



Pepper

KEY TAKEAWAYS

- > The harvest in Pará state (Brazil) is in full swing. The crop size is estimated to be the same as last year at around 35KMT, with Brazil's total production at 95KMT.
- > Global demand is slow due to fears of recession in the US and Europe, and China's zero covid policy. Stock levels at destinations are still high.
- > The 2023 crop in Vietnam is developing well. Weather conditions were favorable during berry setting, but rainfall has been well below average in recent months.
- > Traders in Vietnam liquidate pepper stocks as the coffee harvest is starting, putting some more pressure on prices if demand stays slow.

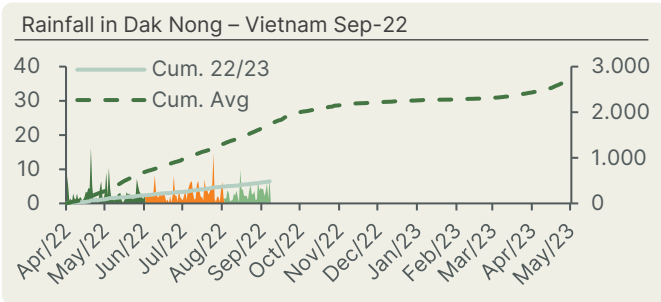
PRICE OUTLOOK

short term

medium term

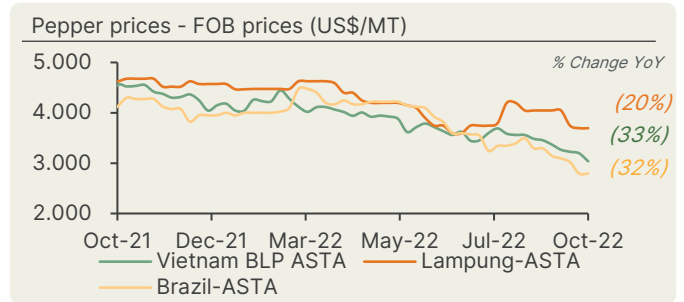
long term

SUPPLY DYNAMICS



- > Weather conditions in Vietnam were favorable during berry setting and the crop is still developing well.
- > The crop in Para (Brazil) is being harvested, prices are below Vietnam now because stock holders released volume in anticipation of the new crop. Prices decreased 32% vs last year. The EU is considering an import ban for Brazil in response to a high number of salmonella-related border rejections. However, a thorough review reveals that only a handful of rejections relate to shipments exported before the new health certificate requirement.
- > The harvest in Indonesia is over, the total crop is 5% smaller than last year (45KMT). Stocks in Indonesia are generally in strong hands, and the origin hasn't followed the recent downward price trend of Brazil and Vietnam.

PRICE TRENDS

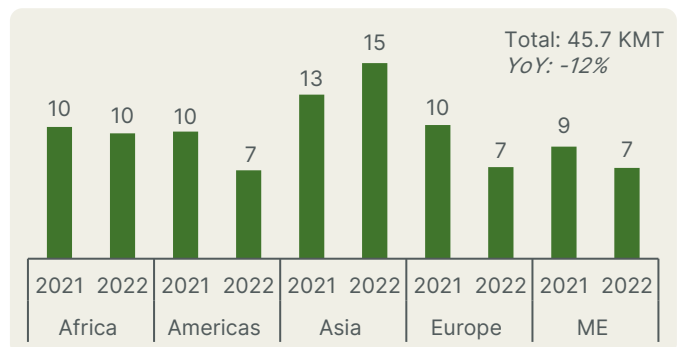


- > Brazil's exports are down 12%, Vietnam exported 19% less (YtD-Aug), mostly driven by China (-73% YoY). This trend is enabled by large stock positions at destinations that were built in response to the ocean freight crisis and pandemic-related uncertainties over the past year(s).
- > In the largest production areas of Vietnam, the pepper trade has strong links with coffee. Since coffee prices increased and pepper price decreased, traders need to sell larger quantities of pepper to be able to buy coffee.
- > The steep price decrease seen recently can create further downwards pressure when prices reach margin call limits from banks. However, as prices continue to drop, buyers with a long-term view could step in. After all, global production has been on a downward trend since 2019.

