



Key takeaways

- Container shortages and port congestions are causing temporary disruptions in the supply chain.
- The decrease in global production since last season triggered consuming markets to cover longer periods at seemingly bottom price levels and increased speculative demand sharply.
- Stock levels and profit taking are expected to continue to limit sharp price increases.
- Since the harvest started in key origins the market dropped by 8-10%.



Price outlook



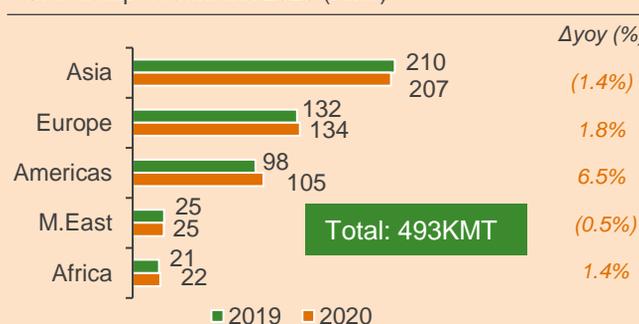
- Short term: →
- Medium term: ↑
- Long term: ↑

Supply dynamics



- The harvest started a few weeks ago in Vietnam, Brazil and India. Combined, this is expected to add 320KMT to the supply chain over the next 6 months.
- Global production is estimated to drop by c. 10% this season, to c. 485KMT. However, the total supply is still sufficient to cover export demand, as >400KMT stocks were estimated to carry to 2021.
- A large part of the stock is with speculating collectors and traders, who are unlikely to liquidate at the current price level.
- Brazil entered its peak harvest in the Espirito Santo state.
- The coming Tet holiday in Vietnam triggered some selling pressure.

Global import demand 2020 (KMT)



Price trends



- As new crop arrivals enter the market, prices softened by c. 2-3% over the past month. Container shortages and the increase in freight charges³ have forced some exporters to delay their shipments since Dec-20 and may limit contracting.
- As the harvest started early this season in Vietnam, prices have dropped by c. 8-10% since Nov-20. Selling pressure is expected to remain before the Tet holiday.
- Brazil FOB prices are higher than Vietnam, however different freight costs distort the picture. Lampung prices remain firm with slow selling activities.
- Organic materials have increased by c. 10% since Nov-20, to c. US\$ 3,700-3,800/MT due to slow supply. There is adequate availability from Vietnam coming from the new crop arrivals.
- It is expected that demand from China will pick up after the new year holidays.

Black pepper prices – FOB (US\$/MT)



Key quality FOB price levels¹



Quality	US\$/MT	Change (%)
BP Vietnam ASTA	2,650	(1.9%)
BP Brazil ASTA	2,725	-
BP Lampung ASTA	3,120	3.3%
BP MG1	5,389	0.7%
WP China FAQ	5,650	3.7%
WP Indonesia Muntok FAQ	4,920	3.1%
WP Vietnam DW	4,350	1.2%

Exportable stock estimate (KMT)²





Turmeric



Key takeaways

- The harvest started across the growing areas of India and lasts until Apr-20. India's total dry crop is estimated to drop by at least 10% this season, impacted by a smaller cultivated area and heavy rains during Aug - Oct-20.
- Prices have increased just before the crop's harvest, driven by good domestic demand for the festive season and expected lower production. However, farmers are hesitant to release their stocks as prices are still not better than the level of last year.



Price outlook



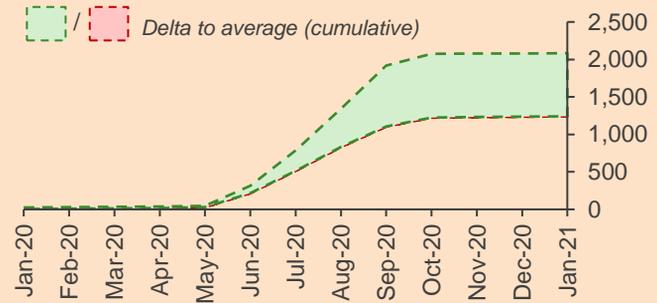
- Short term:
- Medium term:
- Long term:

Supply dynamics



- The total cultivated area in India was reported to be down by c. 5-10% this season. Particularly in the Maharashtra and Andhra Pradesh states, farmers switched to growing paddy as prices were more attractive.
- During rhizome development stage, excess rainfall caused diseases like root rot and leaf blotch in some growing areas, affecting crop yield. Overall, India's production is expected to drop at least 10% this season, to c. 420KMT of dry crop.
- The harvest started this month, peaking in March. Some 11KMT have arrived into the local market since Jan-21, down 30-35% yoy due to slow arrivals in the Maharashtra state.

