



Pepper



Key takeaways



Price outlook



- Harvest in Vietnam started this month, with an expected crop of 218KMT. Selling by speculators in order to liquidate old stock caused additional downward price pressure during the start of January.
- Brazilian crop in Espírito Santo is being harvested, while the harvest in Para is finished. Buying interest from Latin America is absorbing most of the supply. Brazil is expected to see strongest growth this year compared to other origins, with a 17 KMT increase versus last year, to c. 82KMT.
- As India is also expecting a record crop of 92KMT, global stocks will likely continue to increase.

Short term:

Medium term:

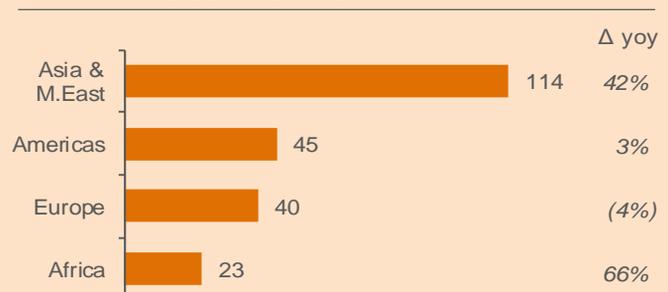
Long term:

Supply dynamics



- Vietnam exported 222KMT of pepper in 2017 (up 24% yoy).
- Brazil exported 62KMT during 2017 (up 92% yoy), with exports into North America and Europe increasing 63% and 53% resp.
- Vietnam's crop is expected to be 218KMT (+4%) this season, as younger vines compensate for yield loss in older vines.
- As India is expected to have a record crop of 92KMT this year, and initial berry setting in Lampung also looks promising, we expect a record crop of 575KMT this season.
- Following the above, global stocks can be expected to increase both in producing countries as in consuming countries, as we continue to be in a period of excess production.

Vietnamese pepper exports (2017, KMT)



Price trends



- Vietnam entered its harvest, which will pick up after lunar new year. This, together with selling pressure from the liquidation of old stock will push prices down. Hence, Vietnam will likely replace Brazil as cheapest origin soon.
- The government of India has issued a Minimum Import Price of INR 500/kg, which makes exporting into India more difficult, essentially increasing availability elsewhere further. The decision encourages speculators / farmers to hold back pepper, which may support prices in short term, however in the mid term we expect the bumper crop to trigger selling pressure.
- With already significant stock levels in origin, the record arrivals expected in Vietnam, India and Brazil over the next 3 months will put further pressure on prices, which already dropped by up to 60% over the last 24 months.

Black pepper prices – FOB (US\$/MT)

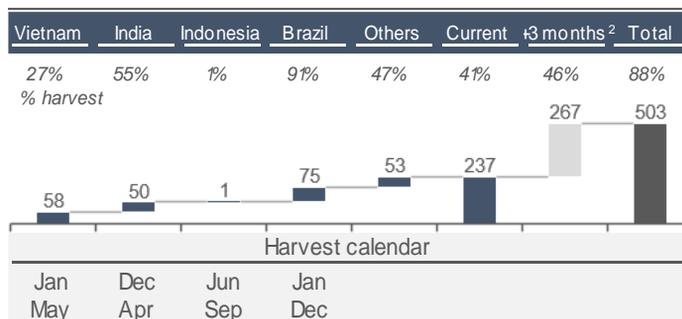


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam FAQ 550g/l	3,200	(12.3%)
BP Brazil FAQ 550g/l	3,075	(10.9%)
BP India FAQ 550g/l	6,635	(5.9%)
BP Lampung FAQ 550g/l	3,920	(2.5%)
WP China FAQ	6,500	(9.7%)
WP Indonesia Muntok FAQ	5,170	(11.2%)
WP Vietnam DW	4,800	(9.4%)

Exportable stock estimate (KMT)





Turmeric



Key takeaways



Price outlook



- Arrivals of good quality turmeric in India have declined due to the unfavorable weather and the fact that all major spot markets are in lean season. Exporters were active in the market procuring any quality material in order to fulfill contracts, driving prices upward.
- Harvest will resume from end of January to mid February, with a crop that is expected to be slightly higher than last year. In China the crop is expected to be 20% higher than last year.
- Overall prices are expected to be stable in the mid to long term.

