



# Pepper



### Key takeaways



### Price outlook



- Most of the producing regions entered the harvest season. Record crops from Vietnam and Brazil are expected to drive another 9% growth in global production.
- Pepper arrivals will likely increase significantly during the Feb – Apr period, hence the pressure on prices is expected to be high.
- Brazil is still the lowest priced origin, however Vietnam could potentially replace this position when its crop enters peak harvest period in Feb-Apr.

Short term:

Medium term:

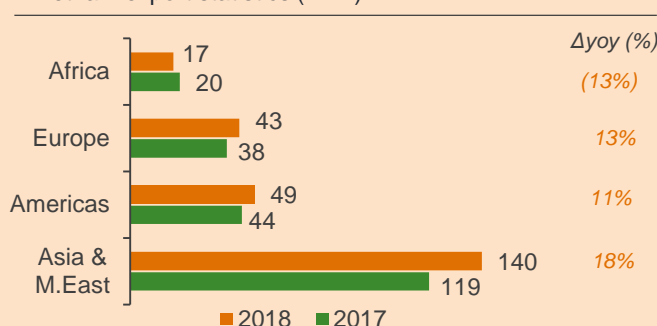
Long term:

### Supply dynamics



- Vietnam export volumes were c. 250 KMT during 2018, a 13% increase versus last year. As the vines planted in 2014 and 2015 entered their most productive state, Vietnam is estimated to have a record crop this season of c. 273 KMT. Stock levels remain relatively high.
- Brazil exported at least 72 KMT last year, up 22% versus 2017. The main markets are USA and Germany. Harvest in Espirito Santo is expected to finish in May.
- India is estimated to have a relatively high stock level per Dec-18. New pepper quality has arrived gradually in Kerala. The production is estimated to decrease somewhat due to the heavy rains and floods last August.

Vietnam export statistics (KMT)

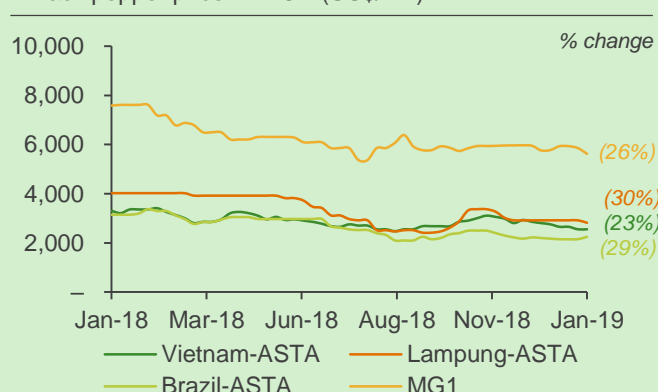


### Price trends



- Vietnamese black pepper prices have eased by some 9% versus last month's prices and are likely to continue to decrease at least until the peak harvest period in March, potentially moving below Brazilian prices.
- Brazil attempted to release their stocks before Vietnam entered its harvest and offered forward contracts for the full year of 2019. Brazil is currently the lowest priced origin.
- In Indonesia, the market is quiet. Speculators keep holding on to their stocks.
- Indian pepper prices decreased somewhat, but remains the most expensive among the origins. Local consumption is estimated to be covered for a large part by pepper imported from Vietnam.

Black pepper price – FOB (US\$/MT)

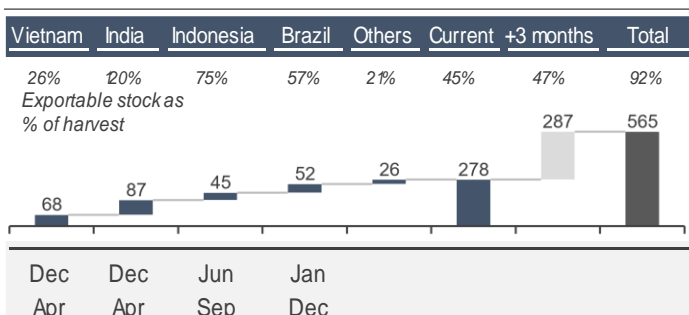


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
BP Vietnam FAQ 550gl	2,500	(9.1%)
BP Brazil FAQ 550gl	2,150	3.6%
BP India FAQ 550gl	4,913	(6.5%)
BP Lampung FAQ 550gl	2,720	(3.5%)
WP China FAQ	5,000	-
WP Indonesia Muntok FAQ	4,020	(3.0%)
WP Vietnam DW	3,700	(7.5%)