Rainfall vs average pattern: Nizamabad, India (mm)



Price trends



- Turmeric prices have increased since Dec-20 due to good domestic demand and the fact that farmers reduced their cultivated areas.
- Offered prices went up by c. 5-15% depending on quality. However, farmers are still reluctant to sell as they expect to get better prices. On the other hand, traders are being active to rotate their stocks and collect more materials.
- The local market is expected to be steady to firm in the coming weeks. Compared to same period last year, prices are 2-3% lower.
- Due to continued rains in some states, dry materials will likely contain a higher moisture level.

Turmeric prices - FOB (Farm grade, US\$/MT)



Key market price levels¹



Quality	US\$/MT	Change (%)
Turmeric 3%	1,014	15.2%
Turmeric 1.5%	990	12.5%
Organic Turmeric 5%	2,120	2.4%
Organic Turmeric 3%	1,390	3.7%
NFPP Turmeric 1.5%	990	5.3%

India market arrivals (KMT)²



Limited trade in the local markets due to Covid-19. Collectors/traders had to source materials directly from farmers.

2020	273
YoY	(51.6%)





Nutmeg



Indonesia

New crop materials are arriving slowly to the local market due to heavy rains and floods in the North Sulawesi province. Cloudy and wet weather has affected the crop quality, creating difficulties to source guaranteed materials.

The weather conditions are forecasted to be better in the coming month. Currently, farmers are able to harvest small volumes only. As most fruits will become mature in April/May, this is also the peak harvest time across the growing areas. However, production is expected to be lower as the crop received too much rain during the flowering stage.

The local market offered at c. US\$ 8,500-8,600/MT nutmeg shrivel aflatoxin guaranteed, c. 15-20% higher prices are being offered for organic materials.

Though the market has increased since Jun-20, the coming arrivals are putting some pressure on prices. Compared to last week, prices eased slightly. Nevertheless, a large drop is unlikely to occur as lower production is expected.

India

Unseasonal rainfall impacted the crop development in Kerala state, farmers expect c. 20-25% drop in production this season. The harvest will start in Jun/Jul-21, right after Indonesia's harvest. Prices are at a high level with limited volumes offered.

Mace prices remained high, good demand from the domestic market has attracted traders to be active in the Indonesian market. Local mace is being offered at c. US\$ 28,500-29,000/MT, c. 7-10% higher than Indonesian mace price.

Nutmeg prices - FOB (US\$/MT)



Cloves



Indonesia

In 2020, Indonesian clove prices were at the lowest level since 2010. Demand was impacted by Covid-19, particularly as the cigarette industry was forced to slow its processing and the supply chain was disrupted by the lockdown.

When the situation was getting better during the second half of the year, more speculators jumped into the market, pushing prices up by c. 25% in just 2 months. However, since Indonesia announced to raise the excise duty on cigarettes by 12.5%, prices have dropped again. Presently, local traders are offering c. US\$ 5,300/MT FOB.

The harvest finished last month; the next arrival will start in Jun/Jul-21. Rumors circulated a 15-20% drop in production due to unfavorable weather recently.

The market is expected to continue in a downward trend. However, low prices may trigger speculative demand which can support the market at some stage.

Madagascar

The harvest has just finished. Madagascar usually offers higher prices than Indonesia. However, due to the high availability of crop material, the price gap closed. This attracted import demand from other markets such as Europe and India.

Currently, Madagascar is closely following the movement of the Indonesian market. Prices are at c. US\$ 5,250/MT, down 6% vs last month.

Cloves prices - FOB (US\$/MT)

