



SLEAFORD
QUALITY FOODS

MARKET REPORT

MARCH
2018

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HERBS & SPICES

SAGE

There are two key origins for sage; Albanian (fluffy) and Turkish. Albanian origin is predicted to be ok, with no major issues or setbacks, however the Turkish origin is expected to see a price increase. New crop will be harvested in June/July and again the market will see the product adulterated with myrtle and olive leaves for the cheaper material.

OREGANO

Production in Turkey (one of the world's largest producers) last year was 16,000mt, a 2000mt shortage vs projections. Subsequently there was no carry over stock hence supplies are low at current with challenging conditions. The market is likely to remain this way up until the arrival of new season crop, which isn't expected until September 2018. In addition, to add to concerns, we are still seeing adulterated product with olive or myrtle leaves. The levels of adulteration are falling but is still predicted that 40% of exports are adulterated.

LAUREL LEAVES

The arrival of new season laurel leaves pricing to market has been delayed but most recent raw material prices are still around 10-12% higher than last year. We are unsure on where the market will move in terms of the new season material.

FENNEL

EU compliant raw material is almost exhausted in the market. Prices are wide ranging depending on cleanliness and pesticide residue levels.

ROSEMARY

Demand is increasing due to high demand from the extraction business. As a result, prices are increasing because of limited availability of material available for dehydration. Conditions are likely to remain unchanged, with the possibility of increases, up until the new crop in June.

CARDAMOM

The situation is getting worse with no sales at origin. Farmers in Guatemala are speculating by holding remaining stocks; which

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STAR ANISE

Firm market prices and possible light increase for premium grade.

WHOLE CLOVES

The market is still suffering from the 50% reduction on last year's production output. New crop is due in June although, despite a yield 20% higher than originally expected, this is still insufficient in relation to the persistent demand throughout the market.

TURMERIC

Unfavourable weather conditions in India have resulted in a decline in arrivals of high quality turmeric. Exporters have been active in the market procuring any quality material to fulfil contracts and in so doing driving prices upwards. The harvest has now resumed, and the crop is expected to be slightly higher than last year.

The Chinese crop is also expected to be up at around 20% more than the previous year.

Overall prices are expected to be stable in the mid to long term.

Farmers have increased plantings by around 20% versus last year due to attractive previous prices. We're likely to see some downward pressure on prices for Chinese quality in the coming months

CASSIA

With the monsoon season now at an end the harvest is due to start; although, there are some major issues at source in relation to labour availability. The main problem is in encouraging farmers to trek 5km into the hills to harvest the crop. With towns and cities now attracting the younger generation, and farmers too old to partake in manual work, there is a significant shortage of labour. As a result, farmers are being paid more to encourage them to harvest the crop.

NUTMEG

The March/April harvest has begun however there is no reliable indication on potential market movements over the coming months. It is likely that, because prices are very low at current, they will begin to increase as produce begins to become available to market and demand begins to increase.

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CHILLI

There has been limited activity within the market of late; prices have reduced (but only marginally), although these decreases can be solely attributed to the favourable USD/EURO exchange rate. Production and supply-demand dynamics remain mostly unchanged.

PAPRIKA

With the new Chinese crop now available to market, in addition to the strong £ to \$ exchange rate, we have seen some price reductions at source in recent months. However, despite this, there are various risks associated with Chinese material hence for produce to be viable for the European/UK markets it must be processed in Europe to ensure any risk of adulteration, contamination or high moisture levels are mitigated, which keeps prices a little higher. Our paprika is a blend of Chinese with Peruvian origin.

VANILLA

Sellers are advising the market that arrivals are very tight with Madagascan and Papua New Guinea stocks now exhausted. The next arrivals are not due until May this year therefore we expect challenging conditions with firm pricing over the next few months. Prices may begin to fall when news on the quality and output of the upcoming crop arrives to market.

INDIAN CUMIN

India dominates the global market withholding 87% of world production. Other producers, which are Syria, Turkey and Iran, are unable to produce cumin as competitively. Due to the improving return on cumin production in India, making it a good cash crop for farmers, there has been a 15-20% increase in planted acreage. In other producing origins, however, there are some clear issues. The Turkish crop continues to decrease in yield and cultivation and output is expected to be around 5 to 10 % less than last year. Syrian origin is even worse with 25% less cultivated areas, largely the result of the ongoing civil war. Iran is a disaster due to the severe drought with farmers having to leave their villages due to no water being available.



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PEPPER

BLACK PEPPER.

The pepper market is the most talked about subject in the Spice Industry. We have seen significant falls in price by up to 45% between January 2017 – January 2018. The main reason for this is due to the Vietnamese crop being good coupled with crop starting to come out of Cambodia. This is resulting in significantly more pepper becoming available. Supply will be higher than consumption.

