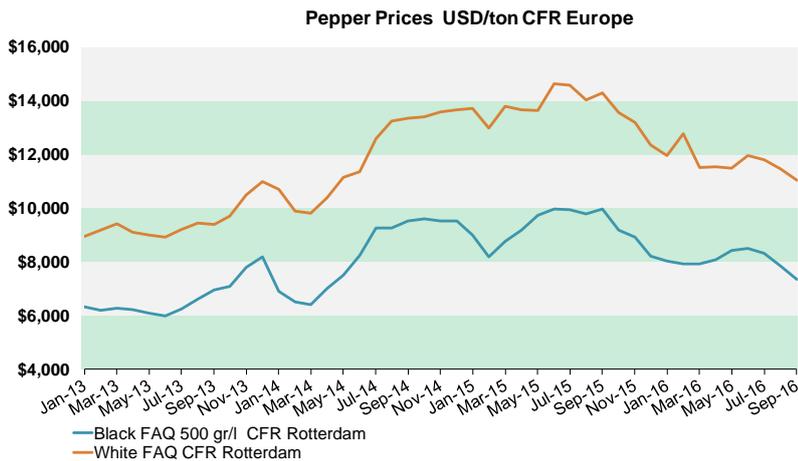


Market Update September 2016

Spices

Pepper



Black pepper prices peaked in September 2015 at around \$10,000/ton cfr Europe. After this we have seen a gradual decline for almost 12 months to levels of \$7500 by the middle of September 2016. Question is whether this signals a period of lower price levels or are we experiencing a correction in a bull market? Since the start of the bull market in 2006 we have seen similar declines in prices e.g. 2008/2009 and 2012/2013. Whilst the first correction can be attributed to the financial crisis, the latter was caused by an unexpected large increase in production in Indonesia. However in both cases prices resumed their upward trend in search for new highs. Will it be any different this time?

Vietnam

From January to August 2016, Vietnam exported 133,038 Mt of pepper, which is 27% higher than in the same period in 2015. Export quantities to North and South America increased by 44% while exports to Europe increased by 4% only. Including approximately 20,000 tons border trade to China, total export volume from Vietnam year to date reached 153,000mt. Available stock to export until the new crop hits the market is about 20,000-25,000 tons.

Vietnam Exports Jan- August 2015-2016 (mt)

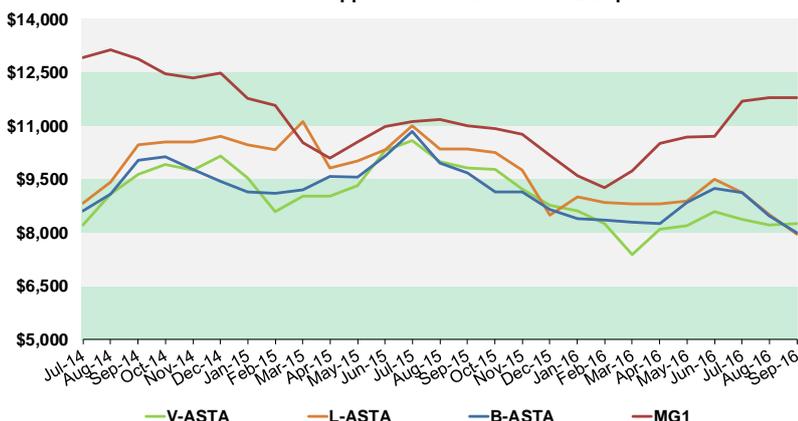
Regions	2015	2016	Diff	%Diff
Americas	22,863	32,893	10,030	44%
Europe	28,098	29,322	1,224	4%
Asia & M.East	46,889	61,214	14,325	31%
Africa	7,025	9,610	2,585	37%
Total	104,875	133,038	28,163	27%

Despite the fact that Chinese traders bought from Vietnam as normal, this year the market didn't become bullish like last year when they entered the market. Attempts by Vietnamese farmers and other long holders to tighten supply did not seem to impress buyers as prices refused to accept higher levels.

Cambodia

The Cambodian harvest calendar is the same as that of Vietnam. In 2016, Cambodia produced about 12,000 tons, exported about 8,000 tons of which 6,000 tons to Vietnam and 2,000 tons to Thailand via border trade. This leaves the country with about 3,000-3,500 tons to export until the new crop reaches the market in February 2017. With new crop volumes expected to increase Cambodia is becoming an increasingly relevant producer of pepper.

ASTA-Pepper Prices USD/ton CFR Europe



Indonesia

The El Niño effect in Lampung lowered the 2016 yield by nearly 30% compared to 2015 resulting in a black pepper production of 27,000 tons. However El Niño did not have any negative influence to the pepper cultivation in Bangka Island, which is the main production area for white pepper. Furthermore, since the last 3-4 years, growth of new production areas in Bangka is significant at 30-50% annually. Production of white pepper from Bangka is forecasted at 24,000 tons. The other islands of Kalimantan, Sulawesi and Java contribute another 7,000-9,000 tons.

