

Market Update October 2015

Spices

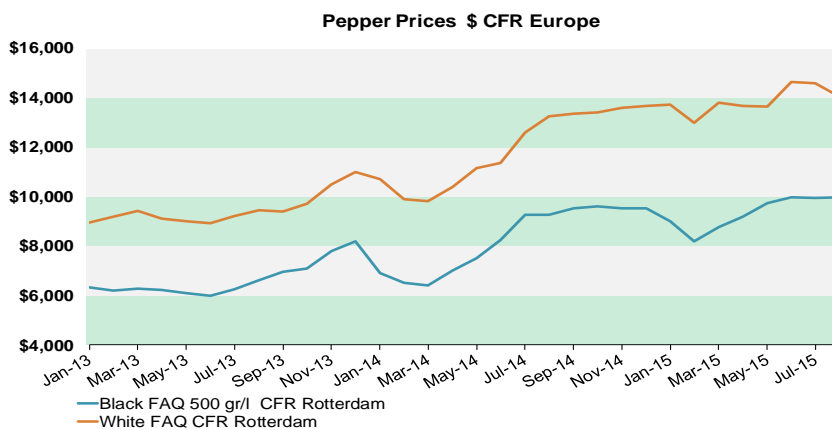
Pepper

Vietnam

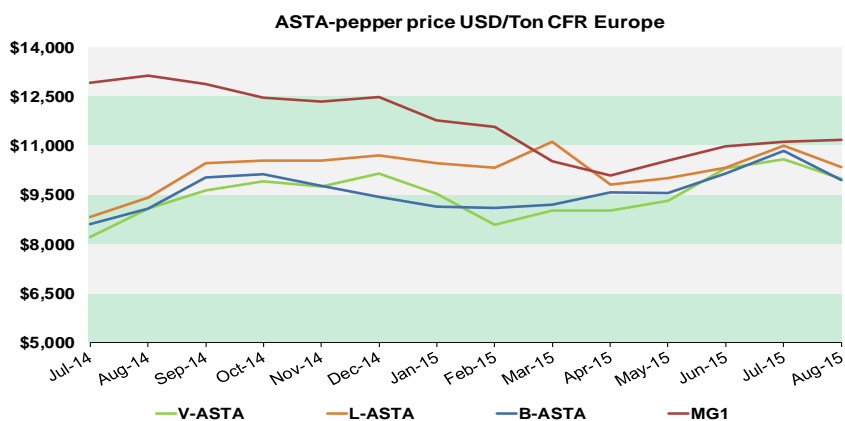
Pepper prices peaked in July, eased during August 2015, gained some strength in September and recently have been easing again. Bit of a zig-saw movement. It's apparent that the Vietnamese crop of 2015-16 has seen lower arrivals compared to last year. The export quantity of the first eight months was at 107,150mt which is 20.49% below the same period in 2014. It is expected that Vietnam still has some 63,000 tons available until the new crop of 2016 will arrive.

It should be noted that our export figure of 107,000 is significantly below the figure of 125,000 as reported by

authorities. Main reason for this is that we believe there are some cases of double counting in the official figures. We estimate that of the remaining balance some 35,000 tons will be exported until the end of February 2016. It should be noted that part of the remaining balance is already committed against sales contracts, whilst the balance is largely kept in strong hands waiting for higher prices. Since early September, buying interest resumed as industrial customers were looking to cover their need for 4th quarter and beyond. Overall however demand is sluggish.



Indonesia



Farmers began harvesting their crop in the beginning of July, which is 2-3 weeks earlier than usual, to obtain needed funds for their Idul Fitri celebration (16-17 July). Furthermore, an early harvest can help prevent theft of pepper still on the vines. Traders opine that production this year reflects the 2012 level of around 45,000 tons.

White pepper production on Bangka seems to be recovering from the slump due to the tin mining. It can be estimated that the 2015 crop in Bangka is about 14-16,000mt, which is likely to increase rapidly by 10-15% annually in the coming years.

Brazil

At 45,000 tons the Brazil crop is estimated 15% higher against last year's. European processors have started purchasing aggressively in Brazil looking to replace Vietnamese pepper because of quality issues. During the last couple of weeks Brazil was the most attractive on price which largely was caused by depreciation of the Real against the greenback in combination with the good crop. Shippers have taken on good commitments for the coming months which by now has depleted their financing capabilities.

Outlook

The table below summarizes our estimate for the supply situation until March 2016. Overall we believe that supply and demand is largely in balance. Important factors that will influence the future price pattern will be the developments of the new crops in India and Vietnam. Weather circumstances, especially El Niño, may come into play. Furthermore EM currencies may remain vulnerable to further depreciation.

