



# Pepper



### Key takeaways

- The main harvest in Vietnam and India finished. Also Cambodia will finish shortly.
- In Brazil, Espírito Santo is entering its second harvest season, while weather in Para (Sep – Nov harvest) has been favorable.
- The harvest from Indonesia is expected to arrive from June to September. The availability of Muntok and Chinese white pepper is estimated to be slightly higher than previous years, which may put pressure on white pepper prices.
- Global stock levels are expected to remain high, hence the downtrend in prices is likely to continue.



### Price outlook



- Short term: →
- Medium term: ↓
- Long term: ↓

### Supply dynamics



- The Vietnamese harvest finished in April, as farmers mostly harvested in 1 go instead of the usual 2. Export volume was at 91KMT for the YTD Apr-18 period, which is 16% higher than last year. Highest growth was to Asia, followed by Europe.
- Brazil is starting the second harvest in Espírito Santo. Export volume was 24KMT for the YTD Apr-18 period, up 58% yoy.
- The upcoming Lampung black pepper crop is expected to remain at approximately the same level as last year.
- The white pepper crops from Bangka, Kalimantan and Sulawesi together are estimated to grow by 17% vs last year, which may put pressure on prices.

Vietnam – YTD exports (KMT)



### Price trends



- Stock levels in Vietnam and Brazil are increasing, the origins are at similar price levels, having dropped c. 30% since last year.
- The relatively low stock level of Lampung black pepper kept prices stable since the end of 2017. Lampung pepper prices declined 17% yoy, compared to c. 30% for the other origins.
- All else equal, stock levels are expected to keep increasing for the coming seasons, hence the pressure on prices is expected to stay.
- Also, the previous two bear markets lasted for c. 6 years, while we're we are now c. 3 years in the cycle, with prices still well above the previous lows.

Black pepper prices – FOB (US\$/MT)

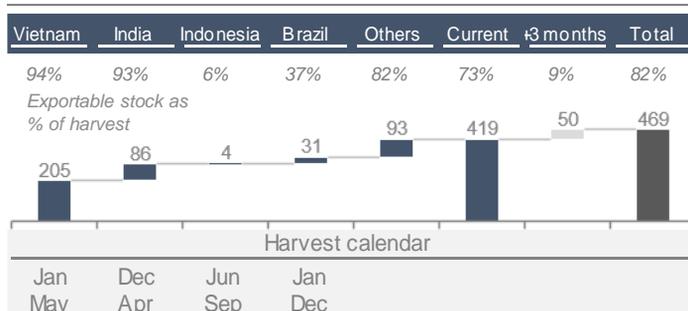


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
BP Vietnam FAQ 550gl	2,875	(10.2%)
BP Brazil FAQ 550gl	2,875	(2.5%)
BP India FAQ 550gl	5,620	1.6%
BP Lampung FAQ 550gl	3,620	(2.7%)
WP China FAQ	6,600	-
WP Indonesia Muntok FAQ	4,520	(2.2%)
WP Vietnam DW	4,350	(3.3%)

### Exportable stock estimate (KMT)<sup>2</sup>





# Nutmeg and Mace



### Key takeaways



### Price outlook



- Due to high demand during May/June (Ramadan holiday), shipping schedules are really tight, resulting in delays. The nutmeg and mace market is expected to be steady to slightly firmer in the short term.
- The arrivals of new Indian crop material in June/July may push the market down.
- In the longer term a fundamental increase seems unlikely due to relatively high stock availability, however speculation can play a role in this market which is difficult to predict.

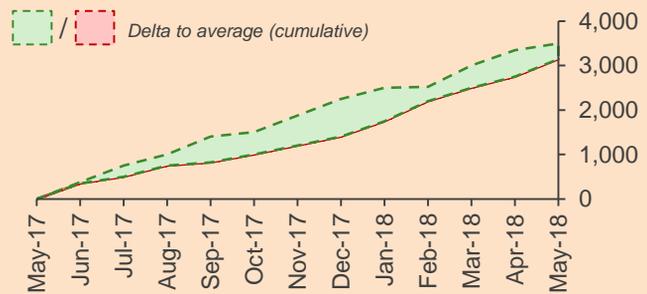
- Short term: →
- Medium term: ↓
- Long term: →

### Supply dynamics



- As the trees are not all in the same crop stage, there are multiple harvesting periods per year. No peak harvest period is expected this year.
- The continuous monthly harvest in Indonesia brings a good supply to the market. Due to the balanced weather conditions, with good rainfall, the crop quality improved versus previous years.
- Indian crop is developing well, also driven by good rainfall. Harvest will be from early June until end of August, with at least 10% higher production than last year.
- Grenada's crop is still relatively small at c. 400MT this season.

