

Covid-19 Update

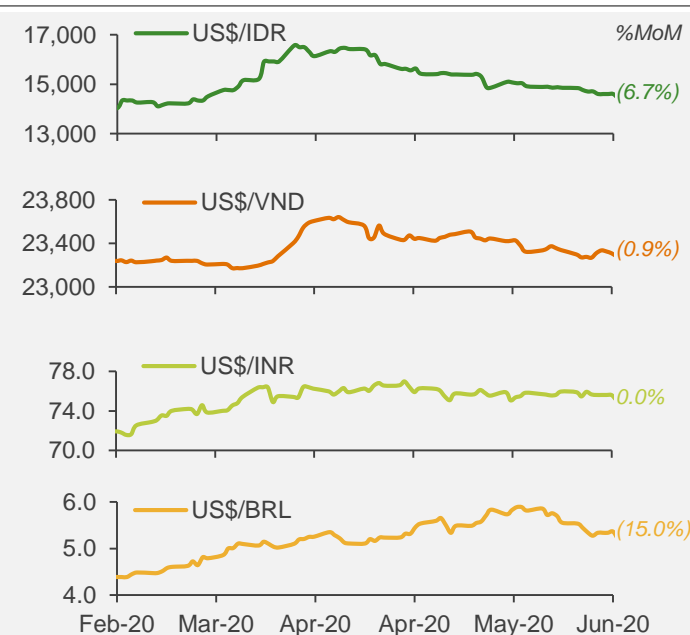


Covid-19 impact on spices supply chain – key origin review



Country	Measures	Crop arrivals	Spices processing	Export	Commentary	Selective origins, as per 8-June
China	current 				The import demand of China declined sharply during the first quarter due to the coronavirus outbreak. Fortunately, the economy is returning to normal and demand has picked up for most spices.	
Brazil					Brazil was relatively late in suffering a serious outbreak, but has now become the second hardest hit country in terms of cases. As a result, business activities are under pressure. The pepper harvest, planned for Aug-20, may be slowed down because of the outbreak.	
Malaysia					Malaysia has extended the partial lockdown until 09-Jun-20 as newly infected cases increase. The pepper industry has reopened since early May but is still struggling to get back on track.	
Indonesia	current 				The country with the world's largest Muslim population ended its fasting month last week, raising concerns about the spread of new cases. However, all harvest, processing and export activities still remain functional.	
India					The country is easing restrictions locally to curb the economic damage resulting from the nationwide lockdown, while the number of confirmed cases continues to grow. The prices of most spices continue to drop under current circumstances. Most key spice processors are able to operate at lower capacity.	
Vietnam	current 				Vietnam records no new cases in community for 1.5 months. The country decided to remove social distancing limitations on transportation. Logistics activities can continue to operate normally, which allows for a stable supply chain.	
Nigeria					Nigeria decided to ease the lockdown, although the number of confirmed cases increases. Transportation of essential goods is still prioritized. 70% of state government workers were asked to stay at home.	
Honduras					On March 18, 2020, the government instituted a nationwide lockdown, with specific days when people can leave their homes to get food. Measures are starting to be eased from 8-Jun-20.	

Currency movement against US\$



Price development



Product	Price reference	US\$/MT	Trend	% MoM
Pepper	VN BP ASTA	2,802		39.2%
	Lampung ASTA	2,820		45.7%
	Muntok WP FAQ	4,170		13.6%
Nutmeg	Indonesia nutmeg ABCD	6,630		(2.2%)
	India nutmeg whole	6,650		(14.7%)
	Indonesia mace whole	23,550		0.4%
Cassia	Indonesia cassia KA	4,050		3.8%
	Saigon cassia 3.5%	2,780		(6.7%)
Cumin	India cumin IPM	2,000		(11.1%)
Turmeric	Turmeric Nizamabad	1,375		(4.8%)
Cloves	Indonesia cloves	4,800		6.7%
Pimento	Mexico pimento	3,180		1.6%



Pepper



Key takeaways



Price outlook



- The harvest from the main growing areas in Vietnam, India and Cambodia finished. More materials are expected to arrive when Indonesia, Brazil, China and Malaysia start harvesting from this month onwards. This additional supply may ease the market further in the medium term.
- Currently, all origins are following Vietnam's market movement. Prices jumped significantly over the past month, mostly driven by speculation.
- Although we have to wait till July-August for a good 20/21 Vietnam crop estimate, preliminary estimates and fundamentals do not seem to justify recent movements.

