



Pepper



Key takeaways

- Vietnam is expected to export c. 265KMT this year, c. 10% down from last year on the account of lower demand from China and India.
- As global stock levels remain high in both producing and consuming countries, prices are unlikely to increase in the foreseeable future and possibly see some weakening in view of reluctant demand, expected pressure from Indonesia and a new Vietnamese crop.
- Because stock levels are expected to start decreasing slowly from next year onwards we may see some upward pressure over the long term.



Price outlook



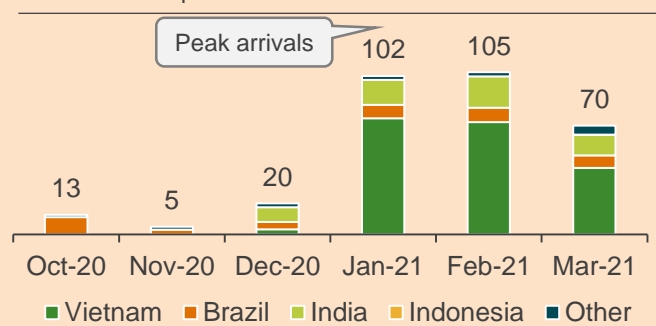
- Short term: ➡
- Medium term: ➡
- Long term: ⬆

Supply dynamics



- Vietnam expects to export c. 220 KMT for the YTD Sep-20 period, down c. 10% yoy. The price gap between the local Chinese and Vietnamese markets gave little incentive for this top importer to purchase big volumes.
- Vietnam's crop was impacted by drought during the vegetative stage, the remaining crop received favorable rainfall between July – September, giving a good berry setting so far. The harvest will start in Dec-20, peaking between Jan-Feb-21.
- Although Indonesia and Brazil are in the harvesting period, supply is tight due to labour shortage as a result of the Covid-19 situation.

Six month crop arrival estimate – KMT

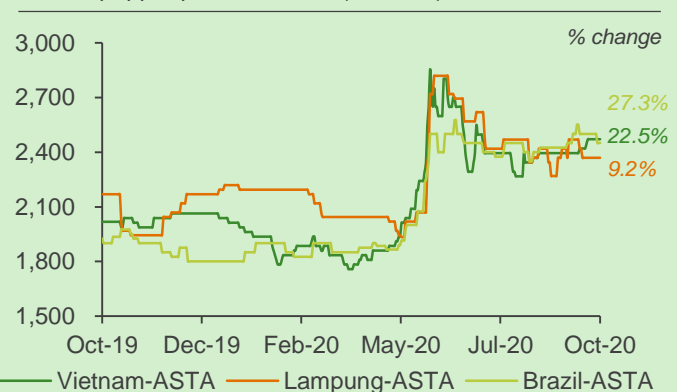


Price trends



- Vietnamese prices stayed firm over the past month, supported by local speculative demand. Stocks are sufficient until Vietnam enters its harvest in December and demand is expected to remain weak. Hence, no significant increase in prices is likely for the coming period.
- The local Brazilian market followed Vietnam's market prices closely. The gap is small for FAQ quality. More arrivals will come next month. Reasonable discounts can be expected.
- Indonesia is currently the lowest priced origin, offering c. US\$ 2,370/MT Lampung ASTA, c. 3-5% lower than Vietnamese prices. Hainan and Muntok white pepper prices dropped somewhat over the past month due to low demand, however, it still gives better profits compared to last year's level.

Black pepper prices – FOB (US\$/MT)

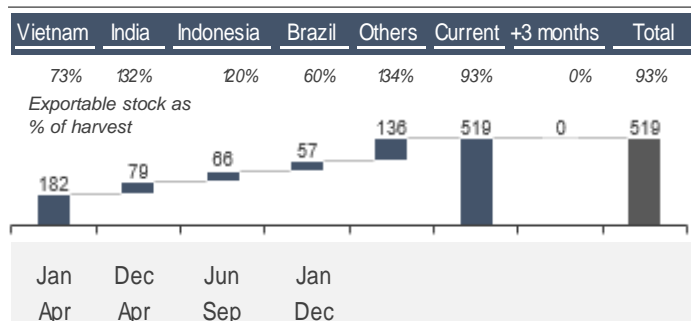


Key quality price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam ASTA	2,471	3.2%
BP Brazil ASTA	2,450	1.0%
BP Lampung ASTA	2,370	-
BP MG1	5,238	(0.9%)
WP China FAQ	4,250	(4.5%)
WP Indonesia Muntok FAQ	4,170	(1.2%)
WP Vietnam DW	3,600	2.9%

