



# Pepper



### Key takeaways

- Global stock levels are estimated to increase despite a smaller total crop this year. Further price pressure is expected as new crops from other origins arrive over the coming months.
- Indonesia and Brazil will likely prefer releasing their stocks soonest, to reduce risks from potential Covid-19 related restrictions. Import demand from the top consumers, China and India, is being impacted by severe flooding and Covid-19 issues respectively.
- Prices have come down significantly since the market high in June and are expected to ease further. However, it is not expected that the market will reach the February low.



### Price outlook

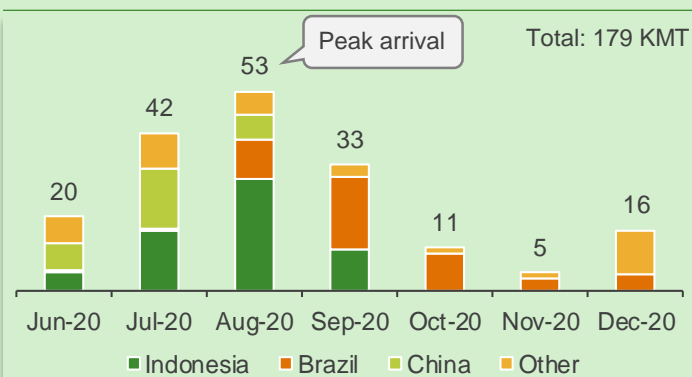


- Short term:
- Medium term:
- Long term:

### Supply dynamics

- Vietnam's crop is in the early spike formation stage. A lower 20/21 crop is expected but it is still early to make any firm projections. A reliable estimate will be delivered by Sep-20.
- Indonesia, China and Malaysia have started harvesting this month and Brazil will be later in Aug/Sep-20. The harvest from these origins is expected to add another 170-180KMT to the global supply for the remaining period of 2020.
  - Indonesia is expected to produce c. 61KMT this season, similar to last year's crop. Although the white pepper crop in Bangka is estimated to drop by c. 30%, the increase in production from other states will help to compensate for the losses. Recent heavy rains have delayed the harvest by c. 2-3 weeks.
  - China's crop is expected to be good this year, at some 30KMT. Collectors still keep high volumes from the previous season. Buying demand and logistics activities are being impacted by the worst floods in decades.
  - The crop in Para, Brazil, is in the berry ripening stage. Sufficient rainfall has supported the crop development over the past month. A small drop is expected as less fertiliser was applied. Thus, crop size is estimated to be c. 35-38KMT this season.
- Covid-19 has triggered earlier shipments as industries aim to fill their pipeline stock, hence the stock at consuming countries is expected to increase by Dec-20. Stock ratios are still historically high.

### Six months crop arrival estimate (KMT)



### Pipeline stock breakdown<sup>1</sup> (KMT)

Balance	2019	2020E	CAGR '19-'20
Stock - Start	405	539	33.1%
Production	616	541	(12.2%)
Consumption	(482)	(496)	2.9%
Stock - End	539	584	8.4%
<i>o/w Origin</i>	427	433	1.6%
<i>o/w pipeline</i>	84	82	Incl. China and India
<i>o/w excess</i>	342	352	
<i>o/w Destination</i>	113	151	34.2%
<i>o/w pipeline</i>	42	44	
<i>o/w excess</i>	71	108	

### Berry ripening stage

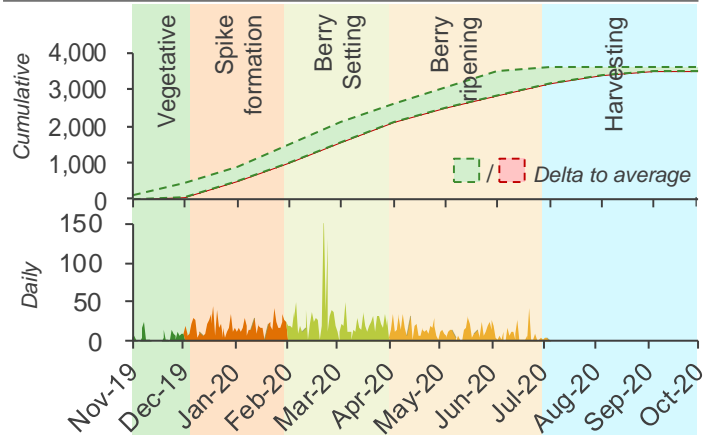


- Good crop in Lampung, Indonesia.



