



Spice Market Update

NOVEMBER 3, 2011

AVT McCormick Ingredients Pvt Ltd.

Ginger

It is estimated that 1.5 million MT of ginger is globally produced annually. India and China contribute roughly 50% of that volume. India is a major consumer of vegetable ginger consuming an estimated 200-250MT per month! Up to 90% of the material cultivated in India is sold as raw while the remaining volume is processed as dry ginger.

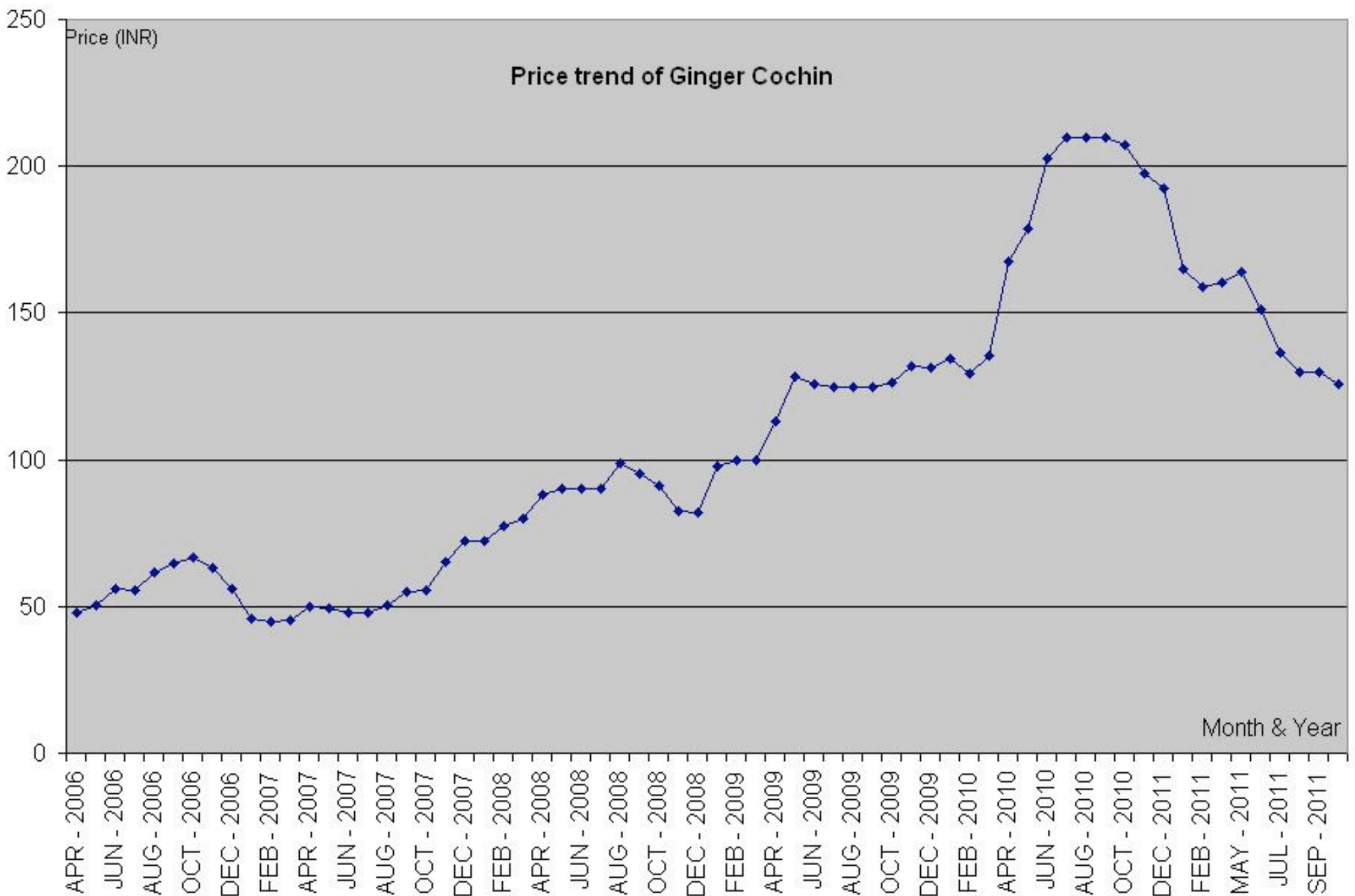
For the past two years Nigeria has been struggling to provide product that is free of aflatoxin. At this time material is still unavailable.

China has also struggled with excessive rains, crop damage and smaller yields. While this was previously a more competitive origin, it has now become the more expensive option. Early reports suggest this year will be similar for China. Flooding has been blamed for the reduction of the crop by 30-40% creating a lower yield than last year.

Due to the solid pricing of ginger in the past few years, India's cultivation has steadily increased. This year by an estimated 25-30%.

Unfortunately, weather conditions have not been co-operating for India either. The extended / intermittent monsoon rains have damaged the standing crop in many areas and subsequently forcing farmers to harvest their crop before full maturity. As a result, there is an increased supply of fresh ginger in the market, and market rates have declined. Dried Ginger prices are loosely linked to the fresh market and an impact has been seen to some extent. Only once the more mature ginger is harvested for drying in December and January will a realistic view of the crop yield be available.

At this time, prices continue to remain relatively steady at USD \$3,425 / MT. However there is a real potential for the rates of this product to increase sharply in December / January. This may be an ideal time to look at annual contracts.



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