

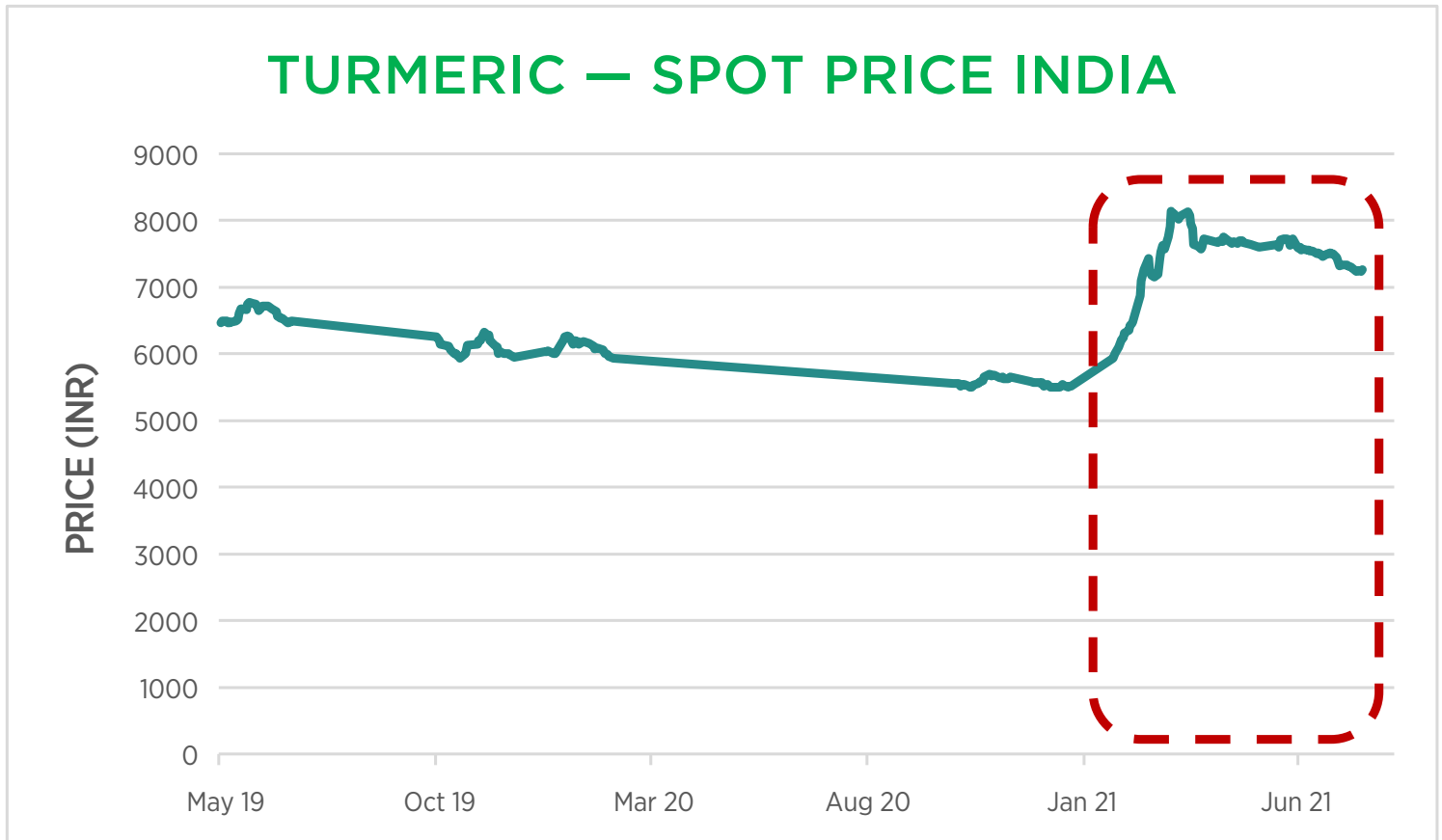
TURMERIC & GINGER REPORT

JULY 2021

Turmeric

Current Market

INDIA: Trading activities are slowly picking up after the break caused by the lockdown during the past few months. With many restrictions still in place, affecting both trading and logistics, domestic demand has been weak.



Market activity continues to be hampered by the lockdown conditions facing several states. Export volumes had gone up sharply in 2020, and export demand is expected to remain strong this year also with increased interest from the US and EU markets. After weakening in June, the Indian Rupee has remained mostly steady against the USD during this month.

INDONESIA: The recent devastating surge in Covid-19 cases has affected trading activities. Restrictions have been placed in many parts of the country to control the pandemic, and primary market arrivals have been low. Most areas have witnessed above-normal rains which have affected availability of material.