Average daily rainfall – Manado, Indonesia (mm)

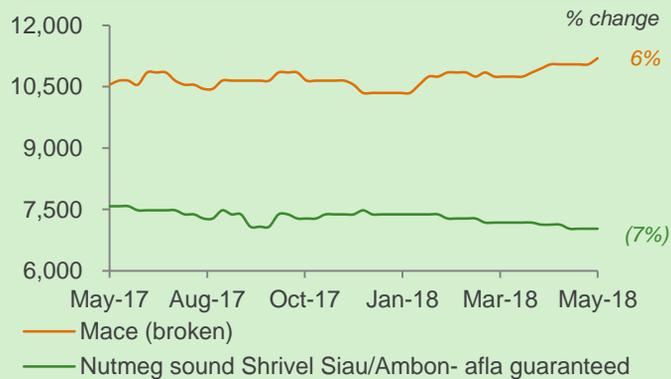


### Price trends



- Indonesian rupiah has weakened c. 7% against the US\$ since January, which enabled some discounts for export prices.
- Speculators hold a significant stock of old nutmeg crop still, which helps to lower the purchasing price for new crop.
- Stock levels of Indonesian old crop mace are low due to the strong demand from India. Buyers prefer the colour of old mace. Prices for mace increased 5% yoy.
- Siau Island is running a local election until the end of June. As one of the likely winners is supportive for the nutmeg trade the market remains firm.
- Indian new crop nutmeg and mace is not yet available, currently offered prices are c. 4% higher than Indonesia.

Indonesian nutmeg and mace prices – FOB (US\$/MT)

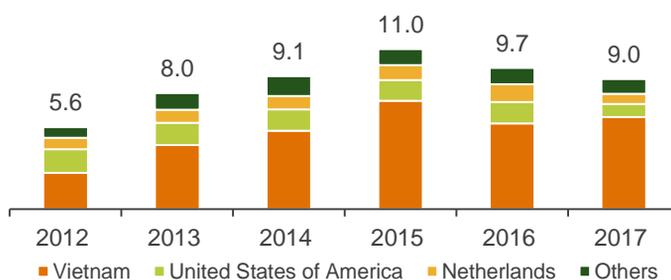


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
Nutmeg Indonesia SS	7,030	(1.4%)
Nutmeg Indonesia ABCD	7,280	-
Nutmeg Indonesia BWP	4,380	-
Nutmeg India Whole	7,400	1.4%
Mace Indonesia Whole	13,350	2.3%
Mace Indonesia Broken	11,200	1.4%
Mace India Whole	16,500	-

### Indonesia nutmeg export (KMT)<sup>2</sup>





## Coriander



### India

India is the world's top producer of coriander, making up about 50% of the global production. However, the total planted area is likely to decrease around 25% this season, because farmers shifted to alternative crop, like Jeera. Hence, the total production of 2018 is estimated to reach only 75% of last year's crop. The market price showed an increase of 7% yoy.

India imported high volume of coriander seeds from Eastern Europe, due to its lower prices than the local market.

### Eastern Europe

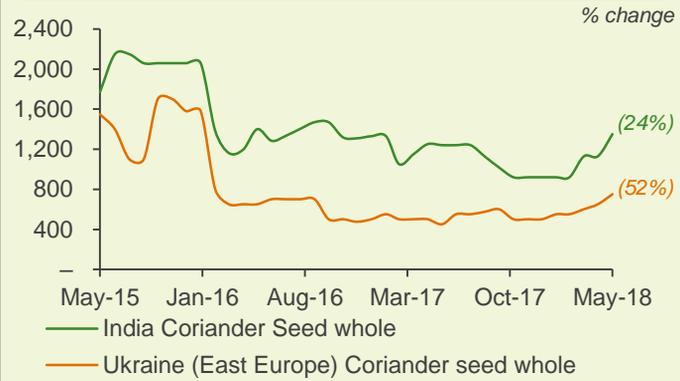
For three continuous years, bumper crop from Eastern European countries such as Russia, Bulgaria and Ukraine led to continuously decreasing prices from 2015 to 2017.

Bulgarian producers and speculators still have some small stock available, which they hold as they wait for better prices. On the other hand, Russia, Morocco, and Ukraine kept a higher volume of old stocks since 2016, which have relatively poor quality in terms of color and volatile oil.

Due to the lower market prices of last year, some farmers in Eastern Europe stopped planting new crops for this season. Only about 25% of total acreage was planted, so the total output will be much lower.

New European crops will come later in Jul/Aug due to the cold weather in Feb/Mar. The prices of European coriander are likely to move up due to the expected good quality of the products and relatively smaller crop size.

Coriander prices – FOB (US\$/MT)



## Pink Pepper



### Brazil

Brazil is the biggest producer and accounts for c. 60% of global volume. Exporters have tried to plant the pink pepper in recent years. Several rumours circulated that about 600MT production, with all types of quality. The local Brazilian stock is mainly low grade quality from previous crop: Grade 2, Grade 3 and seeds quality. Grade 1 pink pepper is expected to arrive in the market in June.

### Reunion Islands

The pink pepper from Reunion has a lower yield this season due to the tropical cyclone in April.

### Madagascar

Pink pepper is in harvesting stage and the production volume is expected to be similar to last year's crop. The first grade quality from Madagascar is relatively expensive and mainly consumed by French and Japanese markets. Price is offered at above €30/kg.

- In general, total production is estimated to be higher this year, where 70% of pink pepper comes from natural areas and 30% from cultivation. Key factor that impacts to current price levels is the contribution of pink pepper plantation's quantity.
- The price trend is expected to follow the same pattern as previous years. Prices could soften during the harvesting stage, after that prices will likely be stable and in the long term may move upward when the first grade quality is less available.

Brazil Pink Pepper price – FOB (US\$/MT)

