



# Pepper



### Key takeaways

- The Vietnam market has been quiet due to movement restrictions on account of a worsened Covid-19 outbreak. Internal logistics are affected, and so is the demand of local processors.
- The harvest in Indonesia is nearly finished. Slow supply has triggered less selling pressure, and prices have been moving up.
- Brazil starts its harvest in Para, with an average crop estimated for the region. Benefiting from a freight rate advantage, Brazil can offer competitive prices. In Europe, stricter salmonella controls led to a 180% increase YoY in border rejections for Brazilian black pepper.



### Price outlook



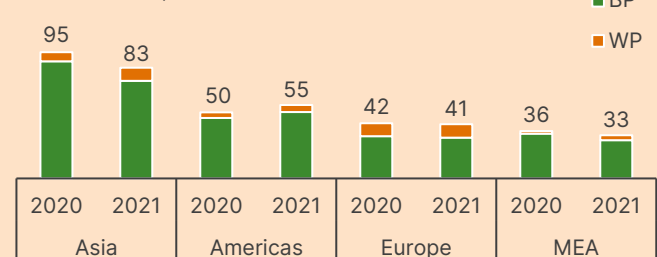
- Short term: ➡
- Medium term: ↑
- Long term: ↑

### Supply dynamics

- YtD Sep '21, Vietnam exported ~213 KMT, 4% less than last year. The local market has been relatively quiet over the last few months due to Covid-19 lockdown measures, which affected local processors and transport movements. Over the coming weeks, gradual lifting of the restrictions will likely trigger increased market activity.
- In Brazil, Para state is harvesting currently, the crop is estimated to be similar to last year. Rainfall was slightly above average, which is considered to be favorable for this region.
- Indonesia exported 12KMT white pepper YtD Aug, 13% down YoY. Black pepper exports from Indonesia are on par with last year so far, at ~11.5KMT.

Vietnam Export statistics YtD Sep-21 (KMT)

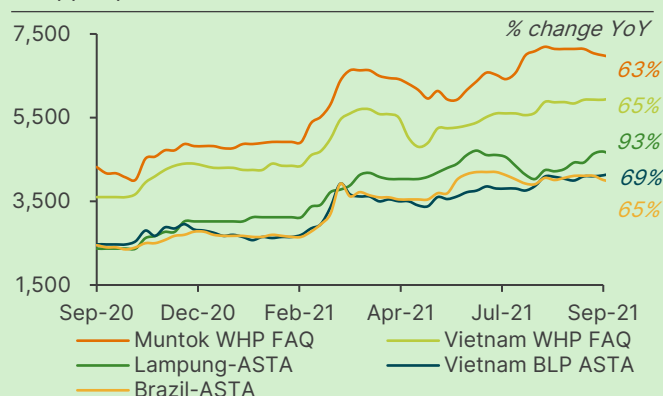
Total: 213 KMT, down 4% YoY



### Price trends

- Vietnam has already delivered more materials than the total 2020/21 crop size. Over the coming months, supply will largely consist of several years of carryover stock. Local prices are likely to fluctuate when demand actively picks up now the summer holidays in destination markets are over. China will likely re-enter the market after their October holiday.
- Brazilian FOB prices were above the Vietnam market earlier this year. However, as new harvest materials are arriving, prices are slightly below VN levels currently.
- The smaller pepper crop size in Indonesia keeps black pepper prices firm even during peak harvest, while white pepper is flat since Chinese demand slowed down recently.
- In China, the harvest is almost over. Farmers in Hainan focus on selling betel nuts, which have seen a price hike recently. They prefer holding pepper and wait for a better price.

Pepper prices – FOB (US\$/MT)

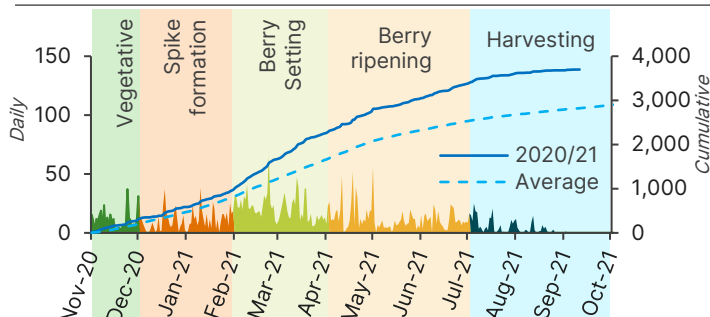


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change
BP Vietnam ASTA	4,176	4.5%
BP Brazil ASTA	4,040	(2.4%)
BP Lampung ASTA	4,625	7.3%
BP MG1	6,633	0.2%
WP China FAQ	6,675	(1.5%)
WP Indonesia Muntok FAQ	6,976	(2.9%)
WP Vietnam DW	5,976	2.4%

