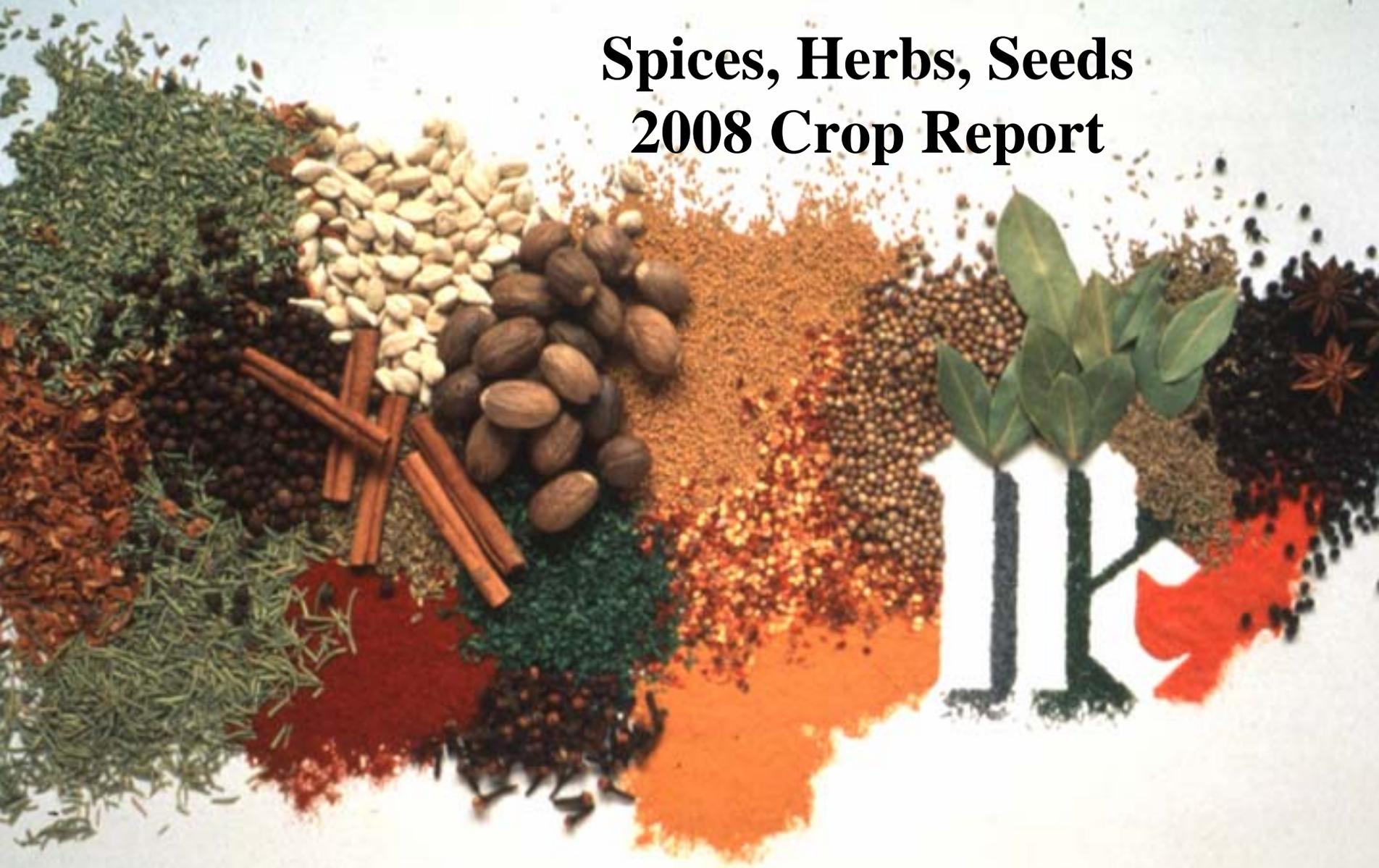


Spices, Herbs, Seeds 2008 Crop Report



Al Goetze

What a Nightmare!

