

Covid-19 Update



Covid-19 impact on spices supply chain



With the surge in coronavirus cases outside China, many countries are imposing measures to prevent the virus from spreading too quickly. Although most measures are taken for a few weeks initially, the situation remains unpredictable.

It is not likely that business will continue as before in a few weeks. It took China c. 2 months from lock-down to slowly restarting, while many countries just started their mitigation measures. Meanwhile, the risk of the virus spreading again remains.

As the epicenter shifted to Europe and the Americas, it is no surprise supply chains across the world are impacted. Although the food service sector is hit severely at the moment, the impact on the demand side is still limited for spices and is otherwise likely to pick up again quickly in the foreseeable future. The true risk is on the supply side, both in destination markets and in origin, in the form of available goods and infrastructure in the short term, and in capital, labor and productivity in the long term. The economic impact may be larger than the 2008 financial crisis.

While food and logistics services are labeled an 'essential activity' in most countries, and ports often remain functioning in some form, export isn't always a priority for governments implementing a 'lock-down' approach. Furthermore, land border closures result in delays and air freight is nearly impossible.

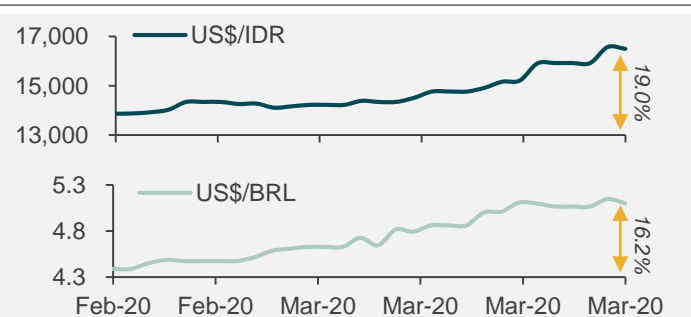
Also, in origin countries which may appear less impacted on the face of government measures, identified cases, etc. operations are impacted due to more erratic supply of goods, labor shortages and travel restrictions.

For the moment though most origins are still able to ship their products and the virus isn't spreading as quickly as in destination markets. The exception is India, which announced a lockdown last week until mid Apr-20, with also exports heavily impacted.

Meanwhile all uncertainty, generally good crops and the fact that currencies of key origin countries are continuously weakening against the US Dollar, has lead to lower price levels for many spices.

Country	Cases [↑]	Measures	Crop arrivals	Spices [†] processing	Export	Commentary	Selective origins, as per 28-Mar
China	Total: 81,493 last 24h: +0% Deaths: 3,300	current outlook				Following lock downs starting 23-Jan also factories were closed, which impacted supply of key products like ginger, garlic, onion, etc. Business is returning to normal slowly now, with also Wuhan opening again soon.	
Brazil	3,477 +14% 93	 				Closed borders to various countries until 31-Mar and various municipalities announced a state of emergency. The government (Bolsonaro) is trying to reduce measures in favor of the economy, causing public protest.	
Malaysia	2,320 +7% 27	 				'Restricted Movement' measures extended to 14-Apr. Although essential sectors are exempt and ports largely continue to work, pepper is not deemed 'essential' and the Malaysian Pepper Board is unable to provide required services for export.	
Indonesia	1,285 +11% 114	 				On 14-Mar, the government declared the coronavirus outbreak a national disaster and started implementing more severe preventive measures. Most cases are in west Java/Jakarta, not in key spice areas. The upcoming Ramadan is a risk.	
India	918 +11% 19	 				Declared complete lockdown on 23-Mar for 21 days. Non-essential industries, including spice export companies, are asked to close. Trading and market activities largely came to a halt. Between state transport is very difficult as well.	
Vietnam	174 +11% 0	 				On 31-Mar a lockdown was announced. The situation is uncertain as local authorities are to confirm the 'essential companies' which can continue to operate. The harvest of pepper largely completed, but the cassia harvest is impacted.	

Currency movement against US\$



Price development



Product category	Price reference	US\$/MT	MoM (%)
Pepper	Vietnam ASTA		(4.1%)
	Lampung ASTA		(6.8%)
	MG1		(12.8%)
	Indonesia Muntok FAQ		(10.9%)
Cassia	Saigon cassia 3%		(11.0%)
Cumin	India IPM sortexed		(8.1%)
Ginger	China pre-cut low SO2		(11.1%)
Nutmeg	India nutmeg		(13.5%)



Pepper



Key takeaways



Price outlook



- The harvest in Vietnam, Cambodia and India is expected to finish next month. Market arrivals reached the highest level during Feb/Mar-20. Global stocks increased to over 600KMT.
- The currency of most origin countries is weakening versus the US Dollar, especially Indonesia and Brazil.
- Vietnamese and Brazilian black pepper prices remained below US\$ 1,900/MT over the past month. Prices are expected to remain under pressure over the coming period.