- Average yield in Para, Brazil.

### Rainfall distribution in Para, Brazil (mm)





# Pepper



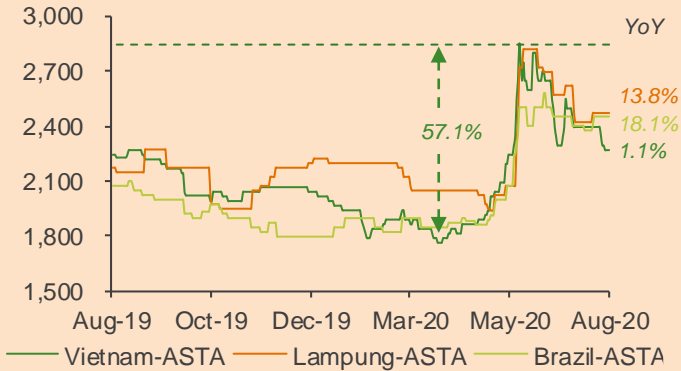
## Price trends

- Vietnam's pepper prices jumped by c. 57% between the Apr-Jun period, to a maximum of c. US\$ 2,800/MT, driven mostly by speculation. Presently, the market has softened by some 15% compared to the previous high. Local exporters are offering US\$ 2,267/MT for ASTA quality.
- The Brazilian market is offering a slightly higher than Vietnamese prices, at c. US\$ 2,450/MT.
- Indonesian black pepper prices showed a drop of c. 6% compared to last month. Some forward discount is offered ahead of its peak harvest during Jul-Aug-20, prices are at US\$ 2,470/MT Lampung ASTA FOB. Muntok pepper prices remained stable despite limited availability, this is due to weak demand from China currently.
- Hainan white pepper prices are being quoted at c. US\$ 4,350/MT FAQ. Some further pressure is expected as a result of the new crop arrivals and carryover stocks from the previous season.

## Pepper prices – FOB (US\$/MT)

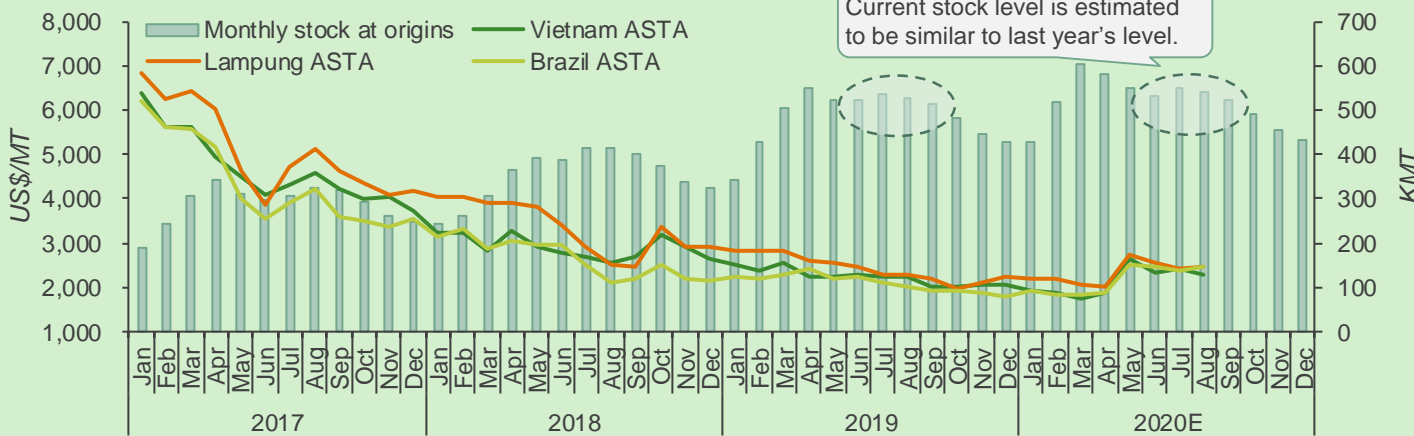
Drivers of price increase during May-Jun-20:

- (1) Speculative demand at origins
- (2) Strong demand from China
- (3) Rumors about a production drop upcoming season
- (4) Various parties forced to cover position (short squeeze).



## Stock vs price movement

- Downward price pressure can be expected as stock levels remain high, some demand was pulled forward and new crops are expected to arrive shortly.
- Indonesia and Brazil will likely prefer releasing their stocks soonest, to reduce risks from potential Covid-19 related restrictions.



