



Special points of interest: Advanced Spice & Trading, Inc.
13951 Senlac Drive, Suite 150
Dallas, Texas 75234
Phone: 972-242-8580
Fax: 972-242-6920
Email: sales@advancedspice.com

Volume 20, Issue 1
May 15, 2017

ADVANCED SPICE & TRADING, INC.

Advanced Newsletter

Normally I would cover the domestic and Chinese garlic markets in the general market update, but there seems to have been so much going on in these markets since my last update, that I felt I needed to call them out and discuss in further detail.

Domestic Garlic

Let's start the discussion with the most recent events in the industry regarding domestic garlic out of California. As you are all aware, we are down to only two suppliers of domestic garlic into the market at this time. This product is preferred by many customers because of its flavor profile and in all honesty, just the fact it is not from China, which is a source of concern as a country of origin for many customers.

The domestic supply of garlic is typically more consistent

Overall the markets on most spices have been quiet this year, but of course the exceptions to this are some of the largest volume items sold.

Black Pepper

When all we normally see are rising prices, it is nice to see that something can actually come down. The crop in Vietnam was very good this year and there don't seem to be any supply issues on the horizon. We expect the market to stay at the new lower levels thru this year.

Garlic Update

with regards to price than its Chinese counterpart because it is grown specifically for the dehydration market and therefore fluctuations in the demand for fresh garlic do not cause price disruption. This consistent pricing is another reason that Domestic Garlic is preferred by many.

The negative, is that like any agricultural commodity, availability and supply are directly affected by mother nature.

This last year, due to the previous years of draught in California, the yields on the domestic garlic were negatively affected, and ended up being one of the lowest yields on record. This low yield followed two previous years that had also had bad yields,

depleting carryover from year to year. This meant that once all the product was in house, the domestic suppliers realized they had no choice but to place customers on deep allocation. This allocation in many ways has cut customers off and has sent them searching for alternatives until the new crop domestic product is available sometimes between August 1st and September 1st.

This will cause increased pressure on the Chinese crop demands, maybe not allowing it to drop as quickly as many people were originally expecting. The good news is, the water situation has improved drastically in California and as of the time of this

(Continued on page 2)

Market Information

Cinnamon/Cassia

The Cinnamon market continues to reach new record levels. Most believed that we would see softening at this point, but high pent up demand, along with less planting of trees and slow harvest due to rain in the growing regions, has caused this market spike. Sayia pointed out in a recent market update that it takes 12 years for a cassia tree to mature enough for harvesting and

that it was 12 years ago that we hit the lowest price in 30 years, which directly led to lower planting and the availability issues we see today.

The remaining spices are a mixed bag with more normal market movement but continued increased demand and continued pressure for higher and higher food safety standards will continue to cause upward pricing pressure.

Greg Hanks

Garlic Update Continued

(Continued from page 1)

newsletter, the upcoming crop domestic product is looking much better than average and we should be in a much better position after September 1st.

Chinese Garlic

As I have covered in past newsletters, one must remember, that unlike the domestic crop, the Chinese crop is planted for fresh use and only the remaining inventory is sold into the dehydration market. The reason this is important is because it is the reason the price can vary greatly from year to year, as it did this past year, jumping by more than 100% from year to year, not only hitting record highs but far surpassing the cost of domestic product as well.

Why did the price increase so much this last year?

1. Yields were poor on the 2016 Chinese crop, along with increased demand for fresh garlic, caused a shortage for product to go to the dehydration market. Inventory was extremely scarce over the summer months.
2. The Chinese version of our EPA continues to crack down on water polluters specifically, drastically reducing the number of plants that dehydrate the garlic into flake.
3. Speculators entered the market, driving up pricing.
4. The financial market was extremely limited for the financing of new crop.

These were the main reasons for what happened last year, but the important question is, what lies ahead. There are factors that could drive the market down quickly as many hope and expect, but there are also factors that could keep the pricing on Chinese garlic higher than desired.

1. The plantings for the upcoming crop were up about 20% and as we near harvest, yields appear to be good, indicating potential drops in prices as availability increases.
2. The Chinese Government has indicated that they will be pushing back on speculators, again, something good for the market.
3. The lack of availability for domestic garlic will put increased demand on Chinese product, possibly keeping the market high.
4. We are basically going into the new crop with zero carryover of inventory from the previous year. This could keep pricing high for a period of time.

The bottom line is we do feel the market will drop in pricing but right now it is hard to speculate how far and how fast. It is also important to note, that with the harvest starting soon in China, that still means that new product will not be here in the states until fall, so anything being sold now is likely being dumped from the previous years crop.

Greg Hanks

Welcome Aboard

We would like to welcome Earnie McNickle on board. Earnie joined our team in November of last year. He brings numerous years of experience to our sales team and a great customer management style. Earnie will be growing our sales efforts in the natural, organic and the nutraceutical and cosmetic industries, along with increasing our efforts in the pet food arena. We were also proud that some of Earnie's industry partners joined us in his move to join our great team here at Hanks Brokerage. We will introduce them under new industry partners.

Texas Food Processors Association

The annual Texas Food Processors Association meeting is just around the corner and will be held in Dallas, Texas on May 17th and 18th. For information, please visit www.tfpa.org or contact one of our team members. We hope to see you there.

New Industry Partners

We have been fortunate to keep growing with great new industry partners and finding leading companies to represent in areas requested by our customer base.

American Instants

American Instants carries a variety of instant coffee and tea as well as leaf tea of the highest quality.

Azar Nut

Supplier of classic raw nuts to on-trend flavors and candied items.

Belgioioso Cheese

Tradition, selection of ingredients, location and artisan inspiration are cardinal pillars that make BelGioioso cheesemakers the greatest interpreters of the best Italian cheeses in the US.

Ecom Food Industries Corporation

Ecom is a primary producer of extracts, oleoresins, natural antioxidants and flavor enhancers.

Food Ingredient Solutions

Food Ingredient Solutions manufactures a complete range of natural colors and natural color preparations along with application assistance and formulation recommendations.

Natural Products Inc.

Leading manufacture of Non-GMO and Certified Organic Full Fat Soy Ingredients.

Oskaloosa Food Products

Supplier of Liquid and Frozen Eggs, along with spray dried and pan dried eggs and egg whites.