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





# Nutmeg and mace



### Key takeaways



### Price outlook



- The availability of nutmeg is impacted by heavy rains and storms earlier this year, and farmers were focusing on the clove harvest first. The Covid-19 restrictions also contributed to a slow start of the harvest season. However, as restrictions are slowly lifting, the local market is expected to receive more materials from the new crop over the next 2-3 months.
- Indonesian mace prices are firm on account of good demand from the biggest importer, India. Prices are at the previous high of US\$ 25,500/MT and are unlikely to weaken soon.

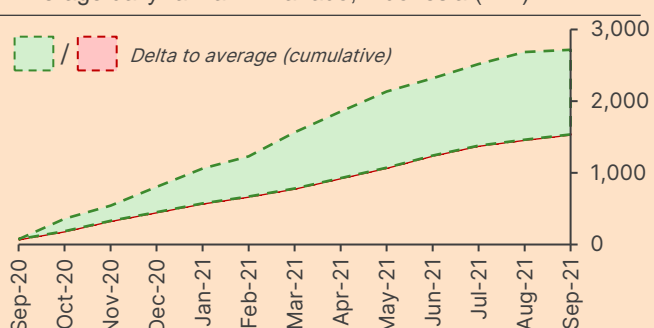
- Short term:
- Medium term:
- Long term:

### Supply dynamics



- In Indonesia, material arrivals were slow due to Covid-19 restrictions. In addition, heavy rains over the past months caused difficulties for drying. As a result, less availability of EU quality was reported. As restrictions are lifted, enabling materials to move between islands, more arrivals are expected over the coming months.
- India's nutmeg harvest has finished. Production is estimated to be c. 12-13 KMT this season. A 75% increase in mace imports YoY, along with local supply, could be sufficient to cover domestic over short and middle term.

Average daily rainfall – Manado, Indonesia (mm)

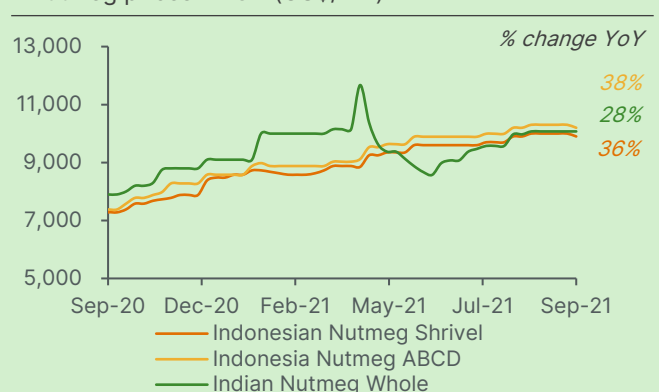


### Price trends



- Indonesian prices firmed during the past month. More supply is expected to arrive when harvesting intensity increases. Prices are slightly above US\$ 10,000/MT for ABCD quality. New material arrivals are expected to ease prices on the short term.
- Indian nutmeg prices are in line with Indonesia prices now. Weak demand from consuming countries, and generally higher global prices have led to competitive offering since Apr-21.
- Indonesian mace prices are at c. US\$ 24,250/MT. Prices are c. 11% higher compared to the same period last year, largely driven by good demand from India. Prices are expected to remain at a high level over the long term on the account of high stock prices from previous crops.

Nutmeg prices – FOB (US\$/MT)

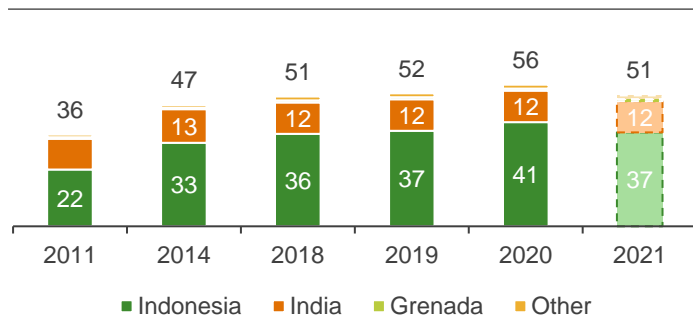


### Key quality price levels<sup>1</sup>



Quality	US\$/MT	Change (%)
Nutmeg Indonesia SS	9,900	(1.0%)
Nutmeg Indonesia ABCD	10,201	(1.0%)
Nutmeg Indonesia BWP	6,554	(1.1%)
Nutmeg India Whole	10,075	-
Mace Indonesia Whole	24,250	(1.6%)
Mace Indonesia Broken	21,250	(1.8%)
Mace India Whole	27,300	(0.4%)

### Global nutmeg production 2021E (KMT)



**NEDSPICE** 1) FOB prices. Change shown versus last month.

Source: Nedspice research, price data as per 29-Sep-21.