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





# Turmeric



### Key takeaways

- The Indian crops are in rhizome maturation stage, the harvest has started in some areas. Due to excess rainfall after sowings, lower production is expected in Kerala due to an c. 30-40% loss, with also the quality impacted. However, overall production is still estimated to be higher due to a significant increase in sowing areas.
- Selling pressure is expected in China due to a good crop of which the harvest just finished, local traders bought materials from India due to lower offered prices.
- More materials are expected to come and prices might soften over the next months.



### Price outlook



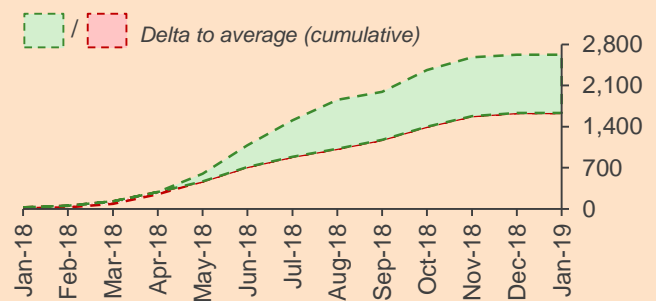
- Short term:
- Medium term:
- Long term:

### Supply dynamics



- India's growing areas increased by 10% versus last season, especially in Telangana and Andhra Pradesh. Production in Kerala state may decrease somewhat as continuous rains occurred after sowings. Current stocks are mostly of inferior quality. New materials have not arrived to the market yet and are expected from mid-Feb onwards.
- China finished its harvest last month, favourable weather supported crop development. Premium quality turmeric is being offered in the market.
- Indonesia has just finished its harvest, farmers showed less interest in turmeric crop due to current low prices.

Rainfall vs average pattern: Kerala, India (mm)

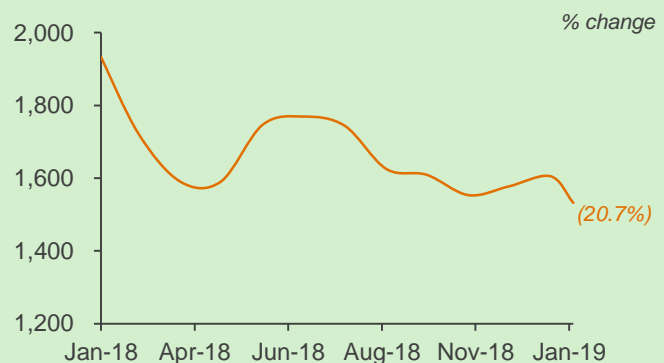


### Price trends



- In Nizamabad, India, the local market offered c. US\$ 1,525/MT, which was slightly lower than prices offered in Erode or Salem due to quality differences. Kerala market offered higher indicative prices of c. US\$ 2,158 – 2,302/MT for high curcumin turmeric variety. Currently suppliers/traders have no superior quality stock available. Market prices have dropped gradually.
- The Chinese local market offered higher prices for premium quality turmeric of c. US\$ 2,200 – 2,700/MT. Chinese traders could make some profits by trading Indian turmeric in the local market due to price differences.
- Indonesian turmeric price is being quoted at c. US\$ 1,500/MT CF HCM for FAQ quality. The market prices eased by 6% without significant demand.

