

MARKET REPORT

AUGUST 2019

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SLEAFORD
QUALITY FOODS

HERBS, SPICES & SEASONINGS

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Oregano

There was no carryover from last year which has impacted price. The new crop has been harvested and we are awaiting news of quantity and quality. Product adulteration is a big issue with cheaper offers likely to include adulterated product

Sage

There was little crop carry over from the previous harvest. The new harvest is now almost complete with favourable weather conditions. New crop condition is resulting in more body in the plant, with fewer leaves and yield hence higher processing costs are being incurred to remove stalks. As a result, there is less margin for processors and a higher margin for farmers, so we have seen some price increases.



Mint

Crop size and quality are both good though the currency swing over the past twelve months has had an impact on prices.

Cardamom

The poor crop in Guatemala has resulted in some big price increases. The Indian crop is full of pesticides and there are several MRL (maximum residue level) issues which have not helped the supply chain.

Coriander

Average daily arrivals during June were around 100-150MT/day. Prices are stable due to weak demand; however overall production has decreased by 15-20% over the past year.

Cumin

The world shortage of cumin is well documented. Additionally, the Indian crop has several allergen issues creating additional challenges within the market.

Cloves

The market is stable, and prices reflect this.

Cinnamon

Currency swings over the past twelve months have contributed to a small price increase, however the market is relatively stable.

Paprika

There has been no movement in the market other than the Euro to Pound exchange rate.

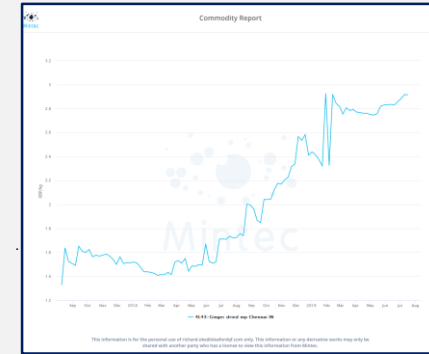
Turmeric

The progress of the southwest Monsoon resulted in high arrivals from the growing regions during June. This, combined with sluggish domestic demand at higher price levels led to a small drop in prices, however prices are now being supported at current levels and are expected to see an increase or at best remain steady in the coming weeks. Domestic and export demand will be a key factor.



Ginger

The Indian crop has been poor so this, together with high demand has led to higher prices.



Nutmeg

Market prices have been steadily rising and this, combined with the weak pound has resulted in increased prices.

Chillies

Prices across markets show an uptrend for premium qualities, mainly due to export and domestic demand. Lesser quality stock availability and the delayed monsoon have firmed up prices. Good quality stock availability has decreased across the various trading centres and demand from China has been increasing aggressively. Additionally a deficit in rainfall coupled with high day temperatures have impacted sowing across major growing regions. Due to the lack of rainfall, sowings are at 20% of normal levels in Karnataka.



DEHYDRATED VEGETABLES

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Bell Peppers

Bell peppers from last year's crop are now sold out. A few containers with older product are still available at a similar price point to March, but the inferior quality is evident.

It is difficult to see any price advantage when buying peppers from the 2018 crop compared with the estimated prices for the 2019 crop.

The bell peppers for this year's crop were planted in April and the growing area was approximately 15-25% larger than in 2018, however early storms in May combined with night frosts that followed destroyed between 10-15% of the planted area according to the growers and producers.

Despite this set back the growing area will likely be slightly larger than last year.

For these reasons' prices are expected to be stable for now with little likelihood of an increase, however conditions need to remain favourable. Last week temperatures climbed to 40 degrees.



Tomatoes

The situation with tomatoes is slightly different. Last year's return for farmers who produced bell peppers was much more favourable than those who had produced tomatoes.

For this reason, more farmers have decided to focus on bell peppers this year than tomatoes hence it is likely that we will see higher prices for tomatoes from the new crop against last year.

Chinese origin product is almost sold out with the new crop beginning at the end of the month.

