



Pepper



Key takeaways



Price outlook



- Vietnam export volume for the year-to-go period is estimated to grow at a lower level than expected due to export issues into China.
- Further pressure on prices is expected over the coming period as continuing supply from Brazil and later Vietnam, Cambodia and India will add to stock levels from Dec/Jan.
- Brazil exporters have sufficiently released their stocks by offering competitive forward discounts. Prices are expected to stay below Vietnamese prices until the harvest finishes in Apr/May-20.

Short term:

Medium term:

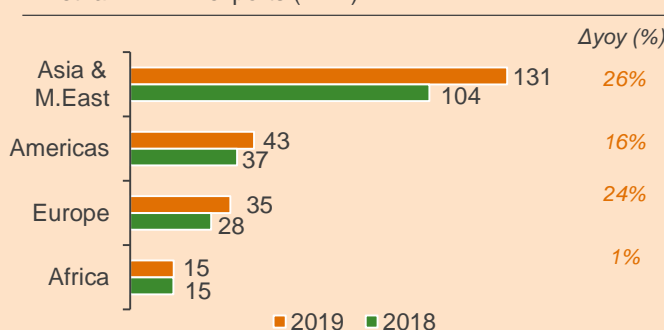
Long term:

Supply dynamics



- For the YTD Aug-19 period, Vietnam exported c. 223KMT, up 22% yoy. Despite this growth, there is still c. 180KMT of stock. The Chinese customs have started to strictly control trading activities at the border, which may limit export for the coming months.
- The Vietnamese crop is in berry setting stage. The crop size is expected to be 15-20% lower this season, largely due to unfavorable rainfall in some growing areas.
- Farmers are harvesting the crop in Para state, Brazil and forward shipments are sufficiently booked until end of the year. The crop in Espirito Santo is expected to be harvested from Jan-May-20.

Vietnam – YTD exports (KMT)

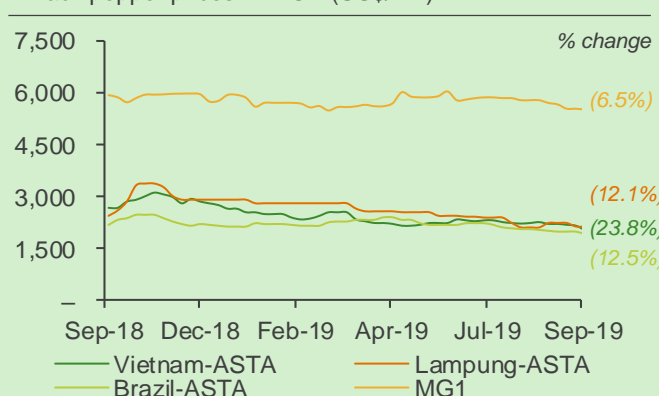


Price trends



- Vietnamese traders and collectors are trying to liquidate their stocks before the upcoming harvest in Jan-20. Further pressure is expected due to slow buying activities from China. The local market prices eased by some 10%, compared to last month.
- Brazil became the cheapest priced origin when the harvest started in Jul/Aug-19. Prices are at c. US\$ 1,925/MT for ASTA quality. The local market has already offered a further discount of c. 3-5% for the machine dried pepper from Espirito Santo state, shipments from Jan-Jun-20.
- Indonesian white pepper price weakened somewhat although production is estimated to be lower. The traditional method of soaking and retting to make white pepper is more expensive than decortication.

Black pepper prices – FOB (US\$/MT)

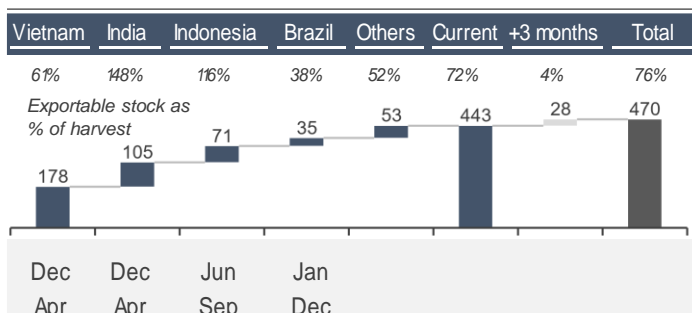


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam FAQ 550gl	2,000	(9.1%)
BP Brazil FAQ 550gl	1,850	(3.9%)
BP India FAQ 550gl	4,833	(4.6%)
BP Lampung FAQ 550gl	2,170	1.2%
WP China FAQ	5,000	2.0%
WP Indonesia Muntok FAQ	3,770	(3.2%)
WP Vietnam DW	3,000	(4.8%)