Turmeric prices - FOB (Nizamabad, US\$/MT)

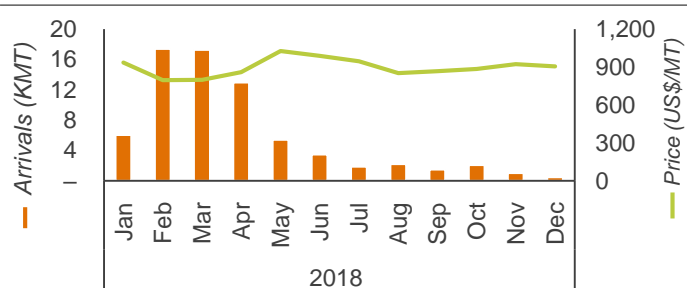


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
Turmeric Nizam	1,525	(3.1%)
Turmeric Indonesia	1,500	(6.3%)
Turmeric China	2,500	-
Turmeric Salem	1,540	-
Turmeric Erode	1,540	-
Turmeric Sangli	1,525	-
Turmeric AFT Finger	2,385	-

### Market arrivals in Nizamabad, India<sup>2</sup>



### Various



#### Nutmeg



##### Indonesia

Strong demand from India and China strengthened the market prices by some 4% since Aug-18. The good crop last Nov/Dec-18 has sufficiently covered the orders from overseas of mostly ABCD and non-guaranteed quality.

The next harvest will start in Apr/May and a good yield is expected. Following this, the Indian crop will also enter its harvest, adding new materials to the market. Hence, the pressure on prices may continue over the medium term.

##### India

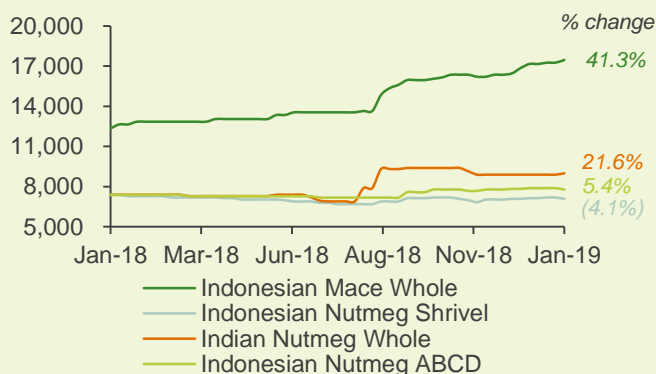
Significantly lower production last season caused a severe shortage in the local market. Especially, aflatoxin free quality is not presently available. Export volume dropped by c. 30% and this origin imported big volumes from Indonesia to cover the local consumption.

The market prices are relatively flat due to the good offers from Indonesia. Nevertheless, prices are still higher than Indonesian nutmeg whole prices by c. 15%. The upcoming harvest will start in June.

##### Grenada

This origin only produces a small quantity of nutmeg which is managed by Grenada Cooperative Nutmeg Association. The association reports that all material has been sold. The new crop is expected to arrive in May.

Nutmeg - FOB (US\$/MT)



#### Cloves



##### Indonesia

Demand for Indonesian cloves depends much on the tobacco industry, as c. 90% of clove production is used for producing cigarettes. Due to a lower demand from the tobacco industry, Indonesia has become the cheapest origin. This likely attracted buying interest from India, USA and M.East. However, lower production supported local prices which are being quoted at c. US\$ 7,000/MT.

##### Madagascar

The harvest finished last month. Farmers were hesitant to sell due to a supposed significant drop in production which was rumored to be c. 50-60%. During Dec-18, the market prices increased sharply from US\$ 7,000/MT to US\$ 8,300/MT. However, Indonesian clove prices became more competitive due to the local situation regarding cigarette taxes. Hence, buyers switched their interest to purchase materials from there and local prices dropped to c. US\$ 7,950/MT again.

##### Brazil

Average production is expected this season of c. 4 - 5KMT. The harvest will finish shortly in Bahia state and the local market offered c. US\$ 1,000/MT lower compared to Indonesian prices owing to lower material quality.

##### Comoros

Market is relatively quiet with limited stocks. Price is being quoted at c. US\$ 7,500/MT.

Madagascar cloves prices - FOB (US\$/MT)

