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RM Curtis & Co Ltd Market Report

Dried Fruit, Edible Nuts & Seeds

Feb-March 2018

Inside this issue:

Market Highlights

Brazils - As expected, there is some confusion over forward pricing, although the fundamental trend is for prices to eventually settle at lower levels than they are today, over the second half of 2018.

Raisins - Californian raisin pricing has firmed further since our last report and looks set to worsen as the season progresses. The impact of this short Californian crop has been building, along with increasing pricing in recent months.

Apricots - Turkish apricot prices have continued to firm since the start of the new crop last Sep-Oct '17. The interesting factor behind this seemingly unstoppable upward price trend is that this is a really large crop yet prices still show no sign of stability or correction.

About RM Curtis & Co Ltd.

Curtis are one of the leading UK suppliers of dried ingredients including Edible Nuts, Dried Fruit, Pulses, Seeds and Rice.

For almost 170 years customers in the Retail, Food Service, Catering and Wholesale, Bakery, Confectionery, Snack and Manufacturing sectors have benefited from our commitment to quality, service and value.

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Please visit our website for more information on our products and brands

www.rmcurtis.co.uk

RM Curtis & Co Ltd. 95 Camberwell Station Rd London, SE5 9JJ

Tel: +44 (0)20 7274 0717

Fax: +44 (0)20 7737 1827

EDIBLE NUTS

Almonds

As usual for this time of year, much of the Californian almond market's focus is on the bloom, which runs over Feb-March each year.

The latest news is that after a very warm and stable start to the bloom, two nights of sub-zero temperatures have unexpectedly hit the central valley and as a result, and at the time of writing, the almond packer/processors have all withdrawn from offering.

While it is not immediately possible to evaluate the possible damage this might have caused to the developing new crop, there clearly is some damage, and this will have varying degrees of impact on the eventual size of the new crop.

The forecasts for the next few weeks look to be far better and after such frosts, some trees may still have the time to recover, while some will not.

Rains forecast for mid-March should be good news, but shorter term, the talk will be on the extent to which these frosts may have impacted on the prospects for a larger 2018 crop – which until now, had been an assumption.

Comment

Spain also harbours some positivity for the prospects of a larger 2018 crop with its increased planted acreage looking likely to produce 100,000mts some year soon – if not this year ahead.

As far as current crop is concerned,

California has also reported on its January shipments and for the 4th successive month, this was a record number. 193m v 165m lbs last Jan shows a 17% increase and stands testament to the fact that demand on-going for almonds is growing exponentially – and especially so at pricing levels which are competitive to most of the other nuts in the basket.

If California does continue to produce record monthly shipments, then this would mean that the current crop itself would be largely sold out - bar an ever decreasing carry in (now thought at best to be 300m lbs which is tiny in comparison with the crop itself).

The first official new crop estimate is in May, as usual.

RM Curtis & Co Ltd. 95 Camberwell Station Rd London, SE5 9JJ
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EDIBLE NUTS

Cashews

At the time of writing, Vietnam is celebrating Tet – which is this country's most important festival and marks the start of the Vietnamese New Year.

Typically, a lot of the exporters are off work for a week and sometimes longer, so the cashew market is in part shut down for the second half of Feb this year.

However, the imminent crop is looking good and better than we have seen for at least the past two years.

Comment

There have been some small replacement price decreases over the past month and in anticipation of this better production, we may still see some further decreases if the crop does materialise as well as we would hope.

Clearly, if this triggers strong forward industry demand, then that would stall this potential weaker trend.

Also – if processors rush to cover raw nuts (seed) when they are back from Tet, then this would tag the raw material pricing to a base price and at least in the short-medium term, set a price that would then be unlikely to drop below.

Or at least there would be logical resistance at origin to selling below this point.

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Fax: +44 (0)20 7737 1827

Walnuts

Californian walnut pricing for 2018 looks set to become increasingly technical as the year passes.

Given that new (2018) crop will not be here realistically until late Nov/early Dec at the earliest, this seems like a very long time away given the major “technical” issue already unravelling.

That being that the percentage of naturally occurring (from shelling) walnut Pieces is proportionally much lower than it used to be - even in recent years.

Also – that the percentage of darker kernels is low this season as well (surprising after the very hot Californian summer last year) so availability and pricing on darker coloured walnut pieces from California is almost non-existent only 4 months in to the new season.

Comment

The underlying tension on the Californian walnuts is also that this was a much shorter crop than the previous year (down around 80,000 tons) yet demand and interest for Californian walnuts is at an all-time high.

There are cheaper origins of walnuts still available today, but in comparison they are just not as clean or as tasty!