Short term:



Medium term:



Long term:

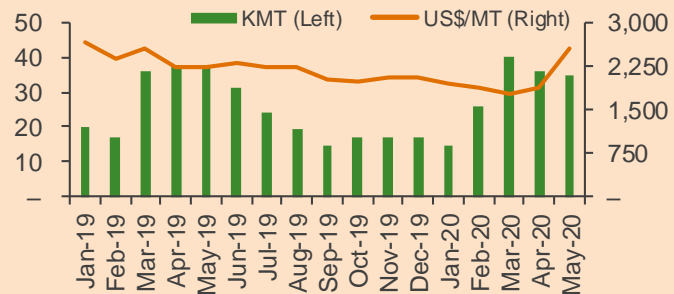


Supply dynamics



- Vietnam and Cambodia finished their harvest last month. The crop received high day temperatures and very little rainfall over the past weeks, which can inhibit vegetation of the pepper vines. This has caused rumors about a significant drop in production. Although we do see various farms being impacted, the rumors appear exaggerated. A clearer picture is expected during the crop's spike formation stage, running from June to August. Vietnam expects to export c. 150KMT for the YTD May-20 period. China is the biggest buyer, importing almost 25% of the total country's export volume.
- Indonesia and China will start harvesting in Jun/Jul-20. In Brazil, a small drop in production is expected, despite favorable weather.

Vietnam – Monthly exports

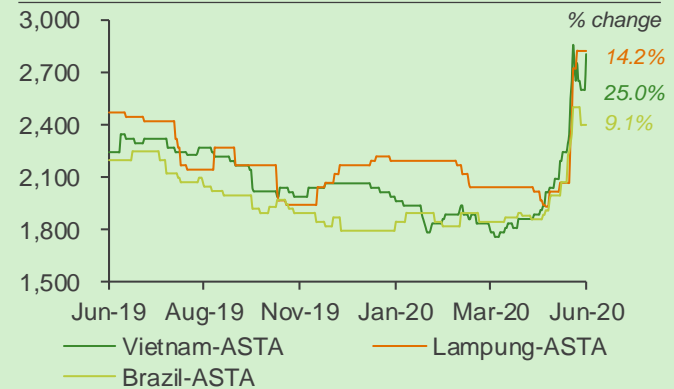


Price trends



- Although stocks are expected to be at a high level still, prices moved up quite fast during the past month. The following drivers were identified: (1) Strong demand from China; (2) Speculative demand at origins; (3) Rumors about the production drop upcoming season; (4) Various parties (forced) to cover position (short squeeze).
- Supply is tight as farmers and collectors are holding back and wait for a further increase in prices. Vietnamese black pepper prices are being quoted at c. US\$ 2,802/MT, a 40% increase compared to last month. Other origins are following the same trend, except India because of the nationwide lockdown.
- Muntok white pepper prices were up by c. 14% in one month. On the other hand, Chinese traders are offering some discount for Hainan white pepper before the harvest starts.

Black pepper prices – FOB (US\$/MT)

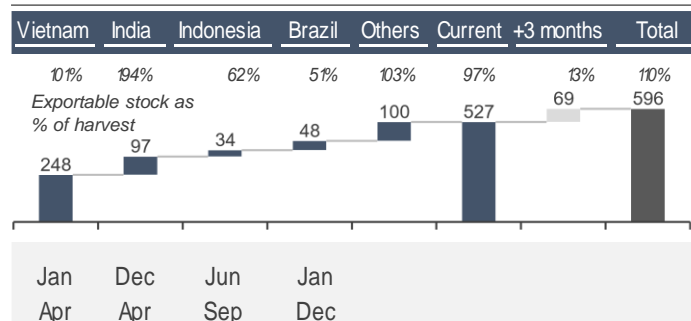


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam ASTA	2,802	39.2%
BP Brazil ASTA	2,400	25.3%
BP Lampung ASTA	2,820	45.7%
BP MG1	4,948	(0.7%)
WP China FAQ	4,300	(6.5%)
WP Indonesia Muntok FAQ	4,170	13.6%
WP Vietnam DW	3,700	23.3%