Short term:



Medium term:



Long term:

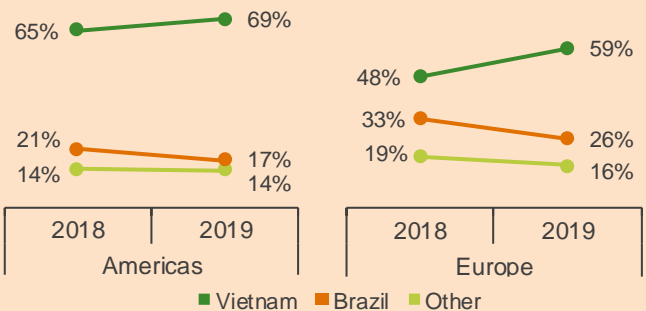


Supply dynamics



- Vietnam exported almost 290KMT during 2019. Shipped volumes increased by c. 16% and 28% yoy to the Americas and Europe respectively. Statistically, some volumes appear to be taken over from the second largest producer, Brazil.
- Vietnam's harvest completed by c. 90% and will finish next month. For the YTD Feb-20 period, this origin exported c. 41 KMT, a 10% increase yoy.
- The harvest is ongoing in other origins such as Brazil and Cambodia, pushing global stocks to over 600KMT per Mar-20.
- Although sometimes with delay (f.e. Malaysia) or with smaller volumes (f.e. Cambodia) due to Covid-19, in general pepper supply lines remain largely intact.

Export volume share per origin (2018 vs 2019)

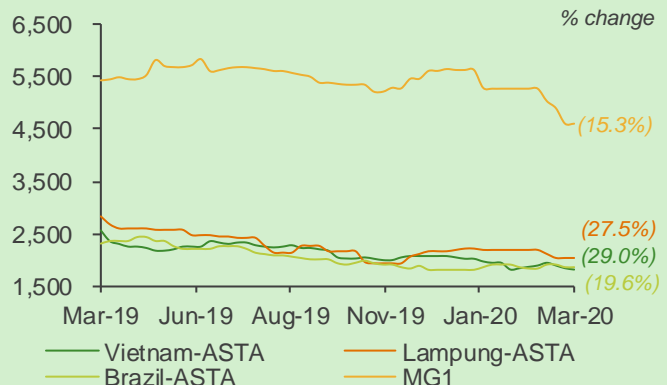


Price trends



- The spread of Covid-19 outside China has impacted the global economy, trade activities remain weak. Hence, most origins are experiencing weakening currency situations. In addition, the pepper market is under further pressure from the peak crop arrivals and high carryover stocks.
- Vietnam black pepper prices softened somewhat and are being quoted at c. US\$ 1,809/MT ASTA.
- Brazilian prices remained firm as most materials are sufficiently booked until Jun/Jul-20, mainly to Africa and the Middle East market.
- Indonesian exporters are trying to liquidate their stocks, some 5-7% discount was offered. However, most destinations are focusing on the crop in Vietnam. Prices are at c. US\$ 2,045/MT.

Black pepper prices – FOB (US\$/MT)

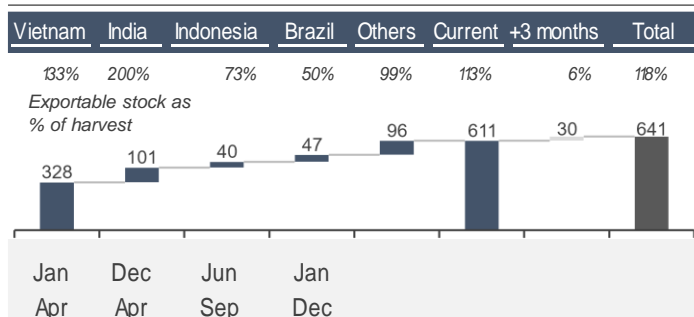


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam ASTA	1,809	(4.1%)
BP Brazil ASTA	1,850	1.4%
BP Lampung ASTA	2,045	(6.8%)
BP MG1	4,601	(12.8%)
WP China FAQ	4,400	(2.2%)
WP Indonesia Muntok FAQ	3,270	(10.9%)
WP Vietnam DW	2,800	(0.9%)

Exportable stock estimate (KMT)²





Cumin



Key takeaways

- India announced a complete lockdown until mid Apr-20 to control the Covid-19 spread. Indian market prices dropped by c. 5-10% over the past month on the account of weakened demand and high domestic supply. At the moment markets are closed due to the lockdown entirely.
- Overall production is estimated to grow by c. 15% this season due to the large expansion of planting areas in Gujarat. Harvest is still being carried out, however there is limited labor available.
- There may be some panic buying when markets open again.