With Pieces already short and new crop some ten months off, it is hard to see any major price weakness in the short-medium term – although all things considered, the chances are for a bigger new crop, so we could see some potential weakness during Q4 if and as new crop looks to deliver a larger supply into 2019.

Brazils

As expected, there is some confusion over forward pricing, although the fundamental trend is for prices to eventually settle at lower levels than they are today, over the second half of 2018.

Crop figures are hard to come by at the best of time, but production this year and in comparison with last year, looks to be close to "normal" (or just under, apparently) so we could be looking at something around 20,000mts from Bolivia as opposed to 8,000mts last year.

Predictably, origin has been looking to ship new crop as early as possible and there were reports of some shipments leaving during Jan which will start to arrive in the UK and Europe during March.

Those earlier shipments carried a premium, as they were linked to the astronomically high prices last year – and with each forward month that is offered, so there is a discount but still showing that origin is trying to hang on to as high a pricing as they can, while they can – and before the weight of a "normal" crop pushes prices back down to more historically recognizable levels.

Comment

Whole brazils will be shipping in earnest during March-April and while it might take a while for the pipelines to be replenished, when they are we should see further downward pressure on pricing.

Before then however, there are some technical "squeezes" to be expected for those who want to buy into this market again – and for those that never stopped last year despite the crazy prices – there is not, and has not been a lot of stock to buy into. Especially since importers have been reluctant to buy stocks in origin in the almost certain knowledge that it would be worth less by the time it arrives at its destination.

However, for Qs 3 and 4, we should hopefully see some semblance of commercial sense restored.

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Hazels

Hazelnut prices are still firm in Turkey, both set against the activity of the Turkish government in procuring large quantities from this new crop, as well as the continued steady - albeit slow recovery of the Lira v USD.

The TMO's purchases and offers to purchase in excess of 150,000mts of this new crop, has resulted in a shift in stock ownership with much of the uncommitted inventory from this new crop now sitting either in the hands of middle men / traders ; the processors with the deepest pockets and / or TMO.

Therefore, the supply of new stocks has dried to a trickle - and ahead of their own bloom over March/ April, Turkey is comfortable in the knowledge that there is still plenty of uncovered forward demand that will come to the market sooner or later.

News just received in, is that the TMO have announced that they would be willing to sell off some of their purchased stock up to end March but at levels some 10% higher than the most recent market prices.

This might serve to cap the market in the short term – or to shift prices upwards by similar amounts, as this gives the other Turkish stock holders some justification to realign their export pricing.

Comment

Recent warm weather across the northern Black Sea region has slightly spooked Turkish exporters into thinking (or saying that they are thinking) that this has triggered an early flowering across some orchards which clearly exposes the crop to any frost damage if and when the crop is in full bloom over March-April.

Clearly, the weather might be just fine over that period, but we only need to look at 2014 to know what happens when the frosts come at the wrong time and when the developing crop is at its most sensitive.

For that reason, Turkey is very wary about offering forward now and we will likely see prices firming in the short term at least until origin can be more confident and clear as to how 2018 crop could eventually shape up.

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Pecans

The short term key for forward Pecan pricing looks to remain in the hands of the Chinese buyers and the volumes they will or will not need to cover.

Over the past decade, China has bought heavily into both the South African and U.S./Mexican origins and given their massive population, they have the capacity to move markets on their own.

At present, it is reported that Chinese buyers have stocks in surplus which they will need to shift before needing to buy any further quantities. The second half of February this year is also largely when many buyers/ traders are away from work celebrating their New Year.

For sure, these “surplus” stocks will be selling during New Year, but will they have cleared enough to re-enter the market afterwards, remains to be seen.

Comment

Both U.S. and Mexico realise that there is still plenty of non-Chinese buying still to be covered for 2018.

For that reason, they are reluctant to lean on prices despite acknowledging that the market needs to correct in order to find where the demand truly sits.

However, the combined US and Mexican crops plus carry in, total a similar amount to this time last year, and the higher prices traded right across 2017.

So arguably, any further price decreases might be short lived and the origins are all poised to raise their selling prices at the first opportunity.

DRIED FRUIT

Coconut

On January 13th one of the Philippines most active volcanoes – Mount Mayon - erupted and sent into action a major evacuation of the surrounding areas.

Fortunately, no lives were reported to have been lost, although widespread damage and destruction was forecast. Including the coconut plantations, factories and infrastructure within a 100 miles of the eruption.

Prices were quick to rise and some additional demand was covered – albeit with some difficulty given that the major mills are at full factory capacity for the next three months (as usual) and so it is generally next to impossible to buy anything for "prompt" shipment.