Exportable stock estimate (KMT)²





Nutmeg and Mace



Key takeaways

- Indonesian farmers have returned after one month fasting during Ramadan. The local market is expected to receive more materials from the new crop during Jul/Aug. Exporters are trying to liquidate stocks from the previous season with some discount, while Chinese buyers delay their buying to create further pressure on prices. Hence, the local market is expected to weaken in the short term.
- The harvest in India is delayed. Local market prices moved close to the Indonesian prices ahead of its harvest season. However, export activities remain difficult with some delays in shipments.



Price outlook



Short term:



Medium term:



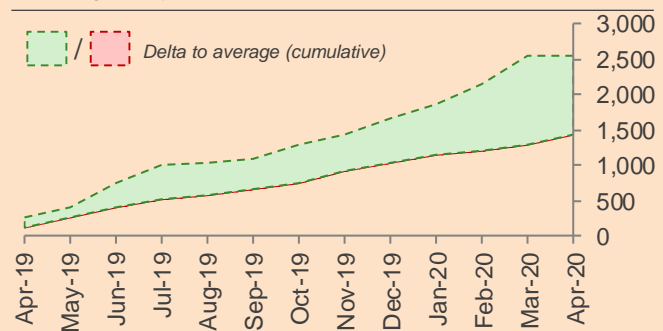
Long term:



Supply dynamics

- Global nutmeg production has been increasing since 2014 and reached over 50KMT per annum on account of continuing good supply from Indonesia. Note that this is much higher than the global import demand of c. 40-50%.
- Indonesian nutmeg and mace arrived slowly into the market due to heavy rains and Ramadan. Fortunately, farmers have resumed working normally since last week.
- The harvest in India is expected to be delayed by c. 2-3 weeks due to late flowering, starting from mid Jun-20. Production is estimated to be similar to last year's crop, at a lower level than the long-term average crop size.

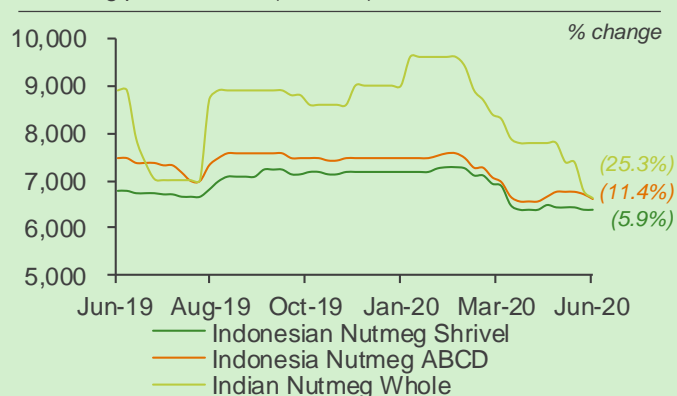
Average daily rainfall – Manado, Indonesia (mm)



Price trends

- Ahead of the peak harvest during Jul/Aug, exporters in Surabaya, Indonesia are offering more competitive prices in their attempt to clear some old stocks. Chinese buyers are trying to push prices down further. Indonesian nutmeg prices are expected to ease on the pressure of the new crop arrivals. Prices are at c. US\$ 6,380/MT for shrivel quality.
- Indian nutmeg prices showed the largest drop in prices vs Indonesian prices, by c. 15% compared to last month. The country is still under lockdown, resulting in lower demand overall. The local market is offering c. US\$ 6,650/MT.
- Mace prices are under pressure on the account of low demand from India. Indonesian mace ranged between US\$ 23,400-23,600/MT.

