



Pepper



Key takeaways



Price outlook



- The harvest is in progress in most origins. New crop arrivals are expected to peak between Feb-Apr-20, putting further pressure on prices over the upcoming months.
- Brazil is still the lowest priced origin, however Vietnam could potentially replace this position when its crop enters into the peak harvest period.
- Border trade issues between Vietnam and China supported Indonesia to increase its export volumes to China, the biggest consuming country.

Short term:

Medium term:

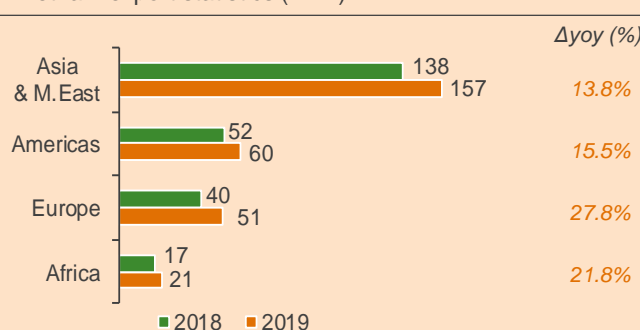
Long term:

Supply dynamics



- Most of the origin countries entered the harvest season. Global production is estimated to drop by c. 12% this season, to c. 543 KMT, this is expected to be still well above the total market demand.
- Vietnam exported c. 288 KMT during 2019, a 17% increase versus the previous year. Most volumes went to China, the US and India.
- The harvest of again a good crop is in progress in the South of Brazil, Espirito Santos, where 90% of the crop material is machine dried quality. Brazil exported at least 85 KMT last year, of which c. 30% went to Germany and Vietnam. Total export volumes were up by c. 20% yoy.

Vietnam export statistics (KMT)

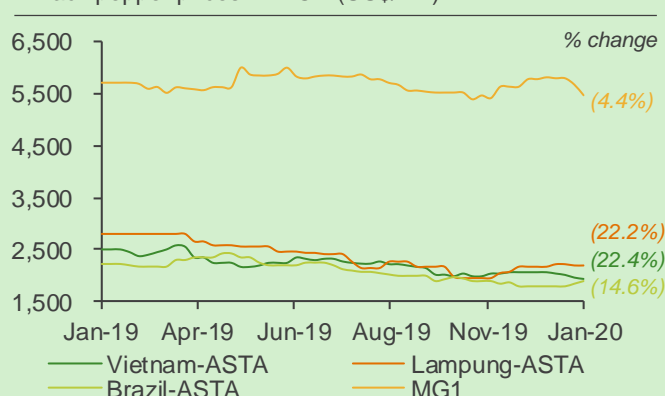


Price trends



- Vietnamese black pepper prices weakened by c. 6% over the past month as farmers and collectors attempted to clear some stocks before Tet holidays. Prices are being quoted at c. US\$ 1,936/MT ASTA FOB.
- Sufficient forward sales supported Brazilian exporters to liquidate stocks. Therefore, selling pressure has eased recently. The local market offered at c. US\$ 1,900/MT for ASTA quality, which could potentially move above Vietnamese product over the coming month.
- Border trade issues have limited export activities from Vietnam to China. Hence Chinese buyers became more active in Indonesia, pushing Lampung prices up over the past months.
- A lower demand from China over the coming period due to the Corona virus outbreak may also contribute to further downward pressure on prices.

Black pepper prices – FOB (US\$/MT)



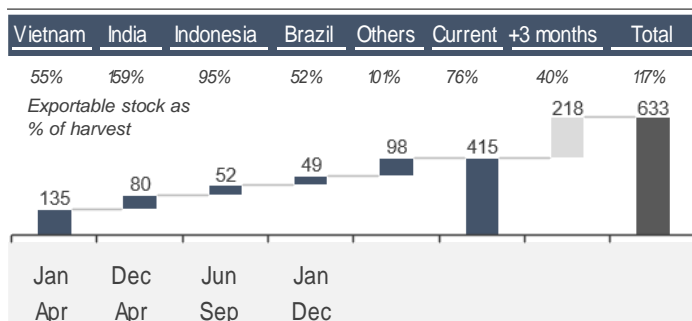
Key quality price levels¹



Exportable stock estimate (KMT)²



Quality	US\$/MT	Change (%)
BP Vietnam ASTA	1,936	(6.2%)
BP Brazil ASTA	1,900	5.6%
BP Lampung ASTA	2,195	1.2%
BP MG1	5,469	(6.2%)
WP China FAQ	4,500	(6.3%)
WP Indonesia Muntok FAQ	3,695	(6.9%)
WP Vietnam DW	2,900	(4.1%)