KEY QUALITY PRICE LEVELS¹

Quality	US\$/MT	Change
BP Vietnam ASTA	3,038	(9.8%)
BP Brazil ASTA	2,975	(10.9%)
BP Lampung ASTA	3,815	(8.6%)
BP MG1	7,374	(2.3%)
WP China FAQ	6,250	(4.1%)
WP Indonesia Muntok FAQ	6,180	(7.8%)
WP Vietnam DW	4,503	(7.6%)

BRAZIL EXPORT STATISTICS YTD JUL-22 (KMT)



1) FOB Prices. Change shown versus last month. Source: Nedspice research, price data as per 10-Oct-22



Nutmeg and mace

KEY TAKEAWAYS

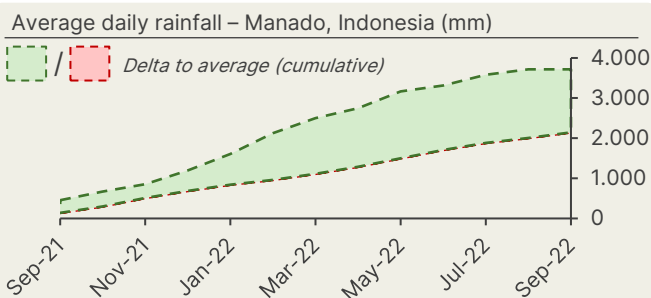
- > The harvest volumes of Indonesian nutmeg crop are expected to improve from the end of 2022 to early 2023. Supply is still limited in the short term, especially for EU compliant materials.
- > The Indian nutmeg market continues to remain firm. Though demand is slow, the second consecutive small crop impacts supply.
- > Mace prices have dropped recently, but EU compliant materials are very difficult to source and are still traded at high price levels.

PRICE OUTLOOK

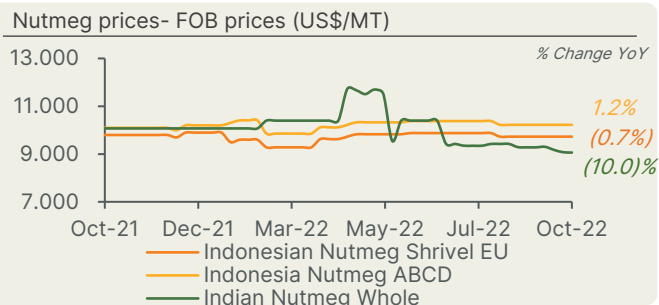
short term →

medium term →

long term ↓



- > The weather conditions in Indonesia have been favorable during the flowering stage, and a good crop for 2023 is expected. In the short term however, nutmeg supply is still limited.
- > The Indian nutmeg market continues to remain firm. Though the demand is slow, the second consecutive small crop impacts the supply crunch. Domestic demand is reported to be steadily increasing year over year, while production is not.
- > For YtD-Aug, Indonesia exported 34% less to China, and 14% less overall. Volumes to Vietnam (for processing), and the Netherlands increased, while the US (-27%) and Germany (-15%) decreased their imports from Indonesia.

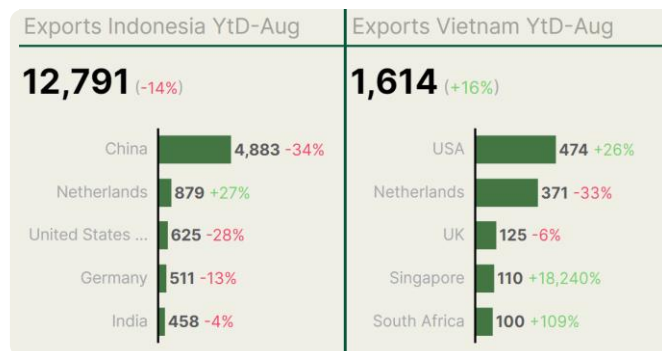


- > Both Indonesia and India nutmeg prices are stable. There maybe a slight drop in prices later due to slow demand.
- > Indonesia Nutmeg Shriveled price is firm at US\$ 9,730/MT and might show a rise as there is not much EU guaranteed nutmeg available.
- > As mace volumes are failing for EU pesticide MRL's, these materials are offered to the Indian market. With demand from India already slow recently, prices have been on a downward trend, currently quoted at US\$ 20,000 locally. However, prices for EU compliant materials remain stable.

KEY QUALITY PRICE LEVELS¹

Quality	US\$/MT	Change
Nutmeg Indonesia SS	9,730	-
Nutmeg Indonesia ABCD	10,223	-
Nutmeg Indonesia BWP	6,760	-
Nutmeg India Whole	9,065	(2.3%)
Mace Indonesia Whole	22,850	-
Mace Indonesia Broken	20,000	(6.3%)
Mace India Whole	27,150	(0.4%)

NUTMEG EXPORTS (MT)²

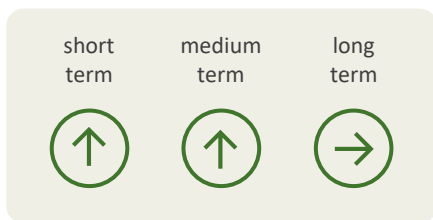


1) FOB Prices. Change shown versus last month.
 2) Top five destinations per origin, Vietnam excluded in Indonesia breakdown.