Period	Sep-Feb Scenario 1 100% stock for Mar delivery	BOS (*) Stock	Production (**)	Domestic Consumption	Imports	Exports YTD from harvest to 31 Aug	Export availability	Export Sep-Feb 16	Stock 01-Mar-16
Vietnam	Mar-15	28,363	139,000	5,810	9,000	107,000	63,553	36,000	27,553
Brazil	Aug-15	5,761	45,000	6,835	-	4,000	39,926	30,000	9,926
Indonesia	Jun-15	12,512	65,000	10,391	-	13,500	53,620	40,000	13,620
India	Jan-15	3,179	85,000	59,329	26,500	14,000	41,350	10,000	31,350
Malaysia	Apr-15	2,018	16,000	8,179	-	6,200	3,639	3,000	639
China	Apr-15	9,345	38,000	49,137	16,000	1,000	13,207	3,000	10,207
Sri Lanka	Apr-15	1,534	20,000	3,617	-	10,333	7,583	7,000	583
Other		8,634	22,000	13,113	-	5,100	12,421	7,000	5,421
Total		71,345	430,000	156,413	-	161,133	235,299	136,000	99,299

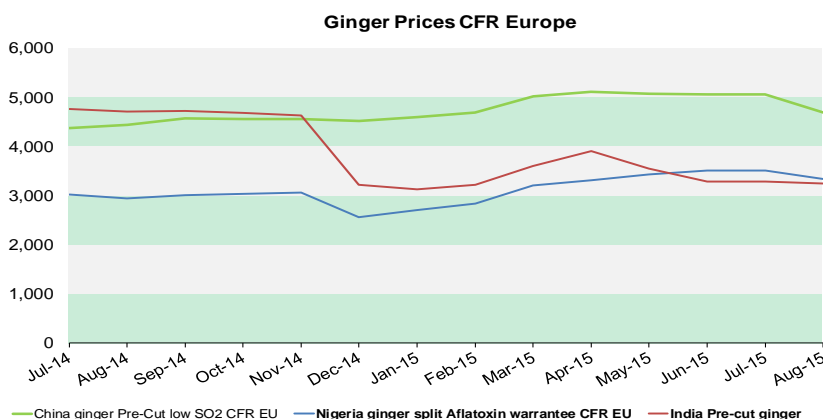
(*) Beginning of Season
(**) nett of losses to white conversion

Demand non-producing countries
Surplus/Deficit

131,879
4,121

Ginger

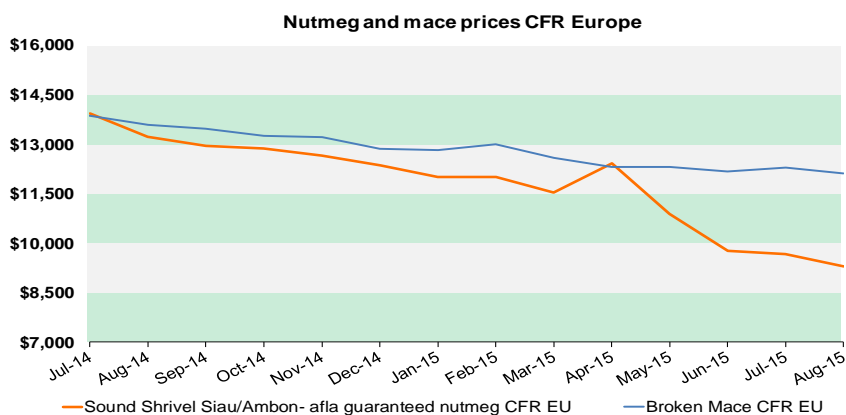
China: Due to higher 2014/15 production and good coverage with buyers in conjunction with devaluation of Yuan against Dollar, it was anticipated that prices would ease during 2015. However, as can be seen from the chart, prices remained quite stable throughout the year. Only recently we see some easing with price levels going down from \$4650 to \$4350/ton for pre-cut quality. The new 2015/16 crop will be harvested from December onwards. It is reported that the planted area will increase by some 25%. Weather conditions so far are not ideal, with much rainfall in September. October and November are important for crop development.



expected to be lower. Overall expectations are that the harvest will eventually show a 20-25% higher outturn than last year.

Nigeria: Late arrivals of rain have delayed plantings for the 2015/16 crop from April to June. Consequently harvest is not expected until January, which normally should be mid-November. Furthermore because of continuing rainfall the rhizomes will not develop well, which will impact the size of the new crop negatively.

Nutmeg and Mace



Due to the continued weakening of the Dollar-Rupiah exchange rate in combination with a good crop prices of Nutmeg came down by some 20% since the beginning of 2015 i.e from \$12,150/mt to a level of \$9,600/mt in August. Since September, the El Niño effect has been influencing the production of Nutmeg and Mace in Manado, Siau and Ambon. Output quantity is estimated to be lower, which put a halt to the price decrease for now. Because of good demand of Indian extractors Mace could hold on the higher levels.

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