Carrots

Poland is the favoured country of origin for quality and sustainability. Although Chinese product can be slightly cheaper it is hard to justify buying from China.

Even after last year's long, hot summer in Poland prices were still very competitive against Chinese origin.

However there is a danger of another short crop in Poland as a result of the extremely hot and dry weather, so some wetter conditions are hoped for.

This also applies for red beet, parsnips and potatoes

Leeks

The Egyptian leek crop has now ended and is sold out – notably White leek (flakes and powder) which is no longer available from approved sources.

Prices remained stable this year compared to last year for long periods, however they are now steadily rising.

The spring crop in Uzbekistan is complete but they only produced flakes - no white or green leek.

Poland only produces leek in November and price levels will likely be even higher than other origins.

As a result, the supply of pure green flakes and pure white flakes remains tight until the next crop expected in late Autumn.

Product from the late Autumn crop in Uzbekistan will not become available until January 2020 with the next Egyptian crop starting in March 2020.

Prices are expected to remain stable.

China is also producing small quantities, however the risk of receiving product being out of spec is much higher in China than elsewhere.

Broccoli, Cabbage & Cauliflower

All three products originate from the same area of China and the plants have similar requirements during sowing, growing, harvesting and production.

Previously production of broccoli was larger than that of cauliflower. Although still the case the past three months have seen a huge pick-up in demand for cauliflower.

Some producers of frozen food are replacing wheat with products such as parsnip-powder and cauliflower-powder for making gluten-free doughs for wraps and pizzas.

If this trend continues to grow, we'd expect increasing demand for cauliflower.

Cabbage supply seems to be normal and steady on current price levels after a slight increase in the Spring caused by some bad weather.

Garlic

China produces 89% of the world's dehydrated garlic. The harvest has commenced with yield expected to be down on the previous year by up to 30%. Expectations are for an average yield.

Prices have seen a dramatic increase of around 17% since around February 2019 driven largely by speculators entering the market to keep the prices high. There are substantial amounts of garlic flake in cold storage and processors are reluctant to reduce prices due to the costs of cold storage and food safety regulations that must be adhered to.

The elevated garlic pricing from China is set to remain for the foreseeable future. There will be a point at which prices relax, knowing the volume of stocks in cold storage coupled with the new crop harvest that is underway.

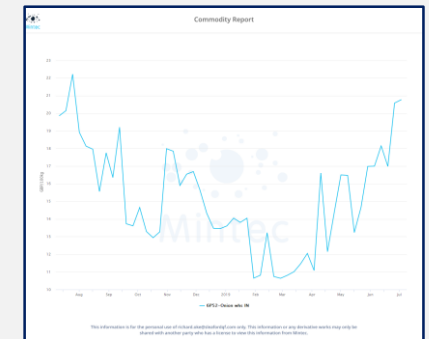
Our recommendation is to cover your immediate requirements with the expectation of reduced pricing in the last quarter of 2019.

Onion

This year's India crop was short by between 30% to 40% - this is as a result of poor fresh onion prices in the last few years and adverse weather conditions.

India is practically sold out until the new season and deliveries might prove to be a challenge in the next few months as fresh raw material is very scarce.

Egypt also has limited quantities available with no improvement expected before the next winter crop so prices remain very high.



Potato

· Weather forecasts in Europe are for hot and dry weather through to the end of the summer which has galvanized the market. Prices have therefore increased in recent days.

· The shortage of potatoes across Europe at the end of the 2018/19 season meant there was strong demand for British material in May. However, there are growing fears that a no-deal Brexit could prevent exports of a crop which could be in demand in the coming season.

· Belgium: The first official free-buy quotations of the year are a long way off last year's highs but could go higher if drought fears materialize.

· Prices are likely to be supported over the next two weeks by hot and dry weather. Thunderstorms are expected at the weekend before temperatures rise to nearly 30C. Growers who do not see showers and cannot irrigate will be at risk of yield and crop damage.