Exportable stock estimate (KMT)²





Nutmeg and mace



Key takeaways



Price outlook



- Indonesian farmers are expected to be more active in the nutmeg harvest when the harvest of cloves finishes in Oct-19. Due to quality control, Chinese are slowing their buyings in Indonesia. The activities could be resumed when required certification and documents are approved. Local market remained firm.
- The coming mace material from Indonesia could cover the short term demand from India. However, the market is expected to remain at high level still over the longer term.

Short term: ➡

Medium term: ➡

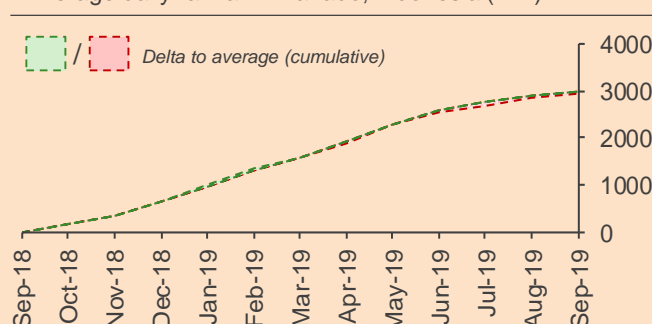
Long term: ⬆

Supply dynamics



- New crop materials are arriving slowly into the market as farmers are still focusing on harvesting cloves, hence labor is less available to collect nutmeg fruits.
- China is the biggest importer of Indonesian nutmeg, at c. 4-5KMT per annum via Vietnam. Recently, the Chinese government has strictly applied the quality control for some spices, especially nutmeg, it is considered to be a medicine. Chinese buyers are looking for direct import from origins.
- The harvest in India has just finished. Market arrivals were estimated to be at a low level due to flood impacts during August. Harvested fruits are reported to have high moisture content and local traders are only offering non guaranteed quality.

Average daily rainfall – Manado, Indonesia (mm)

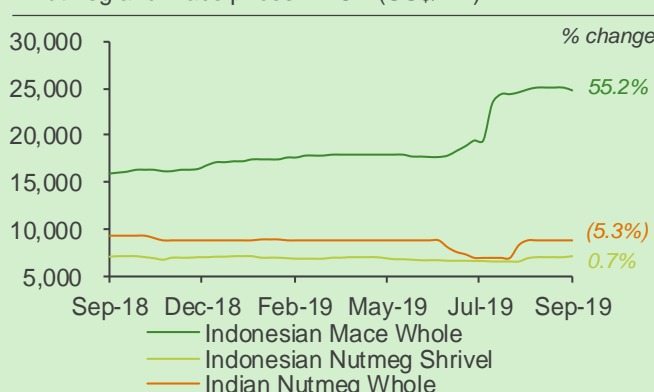


Price trends



- Indonesian nutmeg prices remained firm due to slow supply. The coming material is expected to cover import demand from China and India. Local prices increased somewhat over the past month as Indian prices increased. The market is at c. US\$ 7,130/MT for Shrivel Siau/Ambon - afla guaranteed.
- Indian nutmeg price was up to a level of c. US\$ 8,900/MT due to severe impacts from heavy floods last August. The local market is offering a 15-20% higher price compared to Indonesia.
- There has been a shortage of mace stock since last year. The coming material from Indonesia could soften the market somewhat. However, prices are expected to remain at a high level over the long term.