Exportable stock estimate (KMT)²





Nutmeg and mace



Key takeaways

- Indonesian farmers are expected to focus on the nutmeg harvest next month. Crop arrivals can be impacted by the availability of labour as a result of the Covid-19 situation. Prices are expected to be firm in the short term on the account of good demand from China.
- Weak demand from the biggest mace consumer, India, continues putting further pressure on Indonesian mace prices. For the year-to-go, prices are unlikely to reach the previous high of US\$ 25,500/MT.



Price outlook

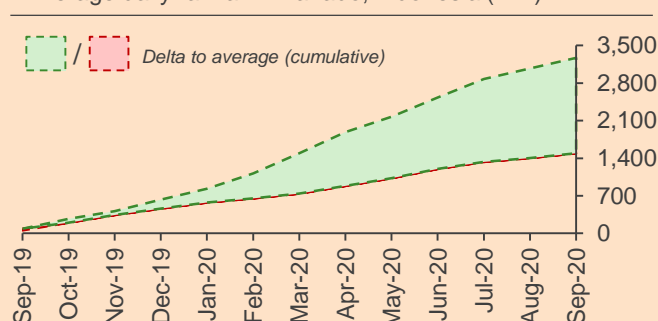


- Short term:
- Medium term:
- Long term:

Supply dynamics

- In Indonesia, the nutmeg harvest is currently slow as farmers are focusing on picking cloves. In addition, heavy rains in the past months gave much difficulties in drying materials. More arrivals are expected to come from next month onwards when the clove harvest finishes. With the large expansion of planted areas since 2010, production is estimated to sufficiently cover global demand in the long term.
- India's nutmeg production is estimated to be c. 12-13 KMT this season but arrivals are currently limited. The mace import from Indonesia was reported to be much lower yoy, but the local mace supply is not sufficient to cover domestic demand ahead of its festive season.

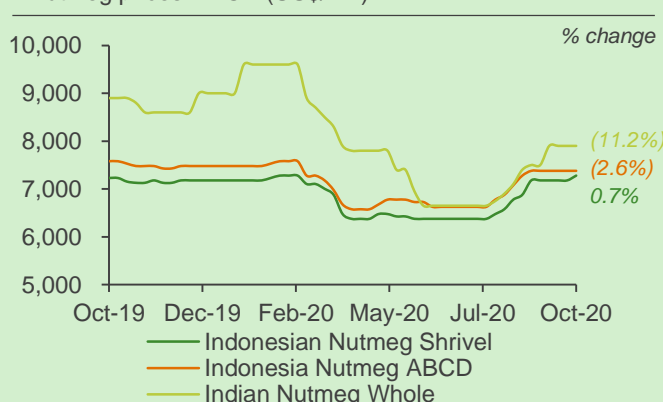
Average daily rainfall – Manado, Indonesia (mm)



Price trends

- Indonesian nutmeg prices remained relatively stable. Import demand from China is expected to strengthen the local market prices in the coming weeks, especially for ABCD quality. Prices are at c. US\$ 7,280/MT Shrivel afflu-guaranteed. Nevertheless, further pressure is expected due to high production this year.
- Indian traders are offering c. 7-10% higher prices, compared to Indonesia. The local market is relatively quiet with limited transactions amid pandemic restrictions.
- Indonesian mace prices are at c. US\$ 21,850/MT. Prices are c. 10% lower compared to the same period last year, largely driven by limited buying activities from India. In contrast, Indian mace prices are at a high level on the account of high stock prices from the previous season.