Price outlook



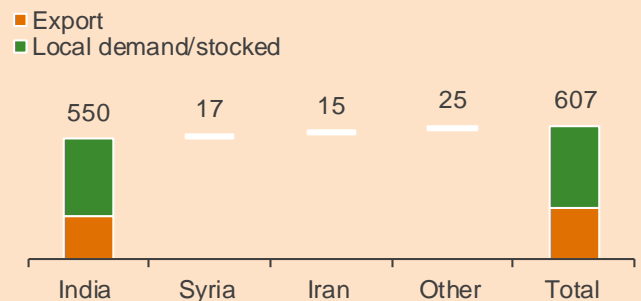
- Short term:
- Medium term:
- Long term:

Supply dynamics



- Total crop sown was reported to be c. 1,136k hectares, a 15% increase versus last year, driven by the large expansion of planting areas in the Gujarat state. Cumin arrival was reported to be c. 103KMT for the YTD Mar-20 period, up 13% yoy. Crop arrivals are being stopped into the market after announcing lockdown.
- The Syrian harvest will be delayed to May/Jun-20. The weather has been favorable for crop development so far. Rumors circulated that production could exceed 15KMT this season. However, from now until the harvest stage, the crop still depends heavily on weather conditions.

Cumin production and export by origin 2020E (KMT)

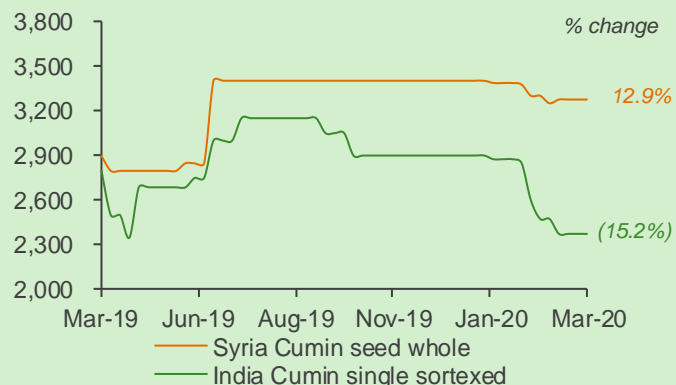


Price trends



- Due to higher production expectations, traders showed pressure to release their carryover stocks. Prices have dropped since Jan-20 and are being quoted at c. US\$ 2,375/MT for single sortexed quality. After a month shutdown, the Chinese have slowly resumed buying but no volumes can be shipped at the moment.
- At the Unjah market, Gujarat, prices ranged between US\$ 1,836 – 1,986/MT FAQ.
- Syrian prices remained firm, at some US\$ 3,275 – 3,375/MT. The local market is quiet with limit activities.
- Overall, prices are expected to fall further, resulting from high production and low demand under current circumstances.

Cumin prices - FOB (US\$/MT)

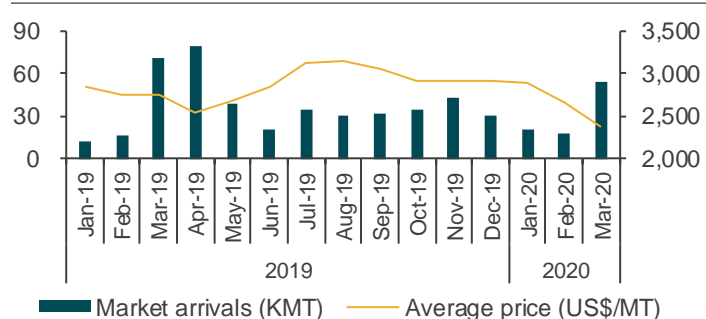


Key market price levels¹



Quality	US\$/MT	Change (%)
India Cumin Single Sortexed	2,375	(4.0%)
India Cumin Double Sortexed IPM	3,100	(8.1%)
Syria Cumin Seed Whole	3,275	(0.8%)
Syria Cumin 99.5% Whole	3,375	(0.7%)
China Cumin Seed Whole	3,700	-