In total 2016 production from Indonesia is about 58-60,000 tons, which is just about 8% lower than last year. As new crop volumes entered the market, prices for black pepper have come down, but currently are refusing to decrease further and to compete with Vietnam and Brazil. Indonesian white pepper prices are more or less at par with Vietnam.

Brazil

Although the El Niño effect had a negative influence on the production in Espirito Santos, the annual growth rate of 30-50% compensates for the lost yield. El Niño didn't influence the yield in Para state, so overall, Brazil has a similar crop size as last year of around 52,000 tons. Since the arrival of the new crop market prices for Brazil pepper became the cheapest option for those buyers willing to take Brazil pepper as alternative to Vietnam and Indonesia.

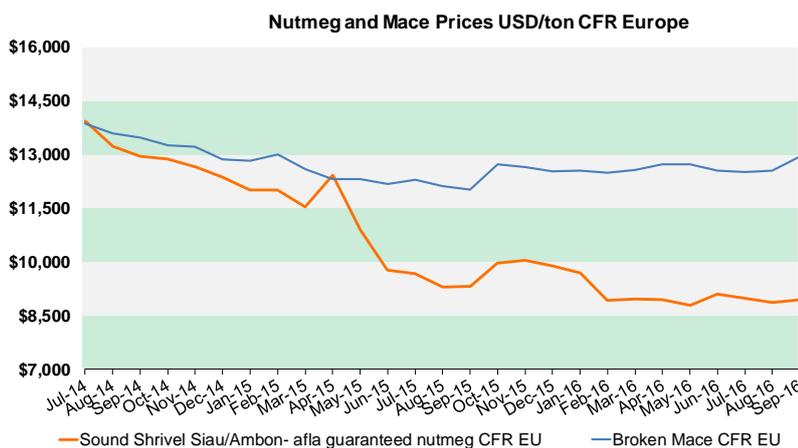
India

The coming crop in India is expected to be a better crop with an estimated production in the range of 62,000 - 70,000 tons. Of course the final crop size depends very much on the weather circumstances during the coming months. Any drought can still pull down the yield and output significantly. Currently the market's liquidity is low and prices are firm, there are no arrivals and there is no buying pressure on the domestic and international front. The farmers/stockists are holding on to the 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

So, will this time be different? Can we expect further price erosion? At this moment it is apparent that consuming countries have been covering well for their 2016 demand and that they are reluctant to buy in excess of immediate requirements. For the global view, we expect the world supply to be in surplus by some 32,000 tons of pepper for the 2016-2017 crop. At the moment there are no reasons to assume that we will see disappointingly low new crops in India and Vietnam, whilst a healthy growth in Cambodia also needs to be factored in. Short term risk of price increase may still be there as Vietnam undoubtedly has only limited volumes to sell, Lampung is taking a back seat and Brazil may realise that there is no reason for aggressive selling.

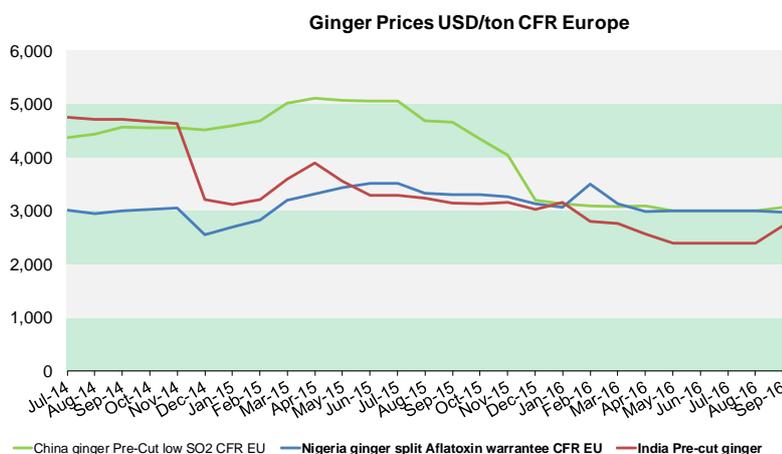
Nutmeg and mace



Indonesia

The new harvest has not found its way to the market yet. All players are waiting for arrival activity in mid-September when the supply situation will become clearer. Some small suppliers are worried, because they don't have stock on hand. The ABCD nutmeg demand from China is strong. Prices can go up as Indonesia is the only origin that can supply to the market at this moment. On the other hand the rupiah may show more weakness against the USD, making local prices to stay high, but the export price more stable. Arrival of mace is less, due to farmers focussing more on cloves. The demand is steady so prices could increase.

Ginger



China

The supply of good quality ginger now depends on the stock of old crop. The price is slightly going up at the local markets. It is forecasted that this year's favourable weather will lead to a good crop.

Nigeria

Ginger was planted in April/May before the rainy season. The crop is promising due to good weather and will be harvested in October/November.

India

Dry ginger prices remain steady. Arrivals are almost over and drying is in process. Trend in prices will become clearer in October.