Short term: ➡

Medium term: ➡

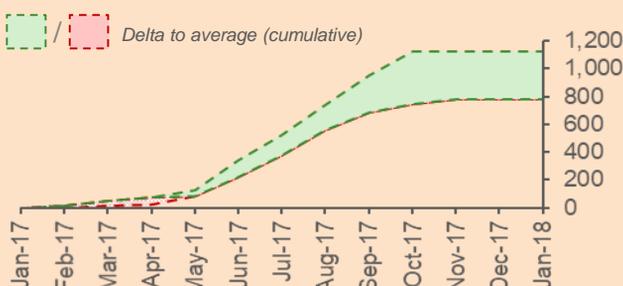
Long term: ➡

Supply dynamics



- The monsoon in Andhra Pradesh, Maharashtra and Karnataka came in early versus last year. Hence the crop is currently getting ready for harvest in all major growing areas. Primary crop estimates forecast an increase around 20% here.
- In Tamil Nadu the monsoon was delayed by a month and harvest is expected to be delayed by c. 15 days too. Moreover, growing areas are reported to have declined 20% this year due to scarcity of water.
- The Indian crop is expected to be slightly higher than last year.
- Meanwhile, Chinese crop is being harvested, but most of the arrival is fulfilling domestic demand.

Average daily rainfall - Nizamabad, India (mm)



Price trends



- In India, turmeric prices are experiencing upward pressure due to lean arrivals and unavailability of superior quality.
- The market prices for the new crop are expected to remain steady around the present levels, but more can be said on this as arrivals start coming in.
- In China, comparing with 2017, current demand is less and the market is relatively quiet.
- Farmers increased the plantings about 20% versus last year due to relatively attractive prices then.
- Hence, some downward pressure on prices for Chinese quality might be expected in next few months.

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



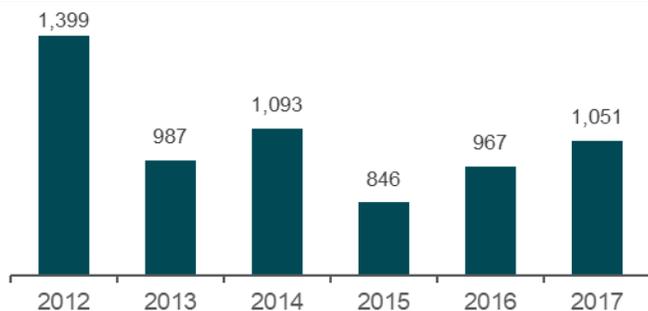
Key quality price levels¹



Fresh production in India (KMT)²



Quality	US\$/MT	Change (%)
Turmeric Nizam	2,033	0.7%
Turmeric Indonesia	1,600	10.3%
Turmeric China	3,150	5.0%
Turmeric Salem	2,093	-
Turmeric Erode	2,093	-
Turmeric Sangli	2,046	-
Turmeric AFT Finger	3,122	-



NEDSPICE 1) FOB prices. Change shown versus last month. 2) Approximately 30% of total fresh production is converted into dried turmeric. Source: Nedspice research, <http://www.cpc.ncep.noaa.gov>, price data as per 22-Jan-18

Various



Nutmeg



India
Most of the crop already arrived in the market and there is minimal supply of superior material available. This effected the prices, showing an upward trend to US\$8,594/MT. The new crop will enter the market in Jun/Jul. The current fruit forming is less than last year, but it's too early to judge because in some areas the buds are still to come. The crop size estimation will be clearer from March onward.

Indonesia
Chinese buyers didn't buy as expected, weakening the market slightly. It's likely that China stocked a lot of material from India. The harvest from December is entering the market currently. The weather is convenient for the required post-harvest / sundry process. The harvest is forecasted to spread over 12 months without any peak season.

The quality will depend on the weather conditions during the post-harvest period and the total production quantity is expected to increase 20% from the contribution of new trees. It is expected that prices will be slightly weaker in the first quarter, then will be stable, but will move up at end of the year when the Indian crop finishes and demand from China increases.

Indonesia mace

There is new material entering the market. The mace price in Siau is highest among other areas because of its good quality and speculative interest. Although the nutmeg price is relatively stable, the mace price is increasing as there is good demand from India for the oil extraction and sauce processing industry. Prices are currently at US\$10,750/MT FOB.

Nutmeg prices - FOB (US\$/MT)



Cloves



Madagascar
The cyclone AVA hit the east coast on 5-Jan-18, which created worries of shortage in the cloves market. Luckily there is no serious damage though. Madagascar already exported about 60% of their 18KMT crop (North and South). The remainder is to cover until the new crop arrives.

Comoros
About 20% stock is left from the crop of 4KMT. Comparing with the same period last year, the price is 13% higher. Usually by this time of the year Comoros has less stock, but there is no selling pressure.

Brazil
The crop yield is about 50% less than last year. The total available crop for export is about 3KMT (including some carry over from last year).

Indonesia
Rumors about the cyclone in Madagascar created a price wave up in the market. Furthermore, local Indonesian traders / exporters started to collect stock from farmers in anticipation of cigarette companies speeding up their buying in Feb/Mar. This made prices increase c. 500US\$/MT recently, with still very low market liquidity. New crop in Jun/Jul is forecasted to be better than 2017, however in the short term upward price pressure is expected to remain.

Sri Lanka
The crop to come in Feb/Mar is expected to be weak, both in quality and quantity, due to too much rain leading to a darker color, high moisture and lower yield.

Cloves prices - FOB (US\$/MT)