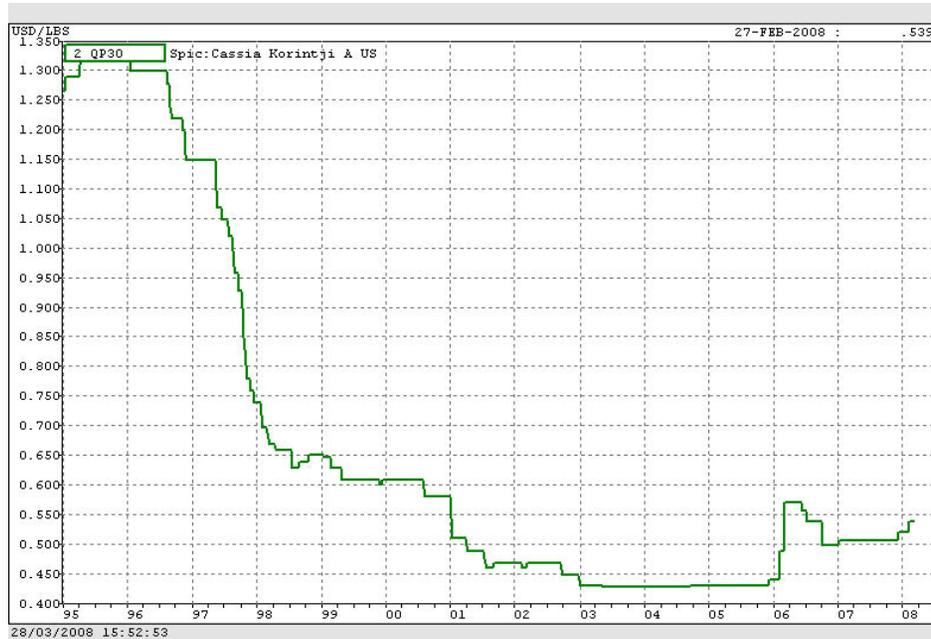
- All commodities, with few exceptions, have been volatile and extremely bullish over the last 12 months
- The Farmers have the upper hand!

General Factors Affecting All Crops

- Weather abnormalities
- Weak US dollar
- Increased global demand
- Speculation / Investment in commodities vs stocks
- Farmers have attractive option on other crops to grow
- High oil prices leading to higher steamship rates