## Key quality price levels<sup>2</sup>

Quality	US\$/MT	Change (%)
BP Vietnam ASTA	2,267	(9.2%)
BP Brazil ASTA	2,450	-
BP Lampung ASTA	2,470	(5.7%)
BP MG1	4,935	0.6%
WP China FAQ	4,350	(2.2%)
WP Indonesia Muntok FAQ	3,920	(4.9%)
WP Vietnam DW	3,350	(6.9%)

## Vietnam export statistics YTD Jun-20

Region	KMT	YoY BP	YoY WP	YoY Total
Asia	81	(9%)	(41%)	(13%)
Americas	31	(9%)	23%	(3%)
Europe	29	7%	2%	6%
MEA	28	1%	(21%)	0%
<b>Total</b>	<b>168</b>	<b>(5%)</b>	<b>(16%)</b>	<b>(7%)</b>



### Cassia



#### Key takeaways

- Continuing rains have delayed the harvest in Indonesia. Local transportation remains difficult due to the spread of Covid-19. Thus, crop arrivals are much lower compared to the same period last year. Prices increased by c. 25% in just 2 months.
- Stocks in Vietnam remained high on the account of good harvesting during Apr-Jun-20. Weak demand from the key importers and added Chinese supply have put more pressure on local prices since Mar-20.



#### Price outlook



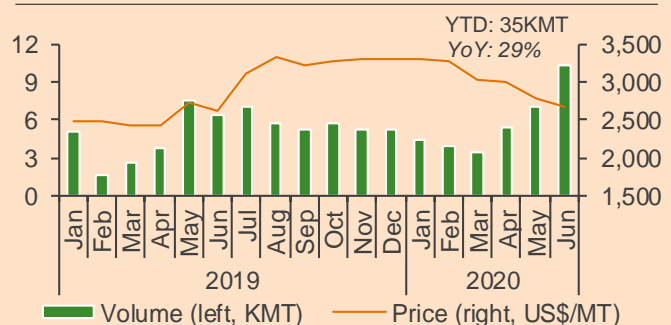
- Short term:
- Medium term:
- Long term:

#### Supply dynamics



- The harvest is slow in Indonesia due to the recent heavy rains and restrictions on local transportation. Hence, exporters are unlikely to offer big volumes at the moment. The supply of Korintje Grade A (KA) quality is limited, as the fraction of old cassia trees is small. Since most planted areas are in the early ages of production, it will likely take another 5-7 years to get sufficient good quality volumes.
- The next harvest in Vietnam will commence from September onwards. Export volume increased by c. 30% yoy with good volumes shipping to India and the US, mostly to fulfill last year's contracts. In addition to the local supply, some 15KMT of Chinese cassia was traded via the border for the YTD Jun-20 period.

Export volume and price – Vietnam YTD Jun-20

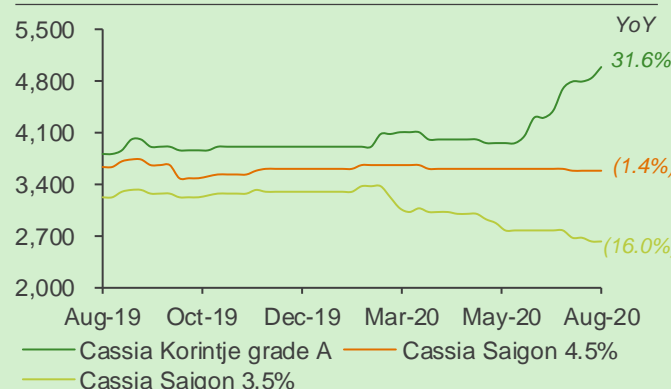


#### Price trends



- Slow supply triggered a price increase in Indonesia during the past months. Between May-August, prices went up by c. 25-30%, depending on quality.
- This year, the price gap between Indonesia and Vietnam is larger than the previous year, leading to increased import of Vietnam's cassia into Indonesia. However, the current weak demand from Europe and the US has calmed the market somewhat. Prices are at US\$ 5,000/MT for KA quality, c. 50% higher than KB.
- Saigon cassia prices have decreased before Vietnam entered into its harvest of low oil cassia, starting from February. Furthermore, weak demand from the biggest importer, India and added Chinese supply via border trade have impacted prices since then. Prices for high oil quality remained high on the account of limited supply.