Nutmeg and mace prices – FOB (US\$/MT)

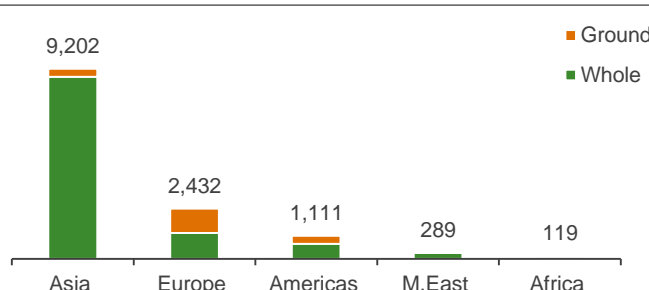


Key quality price levels¹



Quality	US\$/MT	Change (%)
Nutmeg Indonesia SS	7,180	2.9%
Nutmeg Indonesia ABCD	7,580	1.3%
Nutmeg Indonesia BWP	4,530	3.4%
Nutmeg India Whole	8,900	-
Mace Indonesia Whole	24,750	(0.4%)

Indonesia nutmeg export 2018 (MT)²



Various



Pimento



- The harvest is ongoing across growing regions in Jamaica, Mexico, Honduras and Guatemala, and will finish shortly.
- Collectors had offered low prices to farmers since the beginning of the harvest in order to get sufficient forward volumes. However, prices increased by c. 10-20% due to low supply from big origins like Mexico and Honduras. The market is expected to continue in an upward trend for the coming months and may become more stable when most of demand is covered.

Mexico

The crop size was impacted by unfavorable weather in the month before harvesting. Rumors circulated about a lower production of c. 40-50%.

The market provides limited offers from suppliers. Price is at a high level of c. US\$ 3,480/MT, up 20% vs last month.

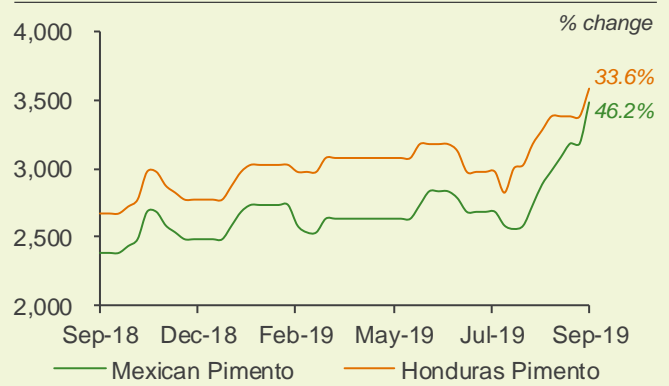
Mexican pimento price is usually lower than Honduras price by c. 10-15% due to difference in volatile oil level. Due to limited availability of material, the price gap closed.

Honduras

The crop is estimated to be less than 1KMT this season, down 30-40% versus last year. The local market offered at c. US\$ 3,580/MT, a c. 10% increase over the past month.

Supply is relatively slow with small availability of new material. Farmers are holding back to wait for better prices.

Pimento prices - FOB (US\$/MT)



Cloves



Indonesia

Clove production is expected to be higher this season due to good weather conditions, at c. 95-100KMT. The harvest is continuing until next month.

Due to the weak demand from tobacco industry (the major consumer of cloves), prices kept decreasing over the past year.

The local market eased by some 2-3%, compared to last month due to the arrivals from ongoing harvest. Price is at c. US\$ 5,550/MT which is c. 5% lower than Madagascar.

Madagascar

The harvest is going to start next month, farmers expect a bumper crop this season of c. 8-10KMT. The market is offering at c. US\$ 5,850/MT.

Comoros

The harvest just finished. Prices decreased over the past week as selling pressure on the account of sufficient supply from Indonesia and Madagascar. Therefore, this origin is offering the lowest price among origins for the similar oil quality of c. 16-17%. Price is ranging between US\$ 5,400-5,500/MT and following the movement from Indonesian prices.

Brazil

The crop size is estimated to be c. 6-7KMT this season. Local exporters are offering a forward discount of c. 10-20%, delivering from December onwards. Prices are at c. US\$ 4,600/MT for lower volatile oil quality of c. 11-12%.

Cloves prices - FOB (US\$/MT)