Comment

As is fortunately often the case, the worst possible scenario on this eruption did not materialise and as the situation stabilised, so did the prices.

Indonesia has just reported its own volcanic eruption, but so far nothing too bad to report, and as far as the coconut pricing is concerned, Indonesia has now crept back into contention and just below Philippine pricing since the start of 2018.

Given the scale of demand and its seeming never-ending prospects for further growth, aside from any major currency adjustment, it is hard to see exactly where and why there should be any major downward price correction.

While supply might be relatively constant, demand for coconut has been transformed over the past five years and there is nothing to suggest that this trend will break any time soon.

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Raisins

Californian raisin pricing has firmed further since our last report and looks set to worsen as the season progresses.

The impact of this short Californian crop has been building, along with increasing pricing in recent months, but we now hear – rightly or wrongly – that packers are increasingly concerned that their remaining uncommitted inventory will struggle to fulfil the likely uncovered forward demand for this rest of this season.

For those buyers who have to buy Californian, there is no choice but to follow that market and there are many buyers, across Europe and the Far East, who are in that particular boat. Obviously, in addition to their domestic market.

For those buyers who have been able to switch origins, then Turkey has been the obvious choice, although uncommitted stocks of Turkish raisins now also look to be in fairly rapid decline.

Turkey has seen a significant increase in demand from buyers who have not been able to source from Iran – or who have just been looking for a competitive alternative and with each day that passes, pricing for any sort of volume has been increasingly hard to secure.

Comment

From Chile, while their new crop looks to be good, they have been quick to increase their export pricing to levels still well below California but around 20% higher than we saw for most of 2017. I think it's fair to say that they are exploiting this situation, but with a decent crop, they need to be careful of how far they push this.

South African new crop prices have recently been quoted and at levels somewhere between Turkey and Chile, but this will not be seen in the UK until May-June.

All of which would suggest that raisin prices overall are set to remain firm, with the weak USD the only mitigating factor short term.

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Sultanas

Turkish sultanas have also been firm of late and with similar pressures coming at them, as reported above (raisins).

The short Iranian crop has resulted in an inevitable shift in demand of Iranian buyers over to Turkey – supplemented by wider demand from buyers for “vine fruit” who have experienced their own issues on raisin and currant supply.

While the Turkish crop was comfortably 300-310,000mts this year,

the demand has been huge and with six months still to go before the next crop, we expect supply to get extremely tight.

Comment

A recent report from Turkey revealed that their domestic schools programme tender would soon be initiated and this would be for 12,000mts a year.

It increasingly looks like this crop will be pushed to its absolute limit this season and there is still plenty of time for views on new crop to be formulated.

There are many who fear that history tells us that after a strong current crop like we have had, that the next crop will be smaller (although others also point out that increased planted acreage will offset that to some extent).

While a shorter Turkish new crop would not necessarily be a major disaster given that demand by then should be lower (assuming Iran and California produce a normal crop), the sentiment between now and then will be overshadowed by the prospects of a shorter new crop.

Also, as the Lira battles to strengthen against a weaker USD, this will also only serve to convert export pricing into higher levels.

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Currants

Since our last report, we have not had a single offer on currants from Greece, which is an almost unprecedented situation, it still being so early in the new crop season.

This is not for want of trying, but clearly any remaining uncommitted stock in Greece is not being offered to the market by the grower/stock holders and so the processors from whom we buy are simply unable to secure any new raw material.

Comment

Which makes it extremely difficult to operate – or to set or agree to any prices given that there is no replacement stock or price indications.

This situation could cause serious and long lasting damage to the Greek currant industry.

Where possible, some buyers are looking to California or South Africa for stock, although the currants from these origins are typically a much smaller berry count.

But needs must, and if buyers can work with this size difference and if Greece remains higher than California and S.A. into their new season, then Greece could find themselves losing even more of their now dwindling market share.

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Apricots

Turkish apricot prices have continued to firm since the start of the new crop last Sep-Oct '17.

The interesting factor behind this seemingly unstoppable upward price trend is that this is a really large crop yet prices still show no sign of stability or correction.

This can be attributed to two key factors.

Firstly, that following 3 years after the frosts of 2014, apricot prices at the levels seen up to and just before harvest last Aug-Sep were cheap and this stimulated strong demand. Demand not just from buyers who could finally buy apricots at more recognizable levels, but also cheap in comparison with many of the other tree fruits in this particular basket.