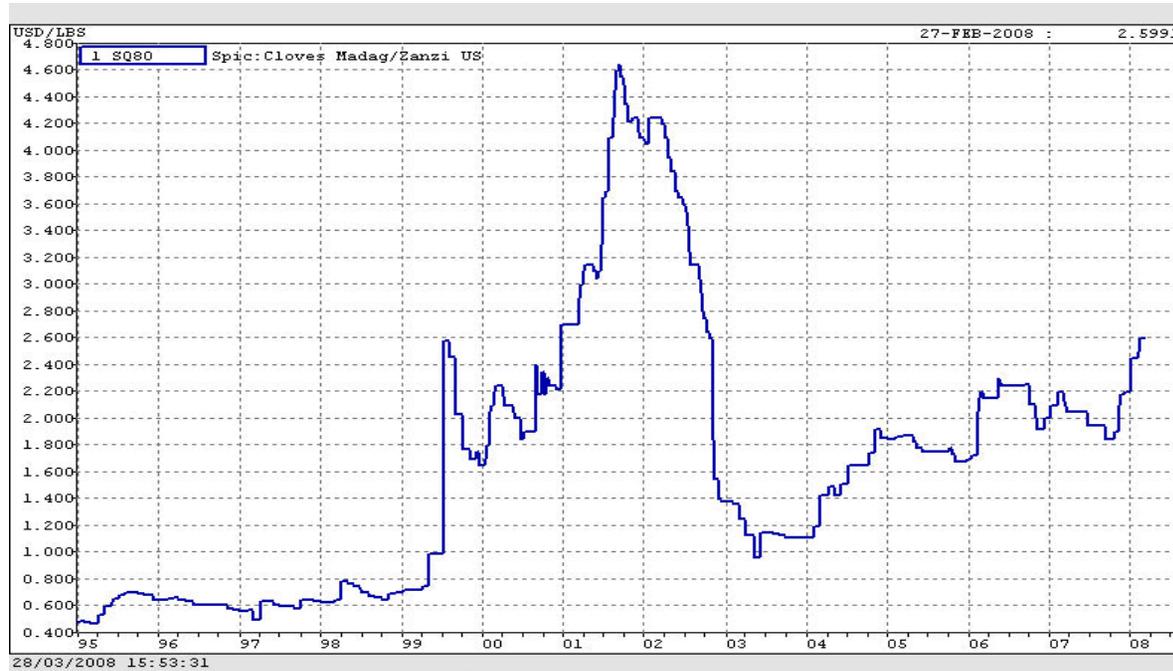
Spice Category

Cinnamon



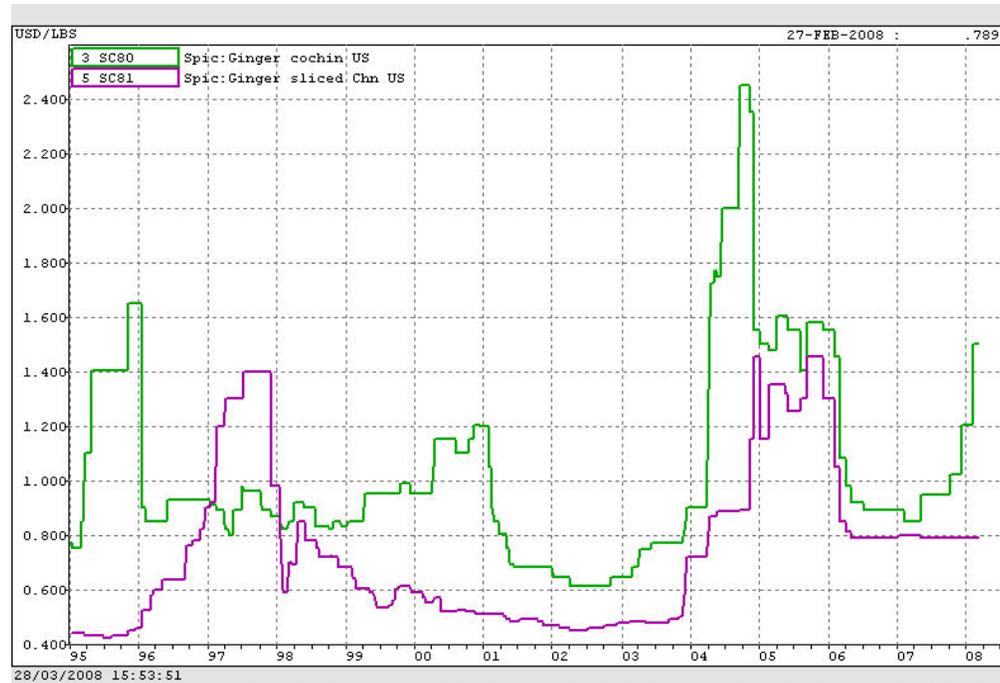
- Indonesian (Korintje) is still the major supplier to US
- Vietnam (Saigon) is a distant second
- Indonesian costs continue to climb
- Farmers have slowed harvesting cinnamon versus focusing on higher paying coffee and cocoa
- Heavy rains have also slowed production and outputs
- Farmers can wait on cutting down cinnamon trees!
- Expect steadily higher prices for 2008

Cloves



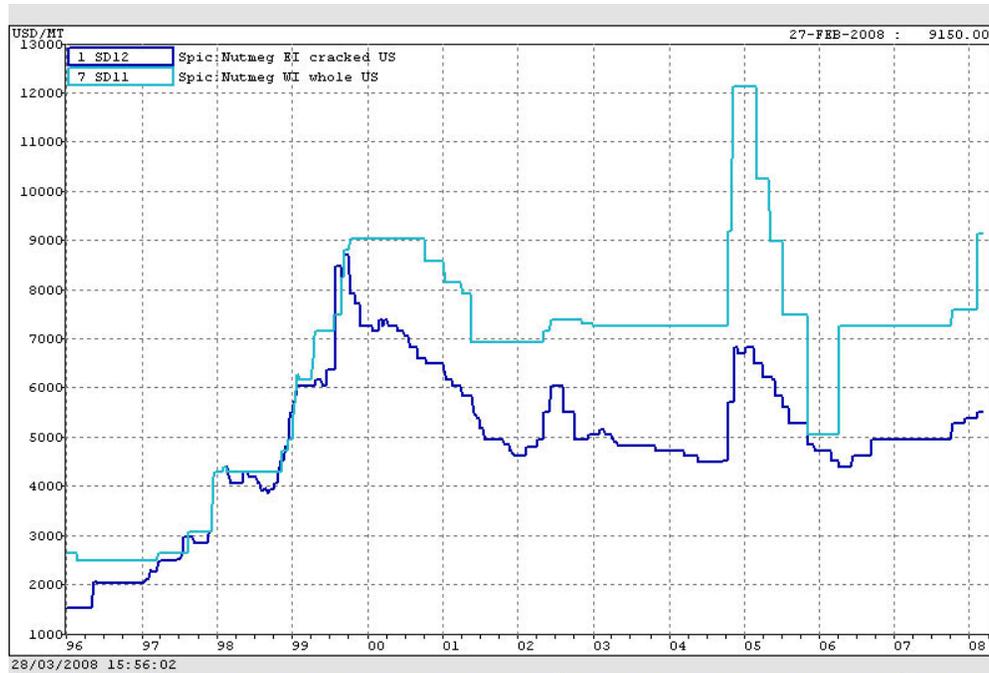
- Indonesia is the major producer at 85,000 MTS and had a good crop in 2007
- Indonesia consumes 65,000 MTS for its Kretek cigarette industry
- Madagascar crop (normally 10-12,000 MTS) was badly damaged by two cyclones in March 2007, and another cyclone in February 2008!
- Prices escalated in 2007 Q4 due to heavy Indian demand
- Timing of Kretek cigarette industry purchases and speculators have kept the prices high
- Outlook is for further price firmness primarily based on speculators projecting 2008 Indonesian crop smaller