Nutmeg prices – FOB (US\$/MT)

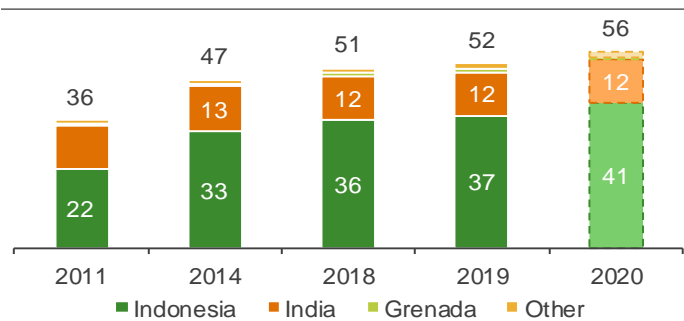


Key quality price levels¹



Quality	US\$/MT	Change (%)
Nutmeg Indonesia SS	6,380	(1.5%)
Nutmeg Indonesia ABCD	6,630	(2.2%)
Nutmeg Indonesia BWP	3,980	-
Nutmeg India Whole	6,650	(14.7%)
Mace Indonesia Whole	23,550	0.4%
Mace Indonesia Broken	20,650	1.5%
Mace India Whole	28,571	(0.4%)

Global nutmeg production 2020E (KMT)



Various



Coriander



India

Good monsoon and the increase of sown areas across growing areas supported the coriander output this season. Overall production is estimated to increase sharply by c. 40-50%, to over 600KMT. The harvest just finished.

Prices softened when India started its harvest in March. However, offered prices did not drop as expected because of firm price levels from origins in the Eastern Europe. Prices ranged between US\$ 1,300-1,400/MT for pesticide and allergen guaranteed.

Compliant materials are hard to source in India. There, price level for this quality is expected to stay firm.

Ukraine

The harvest will start in Jun/Jul. A dry winter and spring frost impacted crop development. Hence, yields are estimated to be lower this season, by c. 40-50%. Prices were up by c. 30%, compared to January prices.

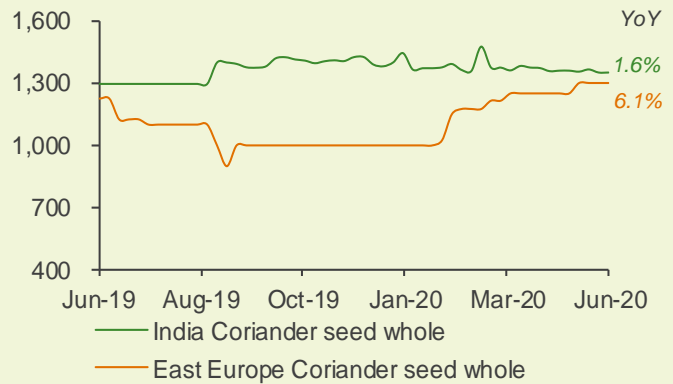
Russia

The market is offering mainly non-guaranteed materials from the old crop. Traders are waiting for the new crop arrivals.

Bulgaria

The harvest is expected to come in Aug-20. Crop size is quite small, at c. 5- KMT which is quite similar to last year. The local market is quiet without any offers from exporters.

Coriander prices – FOB (US\$/MT)



Pink Pepper



Brazil

The harvest started this month and will continue until Jul-20. Weather conditions were good for the crop development in terms of volume and quality.

Prices dropped by c. 3-5% over the past month. The local market prices ranged between US\$ 11,500-12,000 for Grade 1 quality.

Processing activities have started in the origin with shipments offered from July onwards.

Madagascar

New crop materials will be available from July onwards. Total crop size is estimated to be similar to last year. Prices for Grade 1 quality stayed firm and are relatively expensive (mainly offered for French and Japanese markets). Prices are being quoted at c. US\$ 26,500/MT.

Reunion Islands

The harvest is in progress and weather conditions have been favorable so far. The crop is estimated to be c. 120 MT. Pink pepper from this origin is mainly used for oil extraction. Currently, local prices are being offered at a high level, above US\$ 20,000/MT.

Brazilian pink pepper price – FOB (US\$/MT)

