



# Pepper



### Key takeaways



### Price outlook



- The harvest started in Para state, Brazil and will finish in Nov-18. Prices dropped somewhat more than in other origins, which is likely to attract buyers.
- Indonesia finished its harvest. The relatively high stock levels are expected to put more pressure on speculators to liquidate their stocks. This origin became the second cheapest origin.
- In Vietnam the crop is in berry setting stage, the weather has been more favorable than last year so far and hence a higher yield is expected this season.

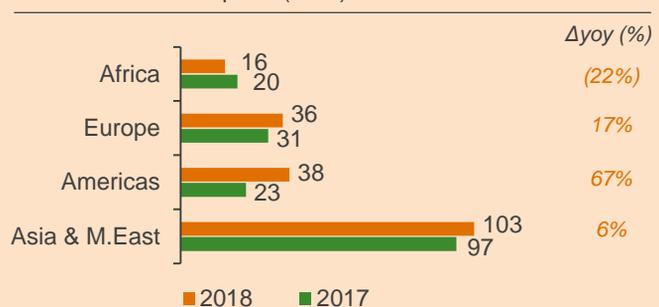
Short term: →  
 Medium term: ↓  
 Long term: ↓

### Supply dynamics



- Vietnam exported 192 KMT for the YTD Aug-18 period. The export volume increased significantly to the Americas, c. 67% higher than the previous year, closely followed by Europe with an increase of 17%. The new crop is developing well and the first harvest is expected to start in Dec-18 already.
- Brazil is the second largest export country, the total export volume was at 32 KMT for the YTD Jul-18 period, up 33% yoy. The harvest started in Para, where a good yield is expected.
- In Indonesia the speculators are likely to release their stocks due to expectations for a long term downtrend and relatively high stock levels.

Vietnam – YTD exports (KMT)



### Price trends



- Brazil became the cheapest origin when the main growing areas of Para state started the harvest. Prices dropped by c. 40% versus last year and are expected to drop further before finishing the harvest by Nov-18. Note though that the price decrease is much less for the farmer due to FX movements.
- A lack of buying interest for Lampung black pepper has eased prices by c. 15% compared to July. Lampung pepper prices moved below Vietnamese prices which possibly puts additional pressure on speculators to liquidate their stocks.
- Indian market was quiet after the heavy rains and floods in the South-West region during Aug-18, prices increased somewhat compared to July.

Black pepper prices – FOB (US\$/MT)



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



| Quality                 | US\$/MT | Change (%) |
|-------------------------|---------|------------|
| BP Vietnam FAQ 550gl    | 2,625   | 8.2%       |
| BP Brazil FAQ 550gl     | 2,100   | 5.0%       |
| BP India FAQ 550gl      | 5,417   | (0.2%)     |
| BP Lampung FAQ 550gl    | 2,370   | 2.2%       |
| WP China FAQ            | 4,700   | (6.0%)     |
| WP Indonesia Muntok FAQ | 4,020   | 3.9%       |
| WP Vietnam DW           | 4,000   | 8.1%       |

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





# Nutmeg & Mace



### Key takeaways



### Price outlook



- Strong demand from China and India for Indonesian ABCD nutmeg quality led to a significant increase in local prices. Other grades, such as Shrivels and BWP saw a modest increase in price.
- The upcoming harvest of nutmeg will be in Nov/Dec-18 and is expected to be good, this will likely stabilize the market in the medium term.
- A continuous increase in global production volume since 2011 is expected to result in a downward trend over the longer term.

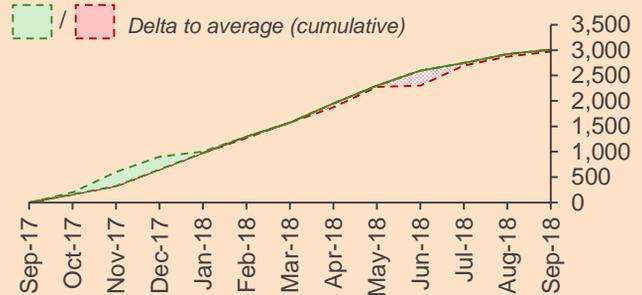
- Short term:
- Medium term:
- Long term:

### Supply dynamics



- Nutmeg growing areas in India were significantly affected during the recent heavy rains and floods in Aug-18. Fruit drop occurred in the main growing areas of Kerala. Excessive moisture was observed from the harvested fruits in stock, which required a further drying process. Farmers and exporters have kept limited stocks on hand.
- The crop in Indonesia is developing well due to good rainfall distribution through the year. Hence the upcoming harvest in Nov/Dec is expected to be larger than the previous harvest. Indonesia is likely to compensate for the loss from India's nutmeg crop. The market showed a strong demand from China for ABCD nutmeg quality.

