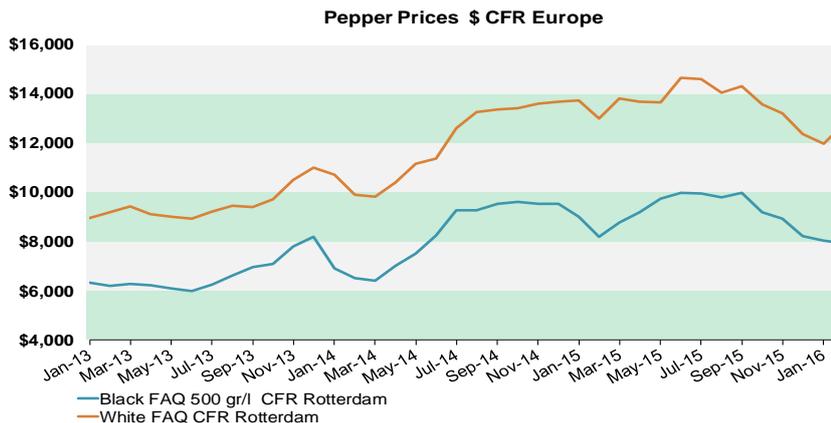


Market Update March 2016 Spices

Pepper



Vietnam

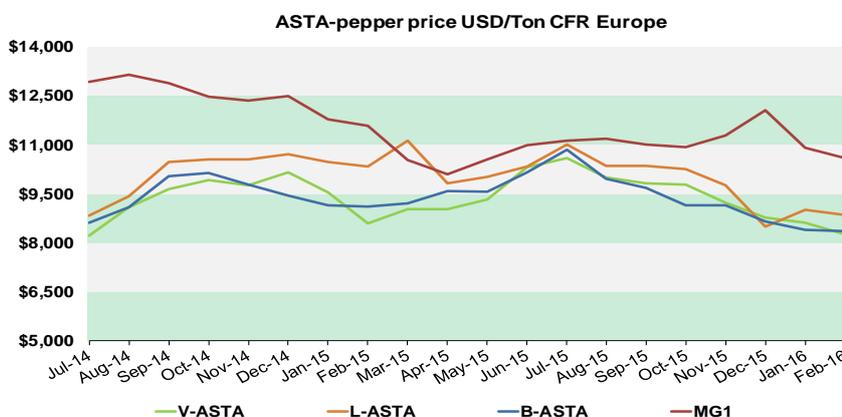
The 2016 crop is currently being harvested and is estimated at around 160,000 tons, compared to 130,000 tons last year. Heavy arrivals combined with reduced buying interest made prices drop substantially to \$6,900/ton by early March, compared to \$9,700/ton in October 2015. The collapse of a large Singaporean trading company added to the uncertainty surrounding non-payment of pending cargo in Dubai, as a result of which buying interest from the Middle East reduced. The usual selling pressure just before the Lunar New Year

when farmers are in need of cash provided no support in the local market. Post Lunar New Year we do not see the Chinese traders entering the market, possibly triggered by worries about the Chinese economy or just waiting for lower prices. Continued concern amongst buyers in Europe about regulatory issues with VN pepper diverts buying interest to other origins. Overall the market continues to find little support from consuming countries as hopes for lower prices delays buying decisions.

Compare export 2014-2015

| Regions | 2014 | 2015 | Diff | %Diff |
|---------------|---------|---------|---------|---------|
| Americas | 27,386 | 29,496 | 2,110 | 7.70% |
| Europe | 36,741 | 37,589 | 848 | 2.31% |
| Asia & M.East | 90,843 | 57,433 | -33,410 | -36.78% |
| Africa | 8,063 | 9,051 | 988 | 12.26% |
| Grand Total | 163,033 | 133,569 | -29,464 | -18.07% |

During 2015 Vietnam exported 133,569mt of pepper, which is 18.07% lower than in 2014, with imports of 27,933mt against 7,693mt in the year 2014. It's apparent that Vietnam had a poor crop in 2015 and pepper from other origins has been blended with Vietnamese pepper.



Indonesia

During 2015 Indonesia exported 50,500mt, which leaves only some 5,000-7,000mt of stock available for export from March until July, when the new crop will be harvested. Vietnam imported the largest quantity of Indonesian pepper at 21,546mt for re-export purpose. Noteworthy was that Indonesian pepper was quoted lowest among the export countries in November 2015 as traders tried to liquidate their pepper that was stuck in Singapore as mentioned above.

The coming crop of Indonesian pepper is projected to be significantly lower because of the El Niño effect and because of the fact that after a good yield crop (2015) the next crop usually will yield lower.

Brazil

During 2015 Brazil exported 38,000mt pepper of which the USA imported the largest quantity at 12,500mt, followed by Germany at 10,000mt. This provides for export some 10,000-12,000mt from February until main crop arrives in September.