Over the last two weeks, we have seen a significant increase fuelled by speculators and daily currency fluctuations. Recommendation is to keep monitoring the market but wait until the end of the TET holiday (early March), when we expect the market to fall.

Indonesian pepper crop is due in July, with indications suggesting a 25% increase in crop/harvest size, going from 50,000mt to 65,000mt. Subsequently, with output high, it is forecasted for prices to come down during the summer months.

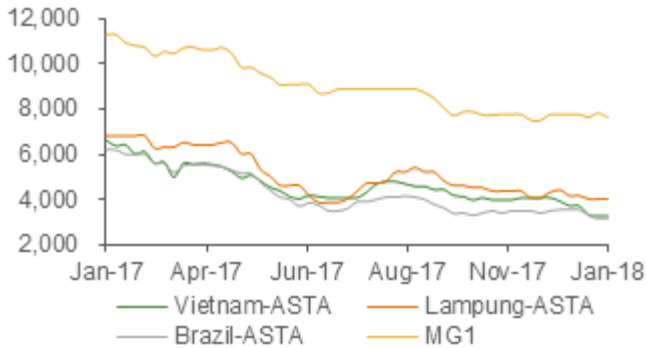


Chart showing the price difference of 45% comparing Jan 2017 to Jan 2018

ONION & GARLIC

ONION

Current conditions aren't positive and raw material prices are almost 300% up compared to the same period last year. The crop in Southern India was a near washout following very heavy rainfall, and with the Southern market pulling onions from Maharashtra, Madhya Pradesh and Gujarat, a larger proportion of available material is being used domestically, causing subsequent price increases for export markets.

GARLIC

The new season will begin in mid to late February 2018, however there is still a lot of raw material available from last year's late crop. Jain has started a process of enlisting farmers in the state of Madhya Pradesh, a 'no peanut growing' area and are implementing Jain GAP across India enlisting villages/farmers where no peanut is grown. (Good Agriculture Practice – recognized globally for providing Good Agricultural Practices for Small & Marginal Farmers across the world) Price comparisons against 2017 are so far unknown but early indications suggest the overall crop will be average.

SEEDS

PUMPKIN SEEDS

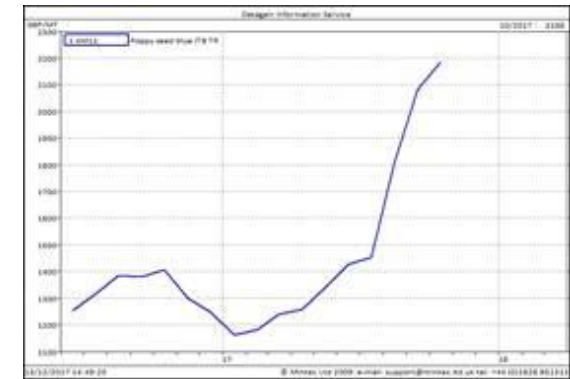
Current market conditions for Pumpkin Seeds are largely the effect of the on goings throughout 2016, when a significant over supply in conjunction with sluggish demand left farmers and processors losing a lot of the money. Subsequently, many farmers have decided to focus on other, more profitable and secure crops, such as corn or cotton. Due to this the planting area and harvest has reduced significantly. For the most popular GWS (Grown without shell) AA Grade variety, volume is down nearly 40%. Taking this into consideration, forecasts indicate that the market is likely to increase over the coming months in line with rising demand vs short supply.

SUNFLOWER SEEDS

Nothing major happening – the market is stable

POPPY SEEDS

The crop shortage continues to create challenging conditions. Prices have risen steeply but are now stabilising, albeit at high levels. On the whole origin supplies are now fully committed until the Northern Hemisphere harvests in the summer of 2018. Broadly we see these being smaller than 2017 so it seems unlikely that poppy seed will be plentiful for some time. The morphine poppy sector is challenged with over supply of raw material and there are major dependency issues on 'over the counter' medicine in the USA, which is squashing demand, and thus availability of the by product.



RED LENTILS

Prices remain flat due to a lack of demand in the Indian sub-continent & Middle East, however there are some concerns of dryness in India at the crucial flowering stage of their Rabi crop. If significant rains arrive then prices are expected to remain flat as we head towards 2018 crop but if weather conditions remain dry it may cause some firmness in the market.

We also expect to see prices firm slightly around Ramadan (April onwards).

The expectation in 2018 is that Canada will slash their lentil acreage significantly, but a decision won't be made on this until later in the year.

GREEN LENTILS

Prices also remain flat, though Grade 1 & extra grade 2 material prices are begging to firm. Green Lentil supplies are tighter than red and there is good demand in South America, so the Indian factor has less importance. Prices are expected to be trading within a narrow price range but have a more upward trend than down.