Indonesian plantation rainfall pattern (mm)

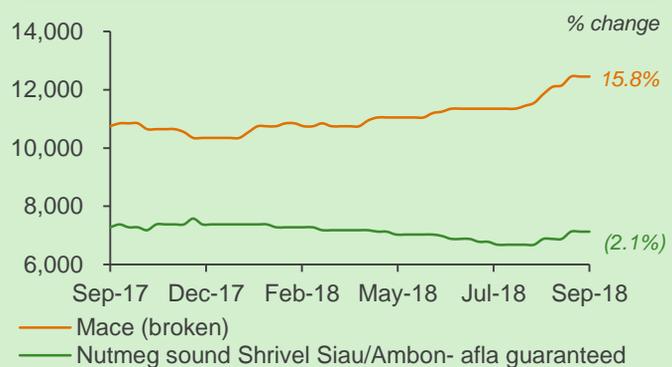


### Price trends



- The Indonesian prices firmed by some 4% versus last month. These price levels are expected to remain until Nov/Dec-18, when the new materials arrive to the market in Indonesia.
- The Indonesian rupiah has weakened against the US dollar, which likely keeps Indonesian nutmeg price at a competitive level.
- Indonesian mace price increased by c. 16% versus last month's price due to a strong demand from India after recent heavy floods. New materials from the next harvest in Nov/Dec will likely stabilise the market.
- The Indian whole nutmeg price was up by c. 20% compared to last month. EXW Cochin price for Indian whole mace is being quoted at US\$ 19,720/MT.

Indonesian Nutmeg and Mace prices – FOB (US\$/MT)

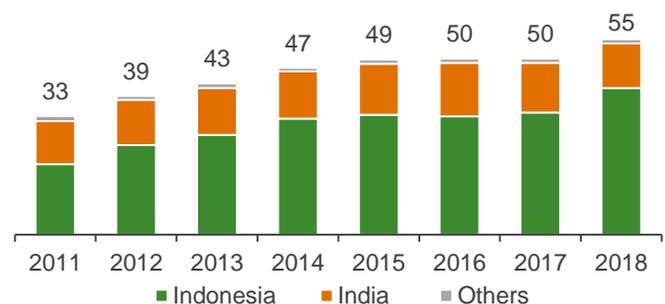


### Key quality price levels<sup>1</sup>



| Quality               | US\$/MT | Change (%) |
|-----------------------|---------|------------|
| Nutmeg Indonesia SS   | 7,130   | 3.6%       |
| Nutmeg Indonesia ABCD | 7,580   | 5.6%       |
| Nutmeg Indonesia BWP  | 4,680   | 6.8%       |
| Nutmeg India Whole    | 9,400   | 0.9%       |
| Mace Indonesia Whole  | 15,950  | 7.4%       |
| Mace Indonesia Broken | 12,450  | 5.1%       |
| Mace India Whole      | 19,750  | 16.9%      |

### Production by origin (KMT)



### Various



#### Pimento



##### – Mexico

The crop has been developing well due to favorable weather conditions. Hence, production is expected to be larger than the previous year. The crop is in the peak harvesting stage. The harvest will finish by the end of September.

Prices have dropped since the harvest started in Jul-18, showing a decrease of c. 25% versus last year. Hence, producers are less willing to sell at the moment.

Some farmers did not harvest due to low prices offered from buyers. Speculators are holding less pimento in stock, this will likely have a positive impact on price levels in the coming months.

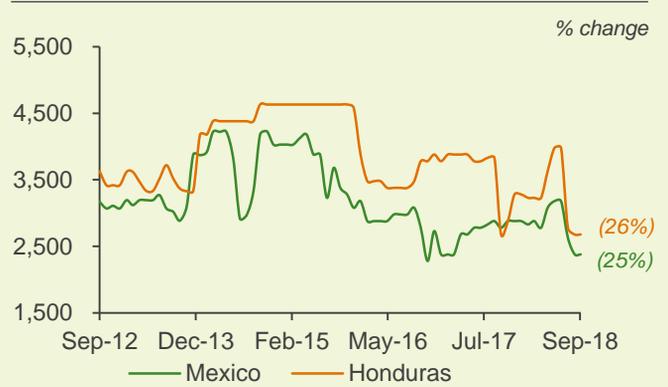
Prices are expected to increase in the long term when the harvest is over across the origin.

##### – Honduras

The local market is tight, with prices at similar levels as last year. Producers and speculators are hesitating to liquidate their stocks and waiting for better prices.

Farmers in Honduras could not harvest much pimento due to a shortage of labour. Lots of mature berries fell down to the ground.

Pimento prices - FOB (Mexico, US\$/MT)



#### Cloves



##### – Indonesia

Clove production is expected to be higher this season due to good weather conditions, at c. 75 KMT.

Demand for Indonesian cloves depends much on the tobacco industry, as c. 90% of clove production is used for producing cigarettes. The demand for cigarettes has decreased recently due to higher prices and taxes imposed by the government. Hence, the local clove price also decreased.

This year, a bumper crop has made Indonesia the cheapest origin.

##### – Madagascar

The production of this season is expected to be much lower than previous years due to the adverse effects from the cyclones at the beginning of the year. Production is estimated to be less than 10 KMT and harvest will start in 2 months. The local price remains steady at c. 7,500 US\$/MT.

##### – Comoros

The harvest is in progress with crop size of c. 3KMT. The price ranged from 6,700 – 7,000 US\$/MT for CG3 quality. Speculators are likely holding onto their stocks to wait for better prices.

##### – Brazil

This origin is expected to have a good crop this season at c. 4 KMT, the harvest is coming next month. Prices ranged from 7,000 to 7,400 US\$/MT.

Cloves prices - FOB (MCZ, US\$/MT)

