the market. If there is an increase in buying support, especially from China, it could have a bullish impact. Uncertainties about the supply side could also contribute to providing support to the market.

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Coverage Recommendation

Increased arrivals during the coming months could provide an opportunity for extended coverage. Some selling pressure could develop as harvesting approaches, and considering the upside potential, it would be advisable to have adequate coverage.

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