Turmeric



Key takeaways

- The harvest started in some of the growing areas of India. Overall production is expected to drop this season due to a decrease in sown area and lower yields on the account of excess rainfall during the vegetative stage.
- New crop materials are expected to arrive in a few weeks. Prices may soften somewhat during the harvest period. However, demand for the festive season and expected lower production this season will likely support prices over the longer term.



Price outlook

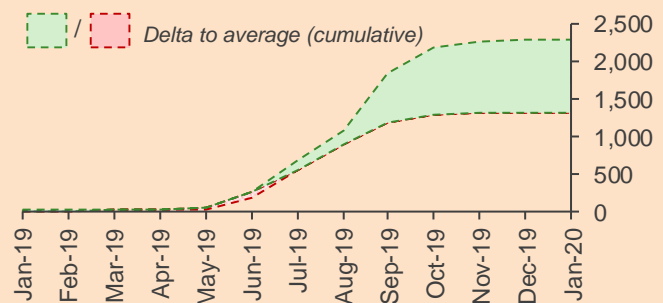


- Short term:
- Medium term:
- Long term:

Supply dynamics

- Turmeric cultivated areas in India were reported to be c. 42k hectares this season, a 10% decrease versus the previous crop. This was impacted by the late monsoon in some growing regions. Furthermore, some crops in Maharashtra and Karnataka were damaged due to heavy rainfalls during the vegetative stage.
- Overall India's dry crop is estimated to drop by c. 15%, at some 475KMT this season. The harvest just started, and will peak between Mar – Apr - 20.
- The local market is still offering big volumes of materials from the previous crop. As of Dec-19, market arrivals were reported to increase by c. 29% yoy.

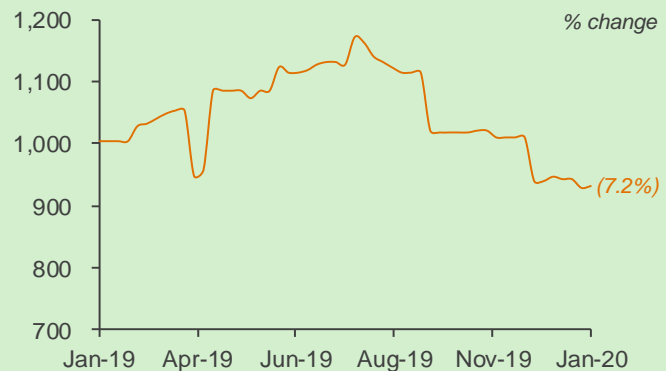
Rainfall vs average pattern: Nizamabad, India (mm)



Price trends

- The government of Andhra Pradesh state has recently fixed a Minimum Support Price for Kadapa at US\$ 972/MT farm grade quality. Officials are directed to purchase from farmers at the stipulated prices, effective for the period from Feb-May-20.
- Nizamabad turmeric prices are being offered at c. US\$ 850 – 950/MT, remained relatively stable over the past month.
- Traders and collectors are attempting to release stocks before the new crop arrives. Hence prices eased in some local markets like Salem and Sangli.
- Prices are expected not to fall further from the current levels over the longer term as demand for the festive season and expected lower production in the upcoming harvest should support the price.