Many buyers did not cover their full year needs, but have been covering cautiously as the prices have increased with some benefits to their cautiousness coming from the respective recoveries of Sterling and Euro against the USD.

Second, the initial drive behind the demand came from Turkish exporters, who were covering some of their earlier short sales.

This demand on-going converted to speculative long positions, whereby Turkish trader/exporters have supported the market price increases and tightened supply despite the big production.

Comment

Of late however, and typical for this time of the year, Turkey is now looking nervously at its developing new crop and given that Malatya can experience frost damage as late as May, even June – there is a growing sense that the next crop could easily be smaller anyway – let alone if hit by any degree of frost damage over the next three – four months.

Prices from May, depending on how the weather has been, could stabilise as by then, apricot prices could be a lot less attractive.

However, we know for sure from 2014, that any adverse (mainly frost damage) weather, and prices could jump higher quickly and spectacularly.

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Prunes

Chile has started its new crop prune harvest and which due to colder weather over December, has come in around 10 days later than expected.

Sporadic reports of rains at this time is not ideal as it will damage the fruit and can result in fruit dropping on to the ground, rather than on to tarpaulins preferred by growers who will mechanically (but gently) shake the trees to drop the crop.

Other reports suggest the crop could be between 10-30% down on last year, but until the growers and processors are able to better assess production over a wider area, these reports of volume reduction are still only anecdotal.

Comment

While the crop might end up shorter than last year, we hear that the quality is extremely good (provided there are no more rainstorms in the short term).

But pricing will be driven by demand and with prices at attractive levels – comparatively to other trees fruits and historically on prune pricing itself, and with a lot more international interest for prunes given the healthy story that they increasingly have to tell, it is more likely that we will see forward pricing increasing than any further decreases.

Dates

The Iranian new crop will be harvested over August/ early September and so clearly the weather will be a key factor over the coming months.

Iran reports an unusually warm spring so far, so this could trigger an early flowering and clearly a risk of frost damage.

This is then followed by how hot it can get in the Iranian summers and last year was a scorcher.

Ramadan starts on 16th May this year so there will be a lot of demand both domestic and across the Middle East over the next two - three months.

Comment

There are also on-going concerns about the water reserves available and how resilient the supply will be over another very hot summer.

So, both short-medium term concerns over the weather will directly impact on prices, and prices are already creeping up in anticipation of demand, together with scares to come before the harvest.

RM Curtis & Co Ltd. 95 Camberwell Station Rd London, SE5 9JJ
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Fax: +44 (0)20 7737 1827

Seeds

Pinenuts

The firmer prices reported late last year continued into early January and then slowed down towards early February. Largely due to the fact that the Chinese had by then stopped buying for their New Year, and in the absence of which, price increases stalled and stabilised.

The crop this year is reported to be an average size, but for well-known regional political reasons, availability and supply of North Korean pinenuts is a little tricky.

Comment

Once China returns from its New Year celebrations in March, it will be interesting to see if forward domestic demand and likely local trader speculation, could combine to push prices higher.

With recent historical reference confirming that present pricing is comparatively cheap, so we could easily see an upside to pricing.

Supplemented by strong demand from the rest of the world, as on-going research and data suggests increasing dietary and nutritional interest for all seeds.

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Fax: +44 (0)20 7737 1827

Seeds

Pumpkin

The fact as we know it, is that in order to try to squeeze supply and encourage higher pricing, China reduced its pumpkin plantings last year for 2018 supply.

What this didn't take into account was the amount of stock sitting unshipped in China and uncommitted at the various destinations, which would need to be sold through before the impact of this reduced supply would be felt.

Comment

Again, while we know that there is typically strong demand from the Chinese domestic market before their New Year, it is not clear how much will come in immediately afterwards.

So, it might take until March-April to better understand the shape of forward domestic Chinese demand, and for the surplus carry in stock to have been further reduced.

The Chinese currency (RMB) is also firming against the USD and this will logically also convert to higher export pricing.

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Seeds

Sunflower

Little to update since our last report. This is one of those markets that fortunately has ample supply (from Bulgaria) that is a match for demand and which seems to be resilient enough to withstand hot and dry summers and still produce a surplus.

Comment

Even with strong and growing demand for sunflower within the seeds basket, Bulgaria can cover this and then for us destination, the optimal time for forward covering is when the Euro weakens and a stronger Sterling can convert to lower cost prices.

At some point of course, the weather might ruin the balance, and it could be as simple as heavy and protracted rains before and during harvest.

Or Bulgaria may take the view that they will reduce plantings themselves in order to manipulate pricing, but fortunately we don't appear to be there yet.

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Email: sales@rmcurtis.co.uk

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