· Processors are keen to access early processing crops as old crop stocks have run out a month earlier than normal and as much as six weeks to two months later than last year.

· Brexit uncertainty drives value of the £ down - UK exports have been aided by a weaker pound. The currency has been driven lower by continued Brexit uncertainty. Last week a pound was worth just €1.1133 the weakest it had been since the second week of this year and 21.8% weaker than in late 2015 six months before the June 2016 referendum on the UK's membership of the European Union.

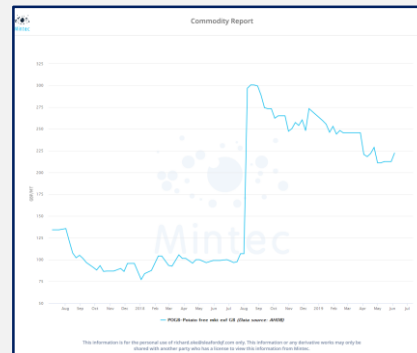


Potato (continued)

· France: Prices are high but growers may escape drought. The French market continues to be confined to early varieties, but prices are markedly higher than a year ago, while there are still some concerns over the upcoming harvest.

• Drier and hotter forecast causes concern. Potato growers in the main European continental growing regions look set for two weeks of largely dry weather and increasing temperatures. This might trim yields, although there is still time for the maincrop to bulk up if rain falls in late August. The futures market has responded to the prospect of hotter and drier weather with the April 2020 price jumping by around €20/tonne over the last weekend.

· Growers with irrigation do not have so much to fear with a lack of rain, however they might be concerned that temperatures have risen to near 30C for a prolonged period of time. Those without the ability to water their crops will fear that they might be impacted by drought for a second year running.



DRIED FRUITS

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Apricots

Small sizes this year are expected to be a little scarce, especially size's 5 to 8. For this reason the crop is much less than expected.

Export volumes during the 2018/19 season are on par with the previous year. Export volumes remain stable despite being the last product from 2018. Prices for the new crop are expected to be higher driven primarily by currency fluctuations



Sultanas & Raisins

Quality is predicted to be better than last years so initial expectations are that prices will likely increase, however the key reason driving price fluctuations is currency; the Sterling/US dollar rate and the Turkish Lira is firm against the Dollar.

Last year in August Sterling was around \$1.28 and is now \$1.21 (difference of 6 %.)



PULSES

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Marrowfat Peas

This year's crop is now heading towards harvest. Average temperatures in May were around 10 degrees with 93% average rainfall, however June saw unprecedented rainfall during a ten-day period with some areas receiving over 200mm rain in the month (average 73.4mm) with much of it falling in a two-day period.

Thankfully the heavy rainfall has not had a detrimental impact on the crop:

- The ground was very dry hence the peas needed the rainfall when it arrived.
- Rainfall was constant but not heavy, so crops were not damaged by the droplets.
- Following the heavy rainfall conditions are dry so the water reserves are being used.

This year's weather is in complete contrast to the hot, dry 2018 summer months. Peas are now fully in flower and pods have already formed.

Vining peas are harvested at early, middle and late stages and the early harvest has started with early reports positive with good yields and quality.

The time between now (early) and later harvests are critical – minimal rainfall is key as significant rainfall after a dry period can cause bleaching in the peas, which can significantly devalue the crop.



Red Kidney Beans

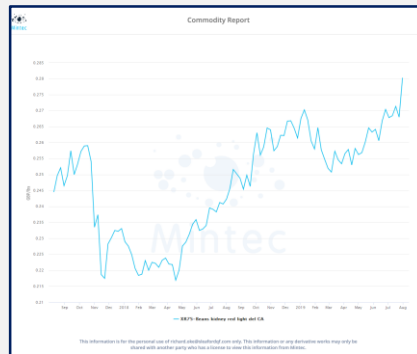
There has been a severe shortage of raw material this year which, when combined with high demand is leading to price increases of around 10%.