## Pimento

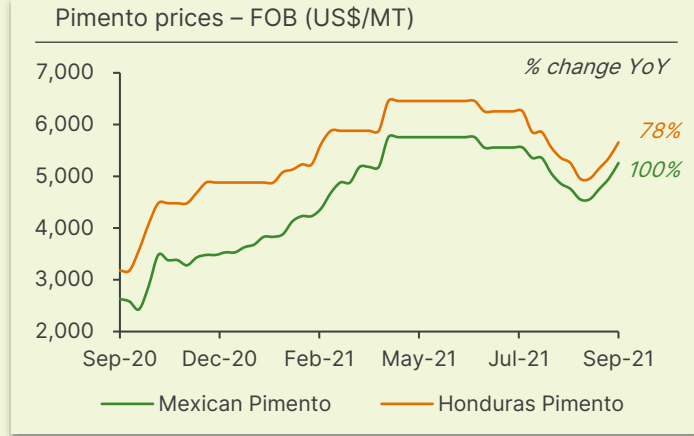


### - Mexico

Mexico's pimento harvest was impacted by hurricane Grace, the first major hurricane to impact the pimento growing areas since 2017. As a result, prices haven't softened as much as usual after harvest time. Local suppliers aren't actively offering volumes currently. Prices are around \$5000/MT, some ~75% higher YoY.

### - Honduras

Some selling pressure during harvest over the last few months led to a price decrease during Jul-Aug. However, prices remained much higher than last year, the local market closely follows Mexican prices. Local market prices are at typically 10-15% higher than Mexican material, on account of a higher volatile oil content. Local speculators are an increasingly dominant force in the market, while in the past most volumes were exported shortly after harvest time.



The harvest is ongoing across growing regions in Jamaica, Mexico, Honduras and Guatemala, and will finish shortly. Some reports indicate a 25% drop overall. As sun dried materials are scarce currently, and no offers are available from Mexico, prices will remain firm on the short term. Speculators control most volumes, and no immediate price relieve is expected. This situation is likely to ease towards the end of the year, as buyers lose interest due to historically high prices, and selling pressure increases.

## Cloves

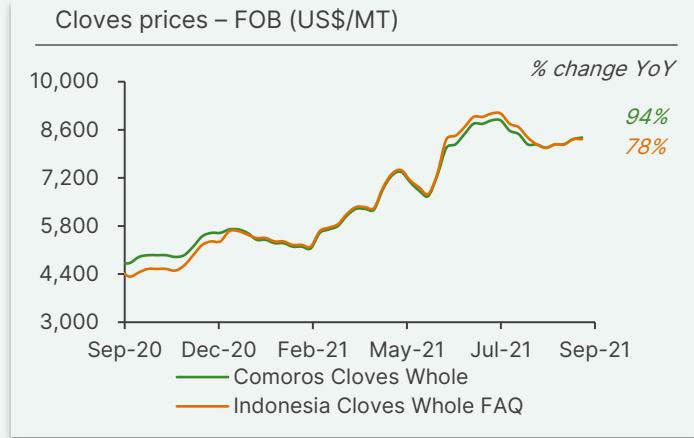


### - Indonesia

The harvest is peaking across growing areas and will finish in October. Overall production is expected to decrease this season, on account of unfavorable weather during the flowering stage and the biennial nature of flowering in clove trees (last year was a bumper crop).

Prices were firm even during peak harvest in August, driven by local speculative demand. With this price level, collectors are expected to keep buying in order to build stocks as an anticipation of the lower crop this season.

Local exporters are offering c. US\$ 8,325/MT. Current production size could be enough to cover the overall demand. With the new crop materials entering market, some further pressure on prices is expected as most demand has been already covered.



### - Madagascar

The harvest will start next month. The crop is expected to be good. Although the local market is strongly linked to the Indonesian market, some further discounts can be expected as the selling pressure increases ahead of the harvest.

### - Comoros

The harvest is almost finished. Due to the high availability of materials from the previous crop, the ~10% price gap with Indonesian materials that was apparent last year September has closed.