Cassia prices – FOB (US\$/MT)

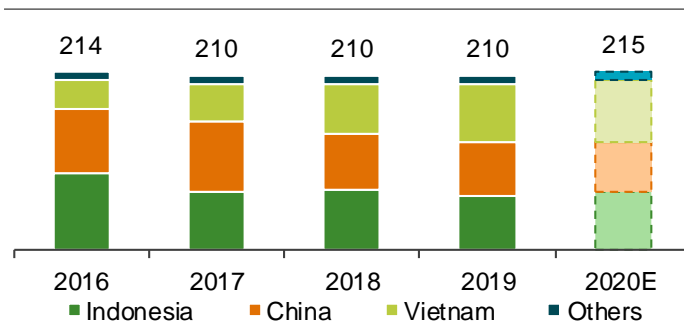


#### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
Cassia KA 2	5,000	6.4%
Cassia KB 1.5	3,250	1.6%
Cassia Vera stick	5,100	2.0%
Cassia KBKC	2,850	(1.7%)
Saigon Cassia 3.0%	2,430	(5.8%)
Saigon Cassia 3.5%	2,630	(5.4%)
Saigon Cassia 5%	3,580	(0.7%)

#### World production of Cassia (KMT)



### Various



#### Cumin



##### India

Production is estimated to exceed 500KMT this season, up by c. 20-30% yoy, resulting from a large expansion of planting areas in Gujarat. The harvest finished in Apr/May-20. For the YTD Jul-20, cumin crop arrivals were c. 265 KMT, accounting for c. 50% of the total production this year.

Most stocks are with farmers currently as local trading activities have been limited by Covid-19. As a result of a larger overall crop and limited mixing of qualities, the availability of EU MRL compliant material improved compared to last year. As a consequence of the Covid-19 measures though, the compliant material is especially concentrated with exporters who run effective farmer programs as they are able to source directly.

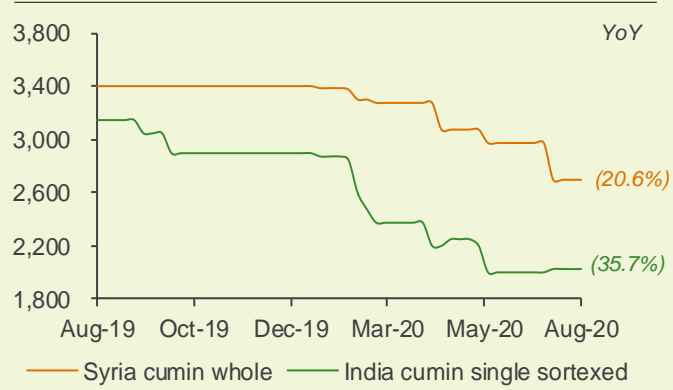
Export volumes have dropped since Jan-20, driven by a significant drop in import demand from China. India was reported to ship only c. 15KMT to China during the first two quarters, a 40% drop yoy.

The local market showed weak demand for future contracts as the country is severely impacted by the coronavirus. Prices have dropped to the lowest level since 2016. Price movements are likely to be driven by 'catch-up' demand, for example from China, and in the long-term by a potential decrease in planted area if prices remain at the current level.

##### Syria

The harvest is going to finish this month. Farmers expect to have a good yield this season, up by c. 25%. Hence, production volume is estimated to reach 25KMT. Local stocks are available with further discounts, however crop quality is uncertain, with regard to pesticides and allergen guaranteed.

Cumin prices – FOB (US\$/MT)



#### Ginger



##### China

The continuing heavy rains and floods in the main growing areas have limited planting of the new crop. Local supply is tight due to less processing activities and difficulties in transportation.

The country received good demand from overseas as other origins are under severe impact by the Covid-19. New materials will be available from Dec-20 but farmers expect to have a smaller crop size this season.

Local market prices increased by some 24% over the past week. Exporters are offering c. US\$ 4,450/MT FOB for ginger sliced quality. Prices are expected to stay firm until the new crop arrives.

##### India

The recent heavy rains have delayed crop sowing which is expected to finish by end of August. The germination of the early sown crop was also impacted.

Market arrivals for raw dry materials were reported at c. 48 KMT for the YTD Jul-19, down 10% yoy. Local FAQ prices remain stable and are being quoted at US\$ 3,200/MT.

##### Nigeria

Supply is tight because of the transportation limitations due to Covid-19. Exporters hesitate to offer any forward contracts due to an uncertain shipping schedule.

With the current situation, planting for new crop is also limited. Prices remained firm, at US\$ 2,900/MT.

Ginger price – FOB (US\$/MT)