Pimento



PRICE OUTLOOK



ORIGINS

> **Mexico**

The impact of hurricane Grace last year resulted in a decrease of the crop size. There is very limited carry-over stock available, most volumes were sold at high prices before the new season started. Damage to the plantations last year has resulted in a lower production this year, a 10~15% smaller crop is estimated, at around 6-7 KMT. Prices are US\$ 7,380/MT, ~8% higher than last year.

> **Honduras**

Heavy rains and hailstorms before the harvesting time has caused the mature Pimento berries to fall off the trees and rot. The production this year is expected to be 0.4 KMT, ~50% less than last year which was already a small crop due to hurricane Grace. Prices are US\$ 7,380/MT, ~2% higher than last year. However, significantly higher prices are also quoted, because availability from origin is limited.

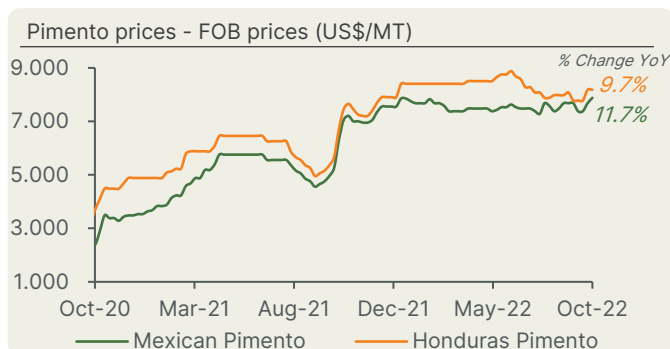
> **Guatemala**

The total crop size decreased due to hurricane damage to trees last year. Although the weather situation is favorable this year, local traders have been holding their stock in anticipation of higher prices. The estimated production this year is around 1.2-1.4 KMT.

> **Jamaica**

The price is always significantly higher than the international market trend, because half of the total crop (0.6KMT) is used domestically, with local processors willing to pay a higher price compared to exporters.

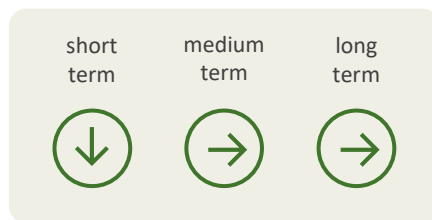
PRICE TRENDS



Cloves



PRICE OUTLOOK



ORIGINS

> **Indonesia**

Heavy rain in the first half of the year has resulted in a crop shortage for the second year running. Next year, the new crop cycle could move the crop upwards by as much as 50% compared to this year, which saw a production of ~10 KMT.

The cigarette industry has already fully replenished its stocks. Other big exporters from Indonesia are looking for new sources as the domestic supply is not enough to cover demand. The Indian market will also be busy before the upcoming winter and festival season.

Prices are firm at US\$ 8,850/MT, a 4.4% YoY increase, and are likely to stay at a high level.

> **Madagascar**

New arrivals are estimated at 13 KMT, with 1.5 KMT carry-over. This is down from ~15KMT last year. The cyclone that hit Madagascar in February resulted in a loss of trees and the delay of market arrivals until early November. Nevertheless, prices slowly decreased by (7.4)% YoY, now at US\$ 7,800/MT.

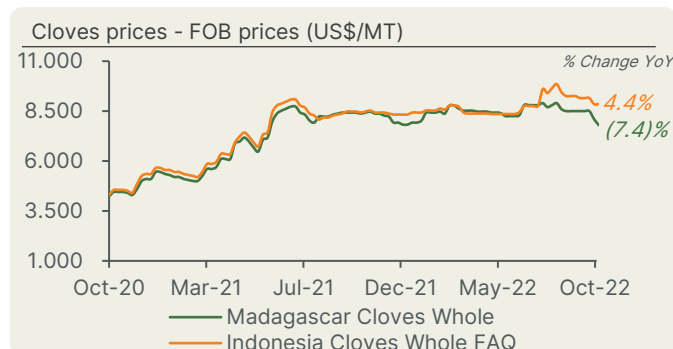
> **Others**

The harvest in the Comoros and Tanzania is late this year, crops of 4 KMT (Comoros) and 3KMT (Tanzania) are expected. Freight costs have decreased for all origins, reducing shipping costs by \$200-300 per MT.

> **Pesticide residues**

EU compliant materials are difficult to source, with much of the volume in the market failing for pesticide MRL's.

PRICE TRENDS



Source: Nedspice research, price data as per 10-Oct-22