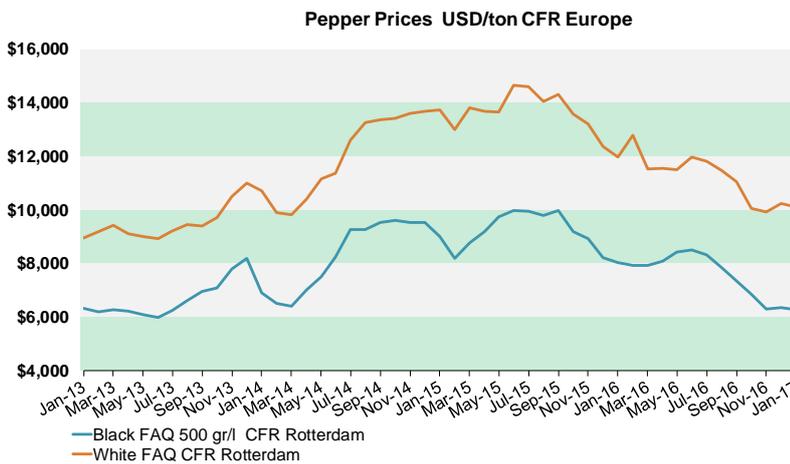


Market Update February 2017

Spices



Pepper

The current declining trend of pepper prices is mainly caused by increased global supply. Production capacity of pepper has increased from year to year because of area expansion, which is in response to the continuing price increase during the last eight years. This lasted long enough to enhance the confidence of farmers around the world about good return on investment in pepper cultivation.

In most production countries, production areas increased drastically, especially Vietnam, Brazil, Indonesia and Cambodia.

Vietnam

From January to December 2016, Vietnam exported 179,233mt of pepper, which is 34% higher than the same period in 2015. Export quantities to North and South America increased by 48% while exports to Europe increased by 10%. In the market the news was circulated that heavy continuous rains and flooding damaged the crop in Vietnam significantly. However, the pepper crop in Vietnam was influenced by many factors, such as: growth of new plantation areas, cultivation technique, lifespan, death ratio of the pepper vines and age of the vines. The abovementioned weather pattern influenced the yield and death ratio. However, taking all these factors into account the Vietnamese crop size in 2017 is likely to be in excess of 190,000mt.

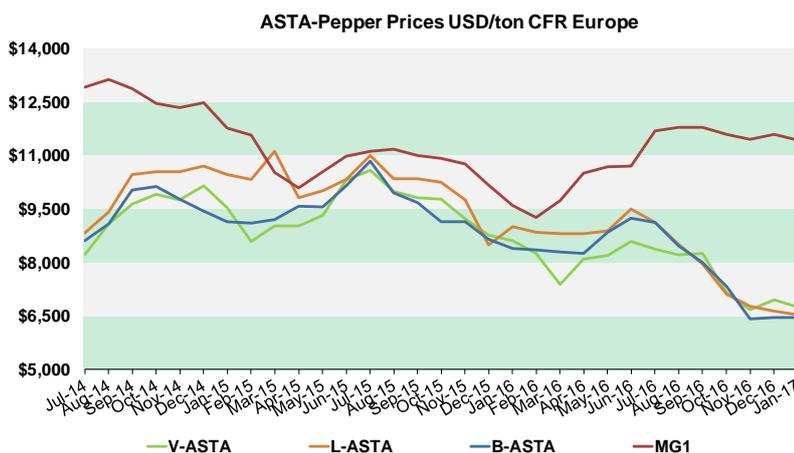
Vietnam Exports 2015-2016 (mt)

Regions	2015	2016	Diff	%Diff
Americas	29,496	43,719	14,223	48%
Europe	37,589	41,304	3,715	10%
Asia & M.East	57,433	80,287	22,854	40%
Africa	9,051	13,923	4,872	54%
Total	133,569	179,233	45,664	34%

From December until the first half of January tight availability of stock against Chinese buying demand for lunar new year celebration kept the market firm. At the moment, the harvest is slowly coming in and will gain momentum from mid-February onwards.

Cambodia

The increase in production area in Cambodia is significant. Cambodia is becoming a relevant producer of pepper. Unofficial reports estimate that production from Cambodia in 2016 came close to 20,000mt, of which around 14,000mt was bought by Vietnamese traders through border trade and 4,000mt was traded via Thai traders. The growth rate is 30-40% annually which, together with good soil condition, makes that the Cambodian crop for 2017 is projected at 25,000mt. Cambodian pepper prices follow the Vietnamese prices.



Indonesia

After earlier selling pressure, offers from Indonesia are limited as exporters have been holding back in view of Vietnam's supply. This may change when Vietnam's new crop hits the market from early February onwards. Recently, the weather in Indonesia has been favourable for pepper cultivation, which is a promising signal for a good catch crop in May/June.

