

Market Update

Everything you need to know about what's happening in the Herbs & Spice industry

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Pepper

Pepper prices in Vietnam have surged to nearly 120,000 VND per kilogram, the highest level in the past eight years. This price increase, which has doubled from the same period last year, is driven by various factors including reduced supply, increased global demand, and logistical challenges.

Key factors influencing the market

1. Supply-Side Constraints

- **Reduced Cultivation:** Farmers have decreased pepper cultivation in favor of other crops like durian and coffee, due to previously low pepper prices.
- **Adverse Weather:** Intense heat and El Nino effects have decreased productivity by over 30% in some regions.
- **Holding Back Stocks:** Farmers have been holding back their stock in anticipation of higher prices.

2. Demand-Side Dynamics

- **Increased Global Demand:** Significant demand from markets such as the US, Pakistan, Germany, Korea, and India, with Vietnam's exports to the US accounting for 23.5% of total export value.
- **China's Recent Activity:** Increased purchasing activity from Chinese buyers has further fueled bullish sentiments.

3. Logistical Issues

- **Freight Costs:** Shortage of empty containers has increased sea freight rates by about 30%, adding to the export costs.

Market scenario and price forecast

Stock Holding: In major origins like India and Vietnam, stocks are held by strong hands with limited selling pressure. New arrivals in Indonesia are expected in July.

Vietnam's Export Decline: Exports from January to April 2024 have decreased by over 19% compared to the same period last year, mainly due to reduced demand from China.

Price Outlook: Limited stock levels and increasing demand, particularly from China, are expected to maintain bullish market conditions. Prices are likely to stay high until new arrivals later in the year.

Turmeric

The harvesting season has ended, and we are currently in the post-harvest processing phase. As expected, production has dropped by approximately 40% compared to last year because farmers, facing low returns on their crops, have turned to alternative crops. This shift has led to prices doubling, exacerbated by reduced carryover stock. Pesticide compliance continues to be a significant challenge this year.



Cumin

In India, the cumin harvest has finished, showing a 30-40% year-over-year increase in crop volume which gives relieve on the availability of cumin and the extreme price levels seen during last year. Currently the market for IPM cumin has stabilized but may increase later on in the year when availability drops.



Garlic

Harvest has started since the end of May. Although the market opens lower compared to last year, the seafreight costs (including the tax import) absorb part of those lower prices. Last year's sea freight was around USD 1000 (20ft container) while we currently see prices up to USD 4400. Garlic has been since a few years a stock trading item in China and is high sensitive while a lot of speculators are active in this raw material.

Oregano

Last winter was dry in the oregano area's in Turkey. Not clear what finally will be the impact to the upcoming crop. Although the good crop of last year, the EU compliant material was limited to max. 20-25% of the total. Also for the upcoming crop is not clear what the PA status will be. Good manufacturing practices at farmers level remains important for the future to avoid as much as possible PA contamination.



Journey to India

In March, two colleagues from Euro-ma's purchasing and vendor quality departments traveled to India. The purpose of this trip was to visit two of our suppliers and gain insight into the process of harvesting and processing our spices.

They were allowed to visit the fields and factories and discovered what challenges they face in terms of, for example, climate change and the stricter legislation in Europe that they must comply with. Onion fields were visited, where the harvest was at its peak, and they got a glimpse of the supply chain of chili and turmeric.

An impressive trip, during which they also witnessed the colorful celebration, the Holi festival.



Let's get in touch

We share with you this information to the best of our knowledge. As you know, herbs and spices are a product of nature and therefore subjected to weather conditions and world trade conditions. Our Market Update is based on our current view on the market. Please consult your Euroma Herbs & Spices Account Manager for more information.

