



Pepper



Key takeaways



Price outlook



- Brazilian pepper harvest is at its peak and the product continues to be offered at lower price levels than other origins. This is expected to last until Jan-18, when the Vietnam harvest starts.
- The Damrey typhoon had marginal impact on the Vietnamese crop forecast. However, the significant media attention resulted in traders/farmers to hold back from selling, which has supported price levels over the last weeks.
- The record crop expected in India will put further downward pressure on the price in the short term.

Short term:

Medium term:

Long term:

Supply dynamics



- YTD October exports from Vietnam were at 201KMT (up 25% yoy). The remaining stock available for export is estimated to be ~48KMT. We expect some 28KMT will be carried over.
- YTD October exports from Brazil were at 47 KMT, up 96% versus last year. Especially the exports to the Middle East increased significantly (+335% yoy) due to low prices.
- The new Indian crop looks promising as favorable weather resulted in excellent berry setting. The crop size is estimated to be in the range of 85-92KMT, up 42% versus last year.
- The new Vietnam crop, though impacted heavily by the extensive rain, is still expected to be of similar size as last year due to significant new plantings.

Vietnamese exports (YTD Oct-17, KMT)



Price trends



- Black pepper prices have been very stable across all origins during the October-November period.
- Brazil pepper continues to be offered at a small discount to Vietnam. Note that availability of December shipments is limited though, it is for January delivery onward.
- Muntok white pepper stock is being liquidated. Prices are at similar levels as Vietnamese white pepper.
- The coming bumper crop in India will result in high availability of product, hence further downward pressure on prices is expected in the short term.
- As the Vietnam crop is still expected to be of a similar size as last year, we remain bearish for the medium to long term too.

Black pepper prices – FOB (US\$/MT)

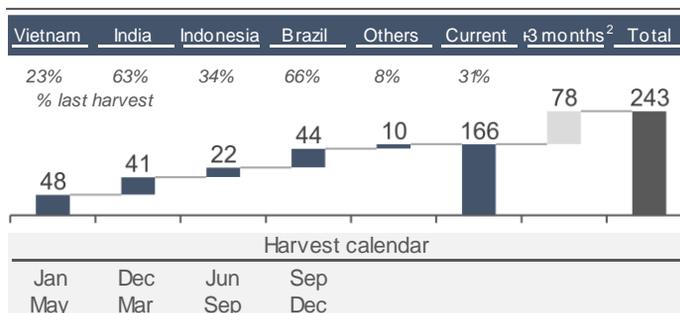


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam FAQ 550gl	4,000	1.3%
BP Brazil FAQ 550 gl	3,300	(2.9%)
BP India FAQ 550gl	6,560	(4.2%)
BP Lampung FAQ 550gl	3,870	(7.2%)
WP China FAQ	6,500	(9.7%)
WP Indonesia Muntok FAQ	5,520	7.8%
WP Vietnam DW	5,400	(1.8%)

Exportable stock estimate (KMT)





Ginger



Key takeaways



Price outlook



- The market is expected to be stable in the short term as usual demand from China for Lunar new year is expected to absorb the new Chinese crop over the next months.
- Over the medium term prices might increase somewhat as farmers are reluctant to sell at current price levels, and speculators are entering the market by putting product in cold storage.
- Over the longer term, prices are likely to remain around current levels, as there seems to be no real change in production and demand levels.

Short term:

Medium term:

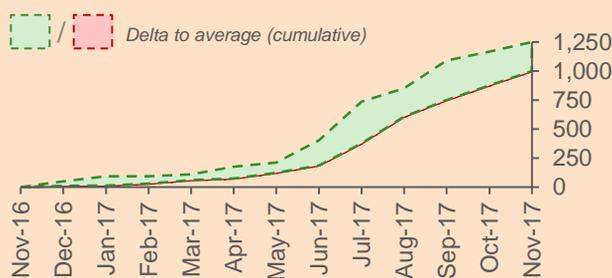
Long term:

Supply dynamics



- Chinese ginger season is from Dec-17 to Feb-18. The crop size is expected to be the same as last year, but the dried quality is expected to be better because of favorable weather. There are some reports of local authorities inspecting and stopping factories due to non-compliant production processes, however overall impact of this is expected to be low.
- Nigeria has very good crop this year. The product is imported and sold easily as an alternative product in India.
- Indian farmers are rumored to have brought down the sowing area by ~25-30%, because of unfavorable prices. This has not been confirmed though. Harvest is slightly delayed.