Brazil

The El Niño effect delayed the crop in Espirito Santos for about 3 months. As a consequence, the harvest time will be around the same period as Vietnam and India.

At this moment, Brazilian exporters offer the lowest price for prompt shipment to European and American customers, who need pepper to fill their empty warehouses.

Given the fact that the pepper price has prevailed at high level, Brazilian farmers continuously plant pepper. The growth rate is high at 50-60% annually and those vines planted in the last 2-3 years will start yielding in year 2017. Barring any adverse weather, the 2017 crop is expected in the range between 64,000-67,000mt against 53,000mt last year.

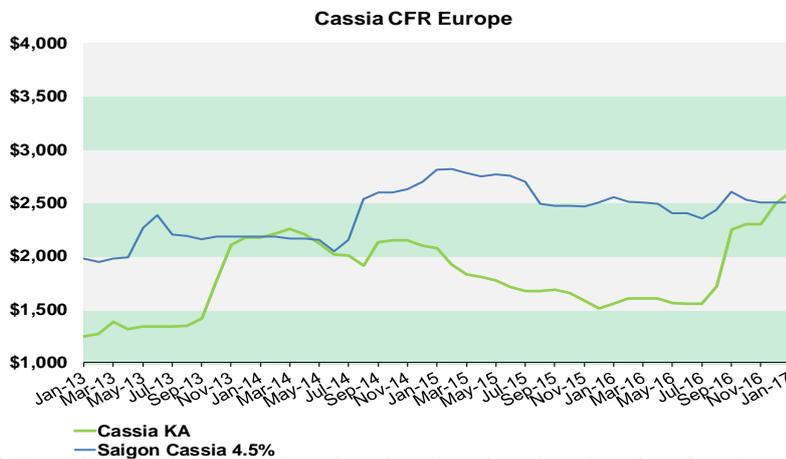
India

Initially it was estimated that the Indian crop would be good. However, due to unfavourable weather conditions, we had to lower our estimation for Indian crop to 65,000mt which is still better compared to last years' crop. Currently the market's liquidity is low because farmers/stockists are holding on to their stock expecting prices to go up. Prices are significantly above those of other origins and are expected to remain high during the next couple of months.

Outlook

The market movement in the last few months enhanced our view that the world supply will be in surplus by some 32,000 tons of pepper for the 2016-2017 crop. However, short term risk of price increase still exists. Although in the near term there will be some pressure from the heavy new crop supplies, farmers have good financial conditions to keep significant quantity away from the market. Furthermore, the expectation of a bigger crop may already be incorporated in today's lower price levels. Fact is that stocks in consumer hands are limited and industries still will have to cover substantial commitments for 2017.

Cassia



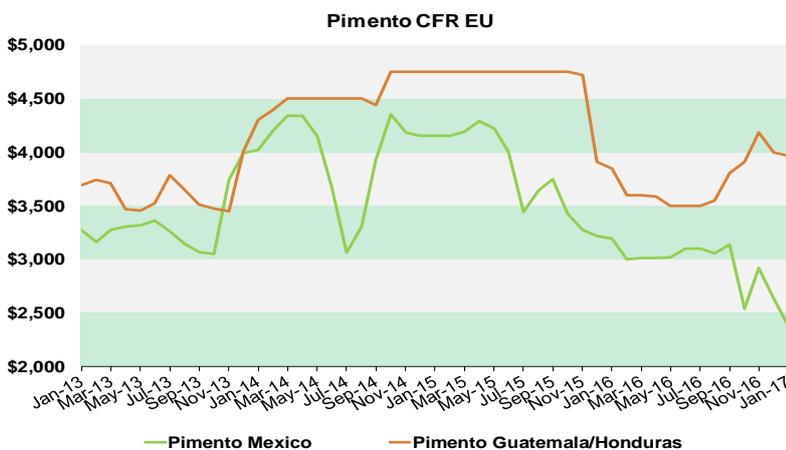
Indonesia

Supply from farmers is still limited and collectors and exporters are hesitant to offer for prompt shipment. In April/ May prices can go down a little because farmers will harvest and sell to obtain cash for their Ramadan celebration needs.

Vietnam

The market is quiet and stable. India and China have no demand at the moment. The low oil cassia will be harvested in April/May, which is the same time as Indonesia. Harvest in the same time in two different production countries can create competitiveness and Vietnamese prices are expected to be lower than the Indonesia prices.

Pimento



Mexico

Market prices are expected to increase a little due to limited supply and fresh demand after the seasonal holidays. Stockists are holding on to their material. As a result of the Mexican-USA political standoff the peso lost value against the US-dollar, which is likely to dampen any upward pull on prices though.

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