Crop Conditions

INDIA: Preparations for new season sowing have started in all the major growing areas. Early sowing has been reported in some areas, with adequate soil moisture reported due to the extended pre-monsoon summer showers. Most parts of peninsular India received good rains in May due to the severe cyclonic storms that affected the southern parts of the country. Monsoon rains started over the country during the first week of June, but rainfall has been sluggish during the past few weeks.

Production this year is estimated to have declined by about 10-15% compared to 2020. With prices remaining low since 2017, farmers had not been finding turmeric cultivation very attractive, which has resulted in the decline in production. Besides, above-normal rainfall in the major growing areas of Maharashtra, Telangana and parts of Orissa had resulted in some crop damage and increased the incidence of diseases.

INDONESIA: During the past months, most regions have been affected by heavy rains and thunderstorms. Flooding and deadly landslides were reported during the peak rainy season. A delayed arrival of the dry season is predicted this year with La Nina weather conditions seen prevailing, with a risk of extreme wet weather in some regions. New crop sowing will start after the rains.

Market Scenario

INDIA: Export demand increased sharply in 2020, partly due to increased demand from pharmaceutical companies. Together with speculative trading ahead of the lower crop this season, this strong demand resulted in an increase in prices during



end-2020. However, prices have started weakening recently as speculators started liquidating stocks. Increased arrivals have also aided the bearish trend. Domestic demand has been hit by the lockdown restrictions imposed last month to control the recent wave of Covid-19 infections affecting domestic activities, adding to the bearishness.

INDONESIA: Export and domestic demand has been quite strong. Though there had been some correction during the peak arrival period, prices have been mostly stable afterwards since arrivals have started decreasing.

Price Forecast

In the short term, prices could continue to be weak due to the increased new crop arrivals and limited domestic demand as Covid-19 restrictions continue to limit market activities. However, once arrivals slow down, with a 10-15% decline in production estimated this year, the limited availability of material is expected to support the market. Acreage under new-season planting, which will start after the rains, will give a clear indication on the market direction.

In Indonesia, prices are expected to remain firm, with material arrivals slowly declining. The new season production situation will be clear only once sowing starts during the coming months.

Coverage Recommendation

After moving up rather sharply during the first two months of this year, prices have remained rather stable since end-March. There is a possibility of prices strengthening later in the year, considering the production shortfall this season, as well as increased domestic demand once lockdown restrictions are removed. It is advisable to have adequate long-term forward coverage since we may see increased buying interest if there are any price dips.

