

Current Market

Prices have remained mostly steady as harvesting continues in Vietnam and India. There has been limited selling pressure as farmers tend to hold back material, expecting prices to move up once harvesting is complete. At the same time, the demand side has seen only limited activity as Chinese buyers have mostly stayed away, keeping prices range bound.

Global Crop Conditions

INDIA: Harvesting is slowly getting over in the southern regions of Karnataka. In both Kerala and Tamil Nadu, harvesting is complete. There has been good production in all areas this year with scattered rains received almost throughout the crop development stages. The growing areas of south India have been facing warm, dry conditions since the beginning of the year.

VIETNAM: Harvesting is mostly over in Ba Ria- Vung Tau, Dong Nai, Binh Phuoc, and Dak Nong. Moving to the Central Highlands, picking continues in Dak Lak and Gia Lai, and it is estimated that about 30% of the new season production remains to be harvested. The warm, dry conditions prevailing in the growing areas since December have been favorable for harvesting and drying of berries. While yield levels are expected to remain mostly stable in most of the highland provinces, a decline in total production of about 5-10% is estimated on account of a fall in total acreage under pepper cultivation, caused by increased cultivation of alternate crops like coffee and fruit trees.

INDONESIA: Berry setting is complete in most areas. Initial reports indicate good spike formation and berry setting in the southern regions of Sumatera. Scattered rains continue in most areas, and these rains are expected to be good for the

current season production. The production situation will become clearer by Apr-May.

BRAZIL: After the very dry conditions last year, rains have started in the southern pepper-growing regions of Brazil. Storms and very heavy rains were received in Espirito Santo this week. Floods and landslides were reported from the southern parts of the state. The impact of these rains on the new crop production is still not clear.

Market Scenario

In two major origins, viz. India and Vietnam, harvesting continues, and new arrivals are having a stabilizing effect on the market. Initial pickings have started in Cambodia, and arrivals are expected to gradually gather steam over the coming month.

At the same time, farmers in Vietnam continue to hold back material. It is estimated that nearly 50% of the material harvested this year still remains with farmers. Excellent prices for coffee have greatly increased the holding capacity of farmers in the Central Highlands. Besides, most farmers had sold off all their old stock material last year, and they currently have adequate space for storing newly harvested material.

The demand side has still not picked up pace. Compared to 40,814 tons exported during Jan-Feb 2023, Vietnam has exported only 31,133 tons during Jan-Feb this year.

Price Forecast

As arrivals continue in Vietnam, increased availability of material will have a short-term stabilizing effect. However, demand from China could gradually pick up. Besides, farmers could start holding back material once peak harvesting is over. About 30-40% of harvesting remains in the highland provinces of Vietnam, and this will be complete by the end of this month. All these could have a bullish impact in the medium term.

Over the past fortnight, global meteorological agencies have reported the increasing probability of La Nina weather conditions emerging by Jun-Aug 2024. This could provide favorable conditions for crop development in South Asian countries.



Coverage Recommendation

The arrivals during the peak harvesting period should be seen as an opportunity for extended coverage. There is a strong upside potential since not much selling pressure is expected from the other producing countries during the coming months, and it would be advisable to have adequate coverage. Besides, demand could pick up at some point, especially from China.

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