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

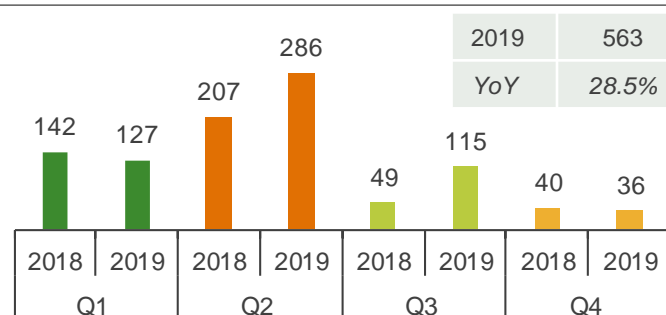


Key market price levels¹



Quality	US\$/MT	Change (%)
Turmeric Nizam	932	(1.6%)
Turmeric Salem	879	(11.2%)
Turmeric Erode	995	-
Turmeric Sangli	1,021	(7.2%)
Turmeric AFT Finger	1,773	(8.0%)

India market arrivals (KMT)²



Various



Nutmeg



Indonesia

The new crop is expected to arrive in Apr-May-20. Heavy rains during the flowering stage between Jul-Aug-19 impacted overall crop yield this season.

The local market offered at c. US\$ 7,180/MT for nutmeg ABCD quality which was c. 20-25% lower than Indian prices. The market is expected to firm up over the coming month and is likely become more stable when the new crop arrives. Following this, the Indian crop will also enter its harvest, adding more materials to the market. Hence, some pressure on prices is anticipated over the longer term.

Mace prices remained at a high level. Prices increased by c. 8% over the past month due to good demand from India. The local market is offering at c. US\$ 24,650/MT.

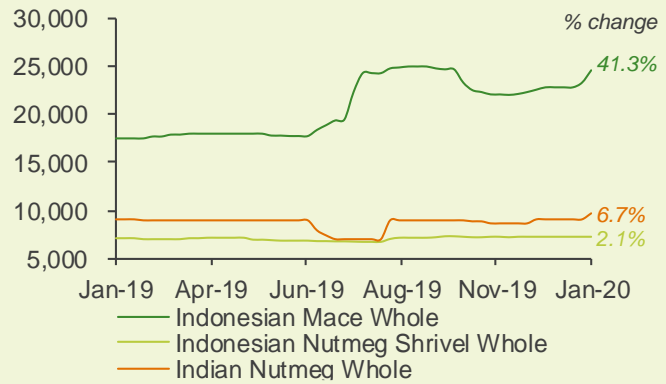
India

In the recent 2 years, the Indian crop was impacted by heavy rains during the Aug-Oct period. This season, the flowering was delayed by a month. Therefore, production is expected to remain at a low level. Rumors circulated a crop size of c. 10-12KMT only, compared to a normal crop of c. 15-17KMT.

Export volume dropped by at least 30% yoy and this origin imported big volumes from Indonesia to cover local consumption. Nutmeg prices are at c. US\$ 9,600/MT, up 7% compared to last month.

Traders and collectors are holding small volumes of mace. Prices are being quoted at above US\$ 30,000/MT for good color quality.

Nutmeg & mace prices - FOB (US\$/MT)



Cloves



The market reached its bottom during its peak harvest in mid Nov-19, at c. US\$ 4,900/MT. Indonesia and Madagascar were reported to have very good crops. However, the market quickly recovered as speculators started ordering big volumes. As of today, prices are being offered at c. US\$ 6,200/MT, a 7-10% increase versus last month.

Indonesia

Indonesian clove prices firmed up by c. 10% over the past month, to US\$ 6,200/MT FOB. It is reported that several cigarette companies started buying at good prices. Furthermore, Indian collectors became more active in this origin. During 2019, India imported at least 7KMT from Indonesia, up by c. 50% yoy.

The market is expected to be more stable over the coming period. Nevertheless, short-term demand from the cigarette industry will likely not support prices to recover in the long term.

Madagascar

Indian collectors have been more active in Madagascar since Sep-19 when this origin offered relatively competitive prices compared to Indonesia. Usually, Madagascar offers 10-20% higher prices than Indonesia. However, due to the high availability of crop material, the price gap closed. This attracted import demand from other consuming markets.

Currently, Madagascar is following closely the movement of the Indonesian market. Prices are at c. US\$ 6,200/MT, up 7% vs last month. Selling pressure has eased as traders and exporters are holding back and waiting for better prices.

Cloves prices - FOB (US\$/MT)