First available new crop originated from Argentina, but the quality has been poor - raw material will arrive in late September/early October.

The second harvest will be in Canada and the US in October and the quality is expected to be good.

Arrivals are expected towards the end of the year, however the tariffs on US products is a whopping 25% further cementing the price increases.

Chinese origin product is expected to arrive in early 2020. Product quality is expected to be a good texture, but prices are forecast to be similar to the US.



SEEDS

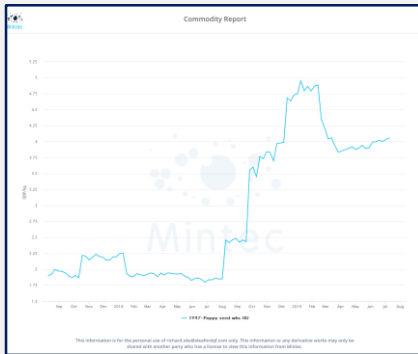


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Poppy Seeds

Harvests are being collected in Spain, Hungary, Turkey and the Czech Republic. Product has seen a significant price increase at source due to poor crops, disappointing yields and high demand. There is little current availability and no carryover. The new season is in October.



Sunflower Seeds

Expectations were that the forthcoming Eastern European crop was going to be another record size – but the hot weather so far this growing season may be taking its toll with crop estimates being reduced. The crop will still likely be good but not to last year's levels. The market is expected to be stable.

Pumpkin Seeds

There has been no change in recent months. Prices continue to firm as stocks dwindle with product in the hands of the speculators. We expect prices to continue to firm as this year progresses. Early reports from growers are that seeding intentions will be negative/limited hence some concerns of continued reduction of acreage.

Sesame Seeds

It's a mixed picture in the sesame seed market.

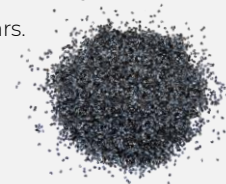
The late monsoon season in India is now in full swing causing delayed planting. With an already short crop and little carryover we would have expected an increase in price, however with China well stocked and their crop due before Indian, demand is steady, and the fluctuating market is largely because of currency swings.

The new sesame crop will not now arrive until early 2020 due to the late crop and the clash with Diwali. In addition, there will be strong domestic demand for white sesame during the festival season in India where sesame sweets are popular.

Hence there is a lot of uncertainty with supplies and prices and for upcoming weeks.