India market arrivals and average price²



Various



Turmeric



India

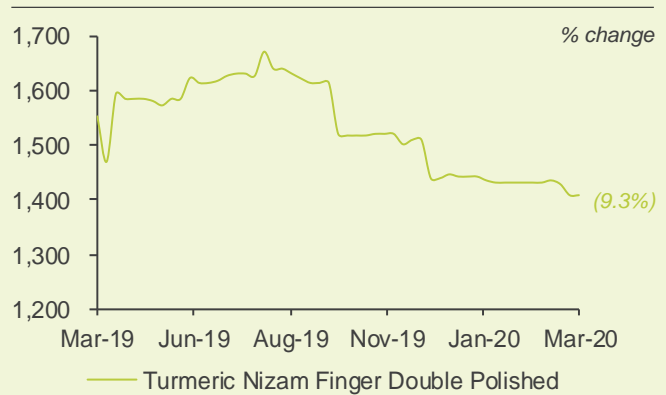
Production in India is expected to be lower by c. 15% this season, driven by excessive rainfall in Maharashtra and Karnataka during the Aug-Sep-19 period. The loss is expected to be c. 20 - 25% in these states. Fortunately, in Telangana, the biggest production contributor, the crop is in good condition and yields are estimated to be better. This will likely cover the losses from other growing areas somewhat.

The local market received c. 67KMT for the YTD Mar-20 period, down 30% yoy. The harvest is delayed and more materials are expected to arrive when the lockdown ends.

New crop arrivals at the Nizamabad market were reported to have a high moisture level of c. 13 - 15%. Local market prices softened somewhat, to c. US\$ 1,409/MT for Finger double polished quality. Given low market prices and unavailability of material traders and collectors are hesitant to offer.

Overall, local market prices are expected to remain at a low level until the country resumes working, which for now is expected to be 2nd half of Apr-20, and demand will pick up again in order to fulfill the booked shipments.

Turmeric Nizam - FOB (US\$/MT)



Indonesia

The local market fell somewhat due to low demand over the past month. Prices are at c. US\$ 1,100/MT for turmeric sliced FAQ quality. The harvest will start in Jul/Aug-20.

Cassia



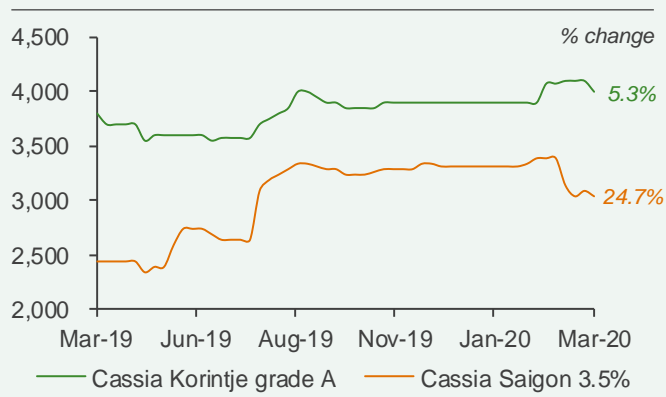
Vietnam

Vietnam exported c. 61KMT during 2019, a 14% increase yoy. This included some 10KMT of Chinese cassia shipped to the local market via border trade.

During Jan-Mar-20, Vietnam expected to receive some Chinese materials from old stocks before its harvest. However, the border gate has been strictly controlled due to the Covid-19 outbreak. The local market has limited volumes to offer and is waiting for new crop arrivals from the spring harvest. However, they are facing a problem regarding labor shortage to fulfill current shipments. Prices strengthened somewhat, to c. US\$ 2,880 - 3,050/MT for 3.0 - 3.5% oil quality.

The autumn crop will start in Sep-20 onward, producing mostly high oil cassia. Local traders and collectors currently provide limited offers for high oil quality. Prices remained firm, at c. 20-25% higher than low oil materials.

Cloves prices - FOB (US\$/MT)



Indonesia

Currently heavy rain limits crop arrivals into the local market. Farm gate prices strengthened somewhat. However, export prices are under pressure as the local currency weakened against the US Dollar by c. 19% over the past month. Prices are at c. US\$ 2,600/MT for KB quality. High oil cassia prices remained above US\$ 4,000/MT.

China

The harvest is in progress, one month earlier than usual. Trading activities are quite busy in the local market. New crop materials have not been shipped to Vietnam yet. Prices ranged between US\$ 1,050 - 1,250 US\$/MT FAQ split low oil cassia.