Pepper is planted in two main areas. In the north (Para, Maranhao, Paraiba) it seems that the El Niño effect has some negative impact to the coming crop with some 15-20% lower yield compared to the 2015 crop. However, growth rate of 10% may compensate half of the possible loss, so the total output may be at 7-10% lower this year. Crop is harvested from September to November.

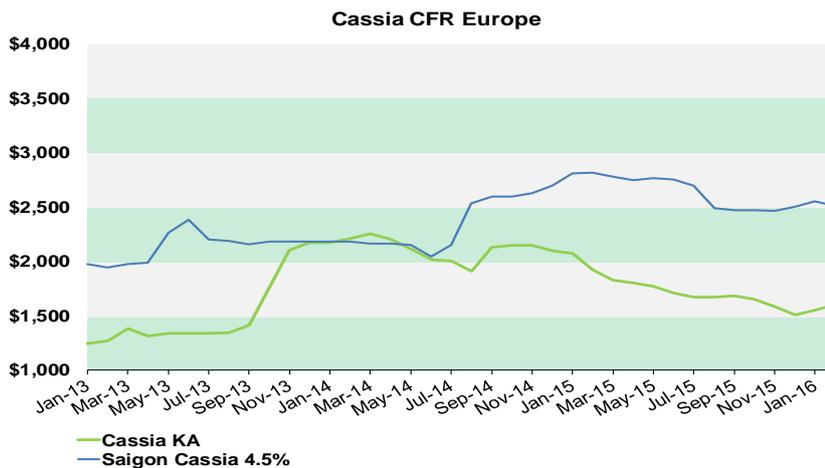
More south (Bahia, Espirito Santo) the El Niño effect has less impact to the crop because most of the farms are applying irrigation systems and subsoil water is still enough to supply water to the system. Considering a growth rate of 40-50% per year we can project the next crop at 40% higher. Main crop is harvested Oct-Dec and catch crop May-July. In between there are also some volumes to be harvested. In total, the new coming crop can be estimated 10% higher at 50,000-52,000mt when compared to 2015.

India

The current higher prices of Indian pepper reflect the smaller 2016 crop against the 2015 bumper crop. Pepper production from India is estimated at 52,000-56,000mt, which is just enough for domestic consumption. As prices are ruling above other comparable grades from other origins (see the chart above) we can foresee that the export quantity from India will be less.

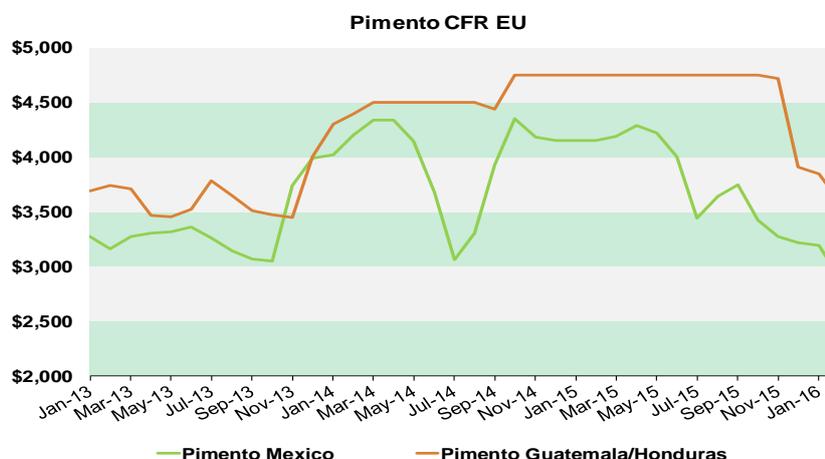
Outlook

The trend for the next couple of months is not very clear. Fundamentals are still pointing at a tight supply and demand situation with global stocks still at all-time lows. Risk of potential tightness later during the year exists. Near term there will be some pressure from the heavy Vietnamese crop, but farmers are in good financial condition to limit a downside move by keeping product away from the market. The larger supply from Vietnam may already be reflected in today's lower price levels. The world needs the Vietnamese pepper to satisfy demand. Interesting is to see how a balance will be found between providing the EU market with the pesticide compliant pepper and marketing the larger Vietnamese crop on the other hand.



Cassia

Due to sluggish demand, especially from EU and US, market is inactive and steady at the lower level. It seems that the supply of cassia is decreasing as farmers are reluctant to plant new cassia trees. We expect the local prices to increase in the next couple of months when customers place their order as the supply is tight.



Pimento

The Mexican pimento harvest was completed in November. Local traders had built up stock by that period in anticipation that the demand would be picked up soon after the New Year holiday, therefore many traders are sitting on large stock.

It is apparent that weak demand has been lasting quite long and that speculators are trying to liquidate their stock by lowering their price tag.

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