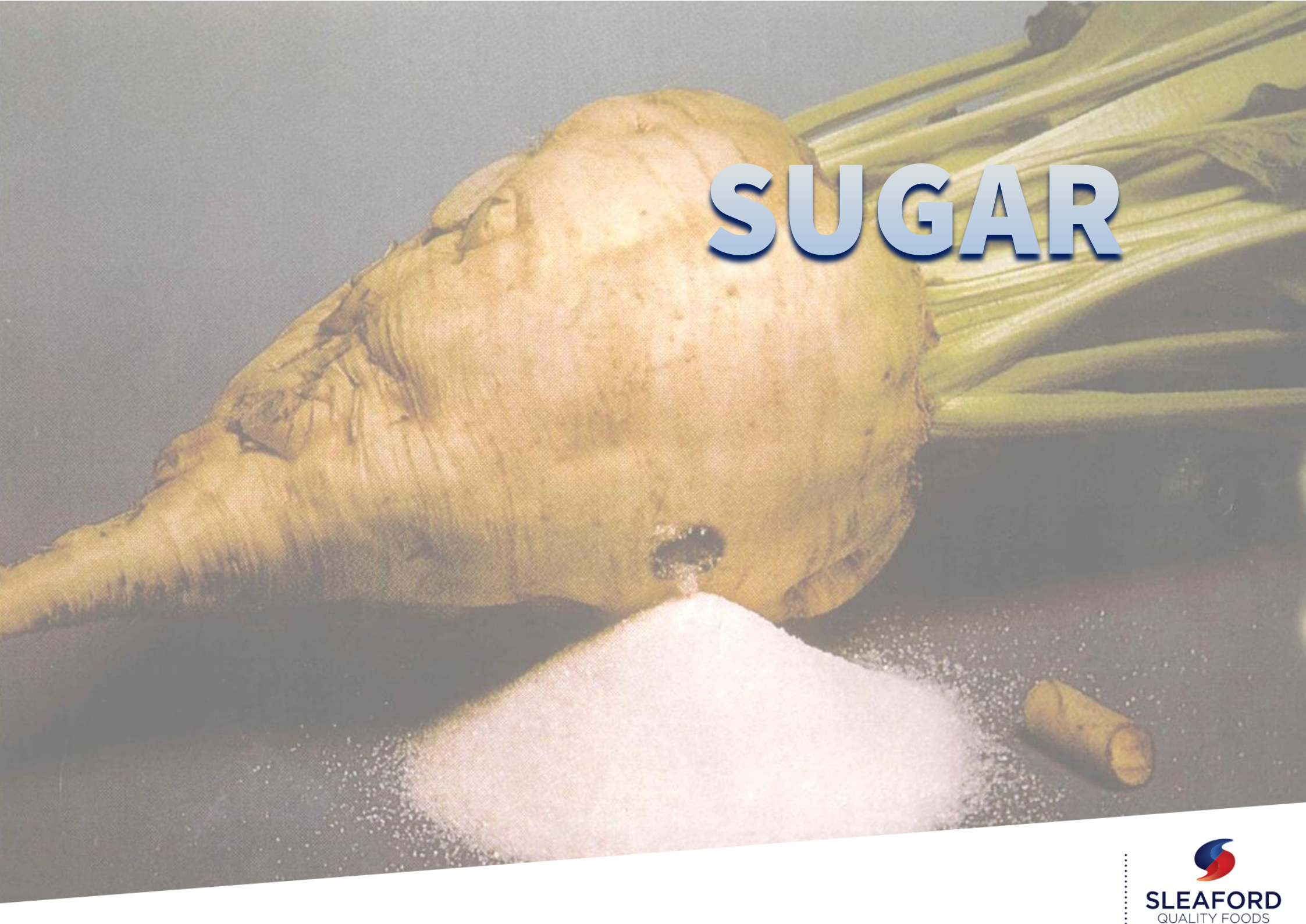
Central America will be planting their crop next month so the hope is that higher prices in some regions will encourage farmers to return to sesame production, which has been in decline for some years.

Linseed



The market is stable today, despite unfavourable weather in both the Black Sea region and Canada. Demand has been stuttering and stocks are still available. Initial expectations were that prices might drop steeply with the new Northern Hemisphere crop, but it is now looking more likely that if there is a drop it will be less steep and more stable.

SUGAR



Sugar

The sugar prices index has shown an increase of around 2% month on month since October 2018. This has been mainly attributed to the price rebound in the EU with announcements of supply cuts in France, Germany and Poland. This, coupled with lower crop yields have driven prices up since January.

According to the European Commission, the EU harvested area is the same as last year, but the average European yield shows a decrease of around 6.5% compared to the average of the last five years and down 12% compared to the exceptional campaign of 2017/18.

Moreover, Südzucker, one of the largest sugar producers announced its restructuring plan for their sugar operations and will cut production by 700,000 tonnes (4% of the European total sugar output) in Europe per year. This restructuring plan is a result of declining profits related to the low prices in 2018.

Production decrease has raised concerns over levels of sugar stocks in the EU at the end of 2018/19, especially because EU sugar export demand is expected to remain robust, further pressuring the EU sugar prices.

In contrast to the rising sugar prices in the EU, prices in the global sugar market have been decreasing due to a excessive supply from the main producing countries such as India and Brazil.

