

TURMERIC & GINGER REPORT

OCTOBER 2020

Turmeric

Current Market

INDIA: Market activity is gradually picking up after the slowdown due to the COVID-19 outbreak. There is a large quantity of unsold material due to the market closures earlier in the year, and arrivals during August were up by near 50% compared to last year. Prices have continued at their lowest compared to those during the past few years. Exports increased during the past few months, having a slight bullish effect on the market.

INDONESIA: New arrivals are slowly drying up with the season coming to an end. Local prices have weakened slightly. The current season is ending; rains are expected to start over the coming month.

Crop Conditions

INDIA: Sowing is complete in almost all areas. With prices continuously remaining low, farmers have not been finding turmeric cultivation very attractive, and as per initial reports, overall production could fall by about 10% next year. Most of the turmeric growing areas had received good monsoon rains. Soil moisture levels had been favorable in the early vegetative growth stages. However, during the past week, a depression over west-central Bay of Bengal has moved north-west, centering over the south-east coastline of India, causing thunderstorms and heavy flooding in many littoral states including Andhra Pradesh and Telangana. The effect on the new crop is not yet clear.

INDONESIA: Harvesting is mostly over, and new arrivals are dwindling. Last year, the material was of good quality, having lower moisture and having good appearance due to the dry conditions earlier in the year.

During this month, scattered rains have been reported from some areas. As per the meteorological agency, the La Nina expected this year could bring above-normal rains to many regions of the country.

Market Scenario

INDIA: Due to the limited market activity earlier in the year, current stock levels are about 20% more than those during the same period last year. Market arrivals are gradually increasing due to the large stocks remaining, keeping prices down. Export demand has gone up during the past few months, ostensibly fueled by increased demand for curcumin supplements following the coronavirus outbreak. Demand from pharmaceutical companies has increased, considering the immunity-boosting properties of turmeric. With the domestic festival season approaching, local demand is also expected to go up. The increase in demand, along with apprehensions about the next season crop following the heavy rains and floods in the growing states, could have a bullish effect on prices.

INDONESIA: There has been good demand, both for export and for domestic consumption. There has been some market correction as arrivals increased. With harvesting getting over and new arrivals decreasing, prices could remain firm.

Price Forecast

Production is expected to decline slightly in 2021. At the same time, demand is expected to be strong in the medium term. These factors together can be expected to have a bullish impact on prices, which have been running at the lowest levels recorded during the past few years.

Meanwhile in Indonesia, prices are expected to remain firm with material arrivals slowly declining. The new season field situation will be clear only over the coming months.



Coverage Recommendation

Prices this year have remained at quite attractive levels compared to those during the past few years. Considering the possibility of an increase in demand during the coming months, along with a decline in production next season, it is advisable to have adequate forward coverage.

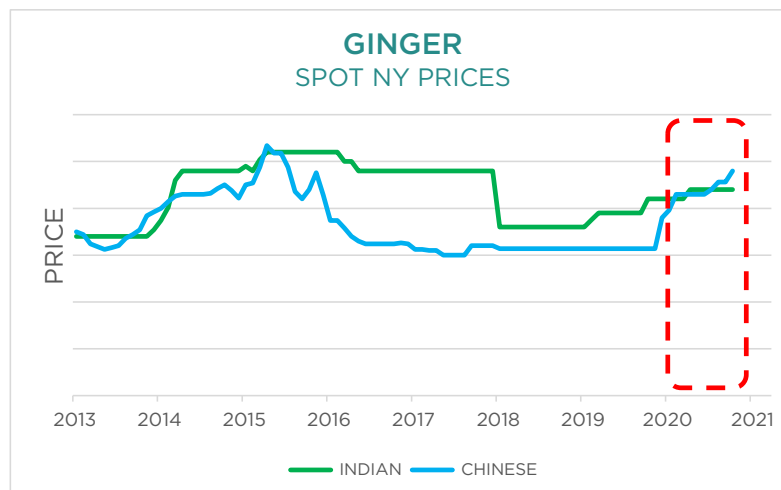
Ginger

Current Market

INDIA: Prices have remained firm due to limited supply, while demand remains high. With ginger remaining an attractive home remedy for virus infections, domestic demand has gone up. Unseasonal rains during harvesting had affected production earlier this year, and availability of material remains limited, keeping prices firm.

CHINA: Production this year had decreased by about 15-20% compared to that recorded in 2019 due to floods, leading to a reduction in stock levels. New crop dehydration was done just before the Lunar New Year. Processing and transportation had been affected by the coronavirus pandemic, hindering availability of material and pushing up prices. At the same time, 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: Transportation and processing activities have been severely impaired by the COVID-19 outbreak, affecting supply of material. At the same time, there has been an increase in demand.



Crop Conditions

INDIA: Crop sowing, which is usually over by August, has been extended this year due to very heavy rains during the monsoon season. Planting operations have also been affected by shortage of labor due to lockdown restrictions. Most of the growing areas in Kerala and Karnataka have been affected by heavy rains during the past week. The effect on the new crop is not yet clear. The new crop is in the developmental stage, and harvesting will start by January of next year.

CHINA: Planting of the new crop has been affected by heavy rains and floods in the growing regions, and production is expected to decline. Harvesting will start during the coming month, and new crop material will be available by December.

NIGERIA: The new season crop is in the growth stage. Harvesting will start in December. Light thunderstorms and rains have been reported in the ginger growing north-central regions of Nigeria, including Kaduna, Bauchi and Benue states.

Market Scenario

INDIA: Supply is limited with trade activities affected by the nationwide lockdown at a time when peak activities should have been in progress. The recent adverse weather conditions could have an impact on the new season production also.

CHINA: Supplies have been affected by labor shortages and disruption of the transportation systems. Though some manufacturers reportedly have stocks remaining, strong demand has supported prices. New crop planting has been restricted due to rains and flooding.

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Price Forecast

Prices are expected to remain firm with good quality material limited due to weather disruptions reported from the major exporting countries, viz. China and India. A decline in availability is expected due to limited stocks together with adverse weather conditions. Global tightness could keep prices firm until the supply side improves, with availability of new season material expected to be limited for some time. Export and domestic demand in the producing countries will continue to support prices. Meanwhile, compared to material from the Asian origins, Nigerian ginger continues to be competitive.

Coverage Recommendation

The market is expected to remain tight, with uncertainties remaining on both the supply and demand fronts. Availability of good quality material is expected to continue to be limited until the situation improves. Forward coverage is recommended.

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