DARK GREEN SPECKLED LENTILS

With higher supply this year than last, especially from Canada, prices have softened; however, supplies for dark speckled lentils remain tight as it is such a niche crop

CHICKPEAS

All export markets remain nervous of prices crashing due to the big increase in acreage in India & Mexico but supplies of suitable quality for the UK market will remain in tight supply until the 2018 crop (Nov supply onwards). There are also weather concerns in Mexico and India which could cause prices to firm, but we won't be sure for a few more weeks. We expect a big increase in all producing origins for 2018 crop, but again we are at the mercy of the weather.

BLACK EYED BEANS

The Peruvian market remains tight with all eyes now focusing on the next harvest expected May/ June. Would recommend forward cover

QUINOA

Suppliers are struggling to source suitable UK material as we head closer to the new crop. White Quinoa remains relatively stable now with potential to be firm going forward as the struggle to source good quality increases.

Both Red and Black Quinoa varieties are set to remain firm as they are much more difficult to source than white; black mainly due to smaller crop size than usual & Red due to increased demand.

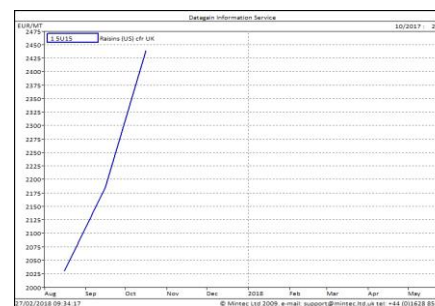
RAISINS, SULTANAS & CURRANTS

The UK, the world's biggest importer of dried fruit, has seen the price of raisins and sultanas rise by 42% since September, leading suppliers have said. This is largely due to the falling number of raisins in California (historically one the world's most prominent raisin producing areas) pushing up prices.

Bakeries say increases are unlikely to affect the cost of hot cross buns - but an industry analyst warned this year's Christmas puddings could be hit!

Farmers in California, which produces a large proportion of the raisins destined for the UK, have moved away from producing dried fruit in favour of more profitable crop, as reported by Mintec, a food research and analytics organization.

Mintec have also warned that the current shortage could have an effect later in the year - potentially at Christmas; "Most of the bakers have the stocks already but this shortage, rather than affecting Easter, might affect products at Christmas time, like Christmas pudding."



BELL PEPPERS

Since November of last year, supply of bell peppers has changed dramatically, with conditions tightening for several reasons.

With unexpectedly strong demand from the US market, resulting in a considerable supply deficit, prices have faced increasing pressures over recent months. There are also rumors that various Chinese suppliers have been attempting to drive prices up through speculation, buying far more material than required before releasing the product at an elevated price-level back into the market. Prices for dried bell pepper increased continuously up until mid-January, and by an average of approximately 20%.

Over recent weeks these conditions have started to ease, and price increases seen in late 2017 and early this year have slowed marginally; some offers for immediate shipments even dropped 2-3 % in price. However, be aware that the reason for the limited price-drops seen of late is likely the result of the current Chinese New Year, which often sees manufacturers/suppliers making offers with the aim of reducing stocks in advance of the seasonal break. Despite this, today's level for raw-material is easily 20% higher than those seen in October/November 2017.

There is much uncertainty surrounding potential market conditions when the Chinese New Year comes to an end. It is likely that we will see further increases up until arrival of the new crop but unfortunately not until September/October 2018. It appears that the market is not in balance and the effect of the speculators attempting to drive up the market (by storing 20-30% of the crop) has and will continue to have a significant effect on the market.

LEEK

The market has been relatively stable in recent months and current indications suggest that new season crop will meet the levels and quality expected. China has produced significantly larger quantities than in the recent years and, with other countries manufacturing good produce too, the market should remain stable and competitive going forward.

POTATO

Demand for both potato flake and granules has continued to grow (by 3.5% per annum) in recent years and this trend is expected to continue. The availability and popularity of commercial food products using dehydrated potato is on the rise and thus demand for high quality processed potato products is increasing significantly too.

Whilst the demand for table potatoes, fries and snacks continues to grow, acreage and global production has remained the same, causing increasing pressures on the price of raw material. Due to the hierarchy of preferential supply, which is; table, fries, snacks, flakes/granules and starch, in order, much of the raw material is dominated by the primary markets, leaving availability of raw material for dehydration not able to meet demand.

TOMATOES

The Chinese-dominated market is still quite stable. Premium qualities are becoming short, but as of today we do not see any significant price changes for tomatoes.

ASPARAGUS/BEANS

The new season crop in China is expected to be harvested in the spring and available for delivery in the summer. The market has shown very little movement of late with some signs of stability. However, conditions may begin to change when the market receives some indication on the quality/output of the new crop.

BROCCOLI, CARROTS AND MUSHROOMS

These products have shown some signs of stability in recent weeks. There is a good supply of material from China, the world's largest producer, and we have seen no price increases so far.

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The graphs included are sourced from Mintec's DATAGAIN up to March 1st, 2018