Average daily rainfall - Kunming, China (mm)

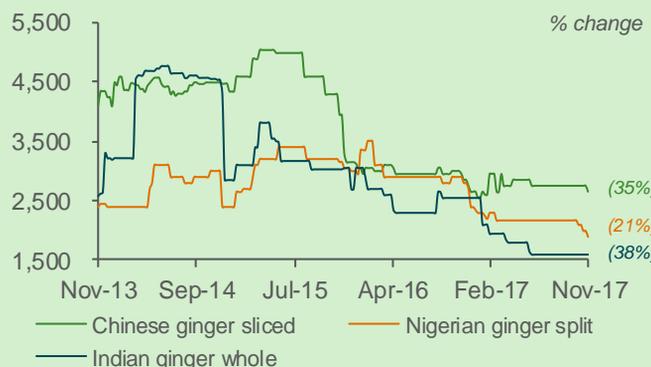


Price trends



- Nigerian dried ginger is being offered at very competitive prices for January/February shipment.
- Current fresh ginger prices in India have made conversion to dry uneconomical at prevailing price for dry product. Farmers in India, with generally less production than last year, are expecting prices for fresh material to remain relatively high.
- Chinese processors are advocating they don't want to take too much risk buying fresh ginger for processing, as they are afraid that prices may drop as Nigerian ginger did.
- Overall, limited price movement is expected in the near term and maybe some upward pressure in the medium term as availability of dried product could be less. In the longer term, prices are expected to remain at current levels.

Dried ginger prices FOB (US\$/MT)

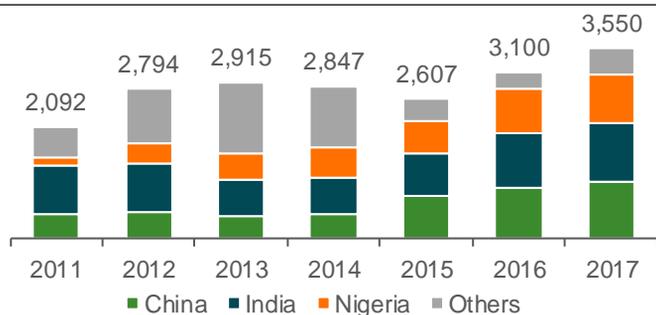


Key quality price levels¹



Quality	US\$/MT	Change (%)
Indian Ginger Whole Guaranteed	1,600	-
Chinese Ginger Sliced Guaranteed	2,650	(3.6%)
Chinese Ginger Sliced Non Gtd.	2,150	-
Chinese Ginger Whole Peeled HPS	3,650	-
Nigerian Ginger Split Guaranteed	1,900	(12.6%)
Nigerian Ginger Split Non Gtd	1,400	(9.7%)

Fresh production by origin (KMT)²



Various



Cassia



Indonesia
The market is difficult for exporters this year as prices have increased sharply. Farmers are requesting higher prices because harvesting was much more difficult due to the relatively bad weather. Although raw material prices have now stabilized somewhat, price levels remain fragile. The fact that demand is moving to other origins slowly may help to put some downward pressure on prices in the near term.

Vietnam
The harvest of autumn crop is about to finish. The weather this year has been abnormal due to the typhoons, heavy rain, and less sunshine, which led to difficulty in harvesting. Farmers are able to harvest bit by bit only until December, but when the winter starts early, the harvest activities cannot continue. Hence, the new crop is estimated to be ~15% lower than the 40 KMT last year. The supply is considered as enough to cover for the demand though. In the market, there is a mix between old crop and new crop, which made the available quality unstable. There is solid demand from India and Middle East, while Chinese buyers are still not buying from Vietnam, hence there is not much fluctuation in the price. Prices for broken cassia increased slightly, while the demand for Cassia Vera (same as Indonesia type) is increasing.

China
Vietnamese traders are going to China for Chinese cassia because the price is about 250US\$/MT lower than current Vietnam cassia prices. The price levels are lower because China had a good harvest. Vietnam traders subsequently mix the raw materials and sell to India or Middle East.

Cassia prices - FOB (US\$/MT)



Turmeric



Turmeric market arrivals have declined due to the unavailability of good material, while also limited good quality material is available at the cold storage (at a premium of ~\$155/MT). Hence, minimal quantity is left to meet the market demand for the next 2 months till the new crop arrives.

Exporters were active in the market for procuring quality material in order to fulfill upcoming orders, driving prices upward. This trend is expected to continue in the short term.

The monsoon in Andhra Pradesh (Nizamabad & Kadapa), Maharashtra (Sangli) and Karnataka came in early compared to last year. This is likely to help the farmers, as sowing in all major growing areas had completed without any delay. Moreover, last year's prices have attracted farmers to increase the area by ~20% in these regions.

In Tamil Nadu, the monsoon was delayed by a month and sowing went on till August 2017. Growing areas are reported to have declined ~20% this year due to scarcity of water.

Preliminary crop estimates forecast an increase of around 20% in Andhra Pradesh, Maharashtra (Sangli) and Karnataka to be balanced with a decrease in Tamil Nadu, resulting in a similar crop size as last year overall.

Hence, market prices for the new year are expected to remain steady around present levels.

Turmeric prices - FOB (Nizamabad, US\$/MT)