Ginger

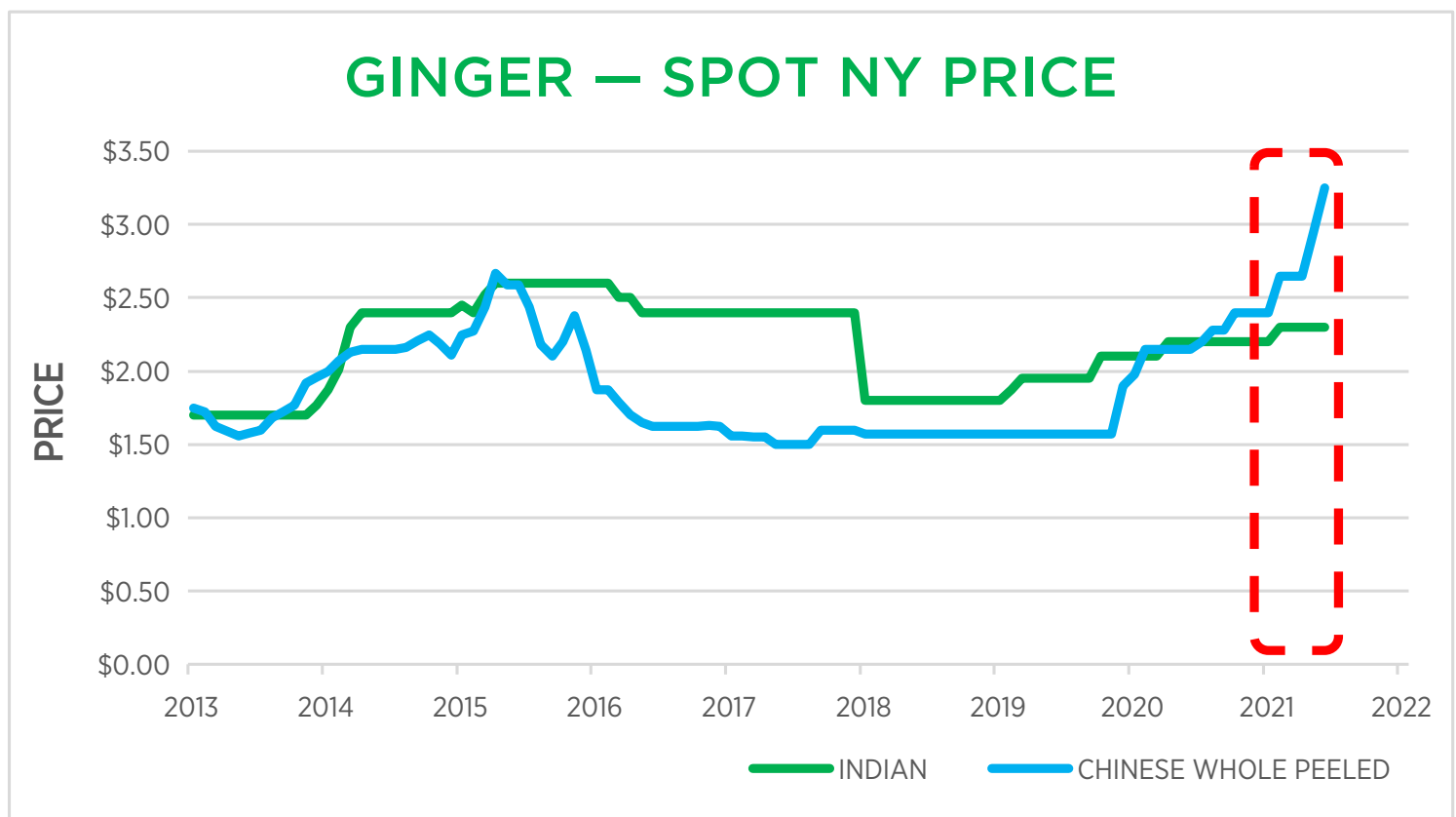
Current Market

INDIA: Prices have been supported by strong domestic demand. With ginger being widely used as a home remedy for virus infections, domestic demand has gone up. At the same time, stock levels remain low.



CHINA: Prices have been firm due to good domestic demand for fresh produce. New crop dehydration is mostly done before the Lunar New Year. The availability of material for dehydration has been limited due to demand for fresh material earlier in the year. Besides, there was substantial carry-over of older stocks which limited dehydration of new crop material. These stocks had contributed to keeping prices stable, but now most of the older material has been used up. Availability of material, as well as processing and transportation activities, has been affected by the Covid-19 pandemic. Meanwhile, with other producing countries severely affected by the pandemic, there has been good export demand from the Middle East, Europe and South Asia for Chinese ginger.

NIGERIA: The current ginger season is mostly over. Stock levels are low due to limited carry-over, though an increase in production is estimated this year. The severe pandemic situation in the country has affected supply of material, impairing transportation and processing activities. Demand has increased, with Nigerian ginger attractively priced compared to other origins.



Crop Conditions

INDIA: Production is estimated to have increased by nearly 20% this season compared to last year. Harvesting is complete in all growing areas. Adequate rainfall in the initial crop development stages provided favorable conditions for crop growth. At the same time, stock levels are currently very low. In the southern states including Kerala and Karnataka, new season planting has started with the onset of the south-west monsoon rains. After the initial heavy rains, there has been a slowdown in the progress of the monsoon, and farmers are apprehensive that farm operations could be affected if rains do not pick up in time.

CHINA: Production has been lower than expected. Harvesting is over in all areas. Stock levels have been low due to a reduction in production last year also. Reports indicate that farmers could increase acreage during the upcoming season, buoyed by attractive prices during the past few years. New season harvesting will start in October/November..

NIGERIA: Production is estimated to have increased by nearly 20% this season. Harvesting started in December and is mostly complete now. Carry-over stocks have been limited, while there has been strong export demand, keeping prices firm. Exporters are not very eager to sell forward, due to issues with the domestic supply chain which has been affected by the pandemic raging in the country.

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Market Scenario

INDIA: The increase in production this season could have a bearish impact on market prices. At the same time, domestic and export demand remains very strong, with reports about the medicinal uses of ginger resulting in increased usage.

CHINA: With the traditional ginger dehydration period ending with the Lunar New Year, shortage of material has affected availability for dehydration. Freight-related issues have also affected the market, having a bullish effect on export prices.

Price Forecast

Prices are expected to remain firm due to the limited quantity of good quality material available in producing countries. In spite of increased production, availability of new season material has been limited in both India and Nigeria. Current low stock levels, together with increasing consumption, is expected to provide support to prices. Freight uncertainties could also add to the bullishness.

Coverage Recommendation

While supply could continue to remain limited due to the tight stock levels in producing countries, demand is expected to remain high. Considering that the availability of good quality material is expected to continue to be limited, forward coverage is recommended.

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