Nutmeg prices – FOB (US\$/MT)

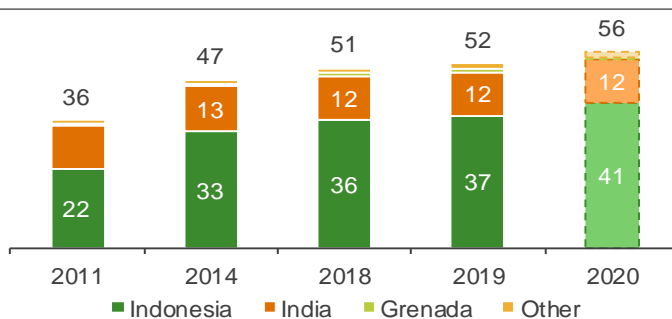


Key quality price levels¹



Quality	US\$/MT	Change (%)
Nutmeg Indonesia SS	7,280	1.4%
Nutmeg Indonesia ABCD	7,380	-
Nutmeg Indonesia BWP	4,680	-
Nutmeg India Whole	7,900	5.3%
Mace Indonesia Whole	21,850	0.5%
Mace Indonesia Broken	19,350	2.7%
Mace India Whole	27,397	18.4%

Global nutmeg production 2020E (KMT)



Various



Pimento



- Mexico

The harvest is expected to finish next month. This year, farmers reported receiving good volumes from their crops, supported by favourable weather conditions.

With current peak arrivals, local exporters are offering attractive prices in order to release more stocks. Further pressure is expected until the harvest finishes.

Prices dropped by c. 3-5% last month and are at c. US\$ 2,580/MT, 26% lower yoy.

- Honduras

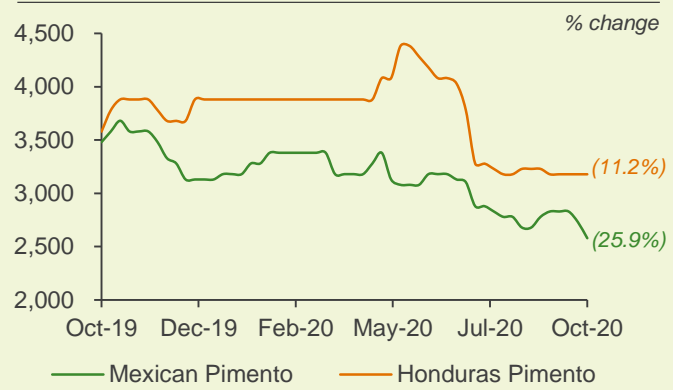
The harvest usually finishes early September. However, it was delayed by 2-3 weeks due to the limited availability of labour.

During May-July, the local market dropped significantly on the account of weak buying demand from overseas and selling pressure resulting from the risks of the Covid-19 restrictions. Prices remained low afterward as the country started its harvest in Jul-20.

Although prices are in a downward trend, the price gap is getting larger between the Mexican and Honduran markets as most stocks were sold to the US and EU market. Local market prices are at c. US\$ 3,180/MT, c. 20-25% higher than Mexican prices compared to the usual 10-15% gap.

No selling pressure is expected over the coming period, giving positive movement in local market prices.

Pimento prices - FOB (US\$/MT)



Cloves



- Indonesia

Farmers have harvested the majority of their crop, the progress was slower than expected due to difficulties in finding labour.

Prices hit another record low during the peak harvest in August but quickly recovered owing to local speculative demand. This month, prices softened again as new crop materials continue to arrive at the local markets. With this price level, collectors are expected to be more active in buying, supporting prices in the short term.

Local exporters are offering c. US\$ 4,325/MT, which is the lowest offer among origins. Export demand to the biggest importer, India, has been slow since the beginning of the year.

- Madagascar

The harvest will start next month. Rumors spread about a drop of 20% in production. However, local prices are strongly linked to Indonesian prices. Some further discounts are expected over the coming month. The local market is offering at c. US\$ 4,725/MT, c. 10% higher than Indonesian prices in order to cover the increase in shipping costs from this origin.

- Comoros

The harvest is almost finished. The local market has received more pressure due to the low prices offered by the big origins.

- Brazil

New crop arrivals are expected to come from next month onwards. Currently, the local market is relatively quiet with no forward offers. Stock prices remained unchanged, at US\$ 4,500 with c. 11-12% oil.

Cloves prices - FOB (US\$/MT)