Ginger



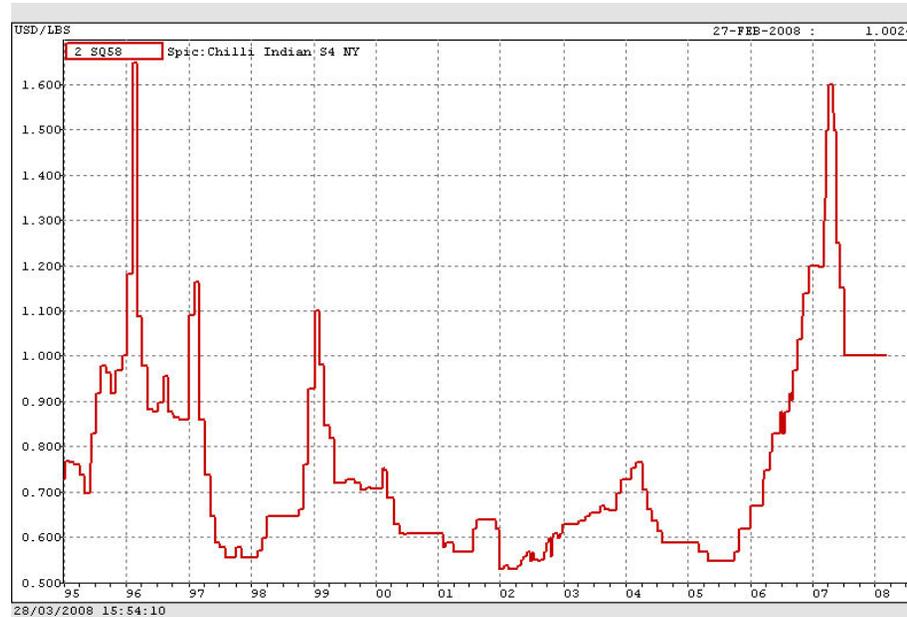
- Small crop in India is driving the market higher
- China and Nigeria continue to be the competitive origins

Nutmeg



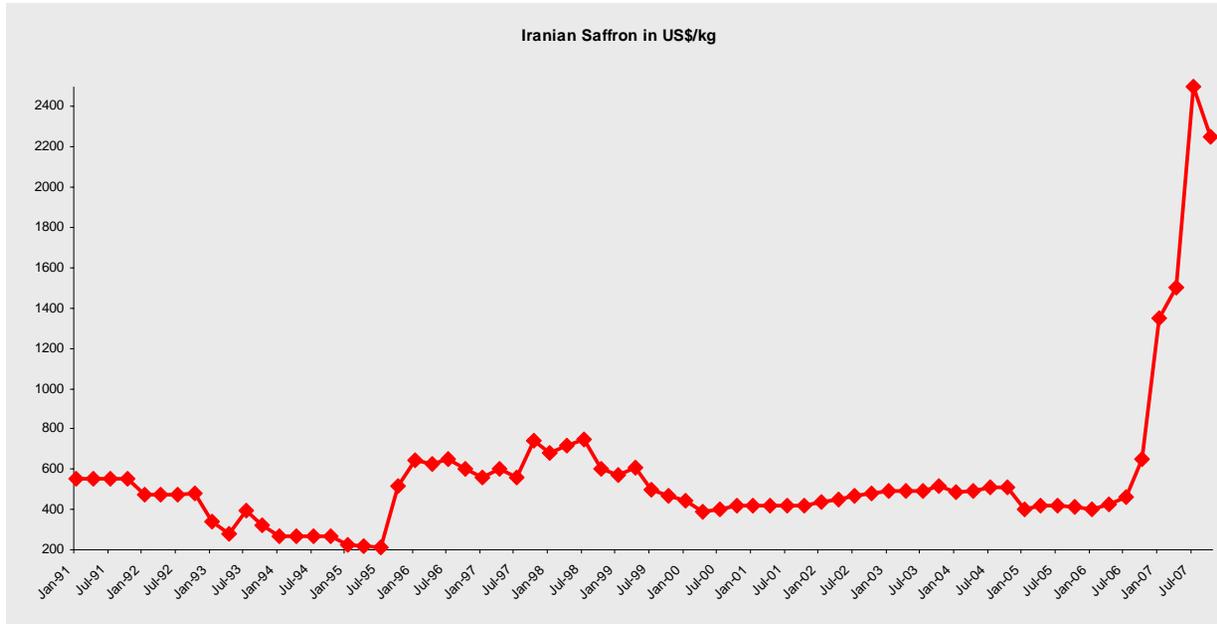
- Indonesia is the primary origin today
- Grenada lost 50+% of mature trees due to Hurricane Ivan in 2004. It has become a much smaller producer today, barely 700 MTS / year
- Prices remain strong based on local higher costs and weak USD

Chillies - Imported



- India, China, Pakistan are the major sources for pungency
- India is the primary supplier with 1,000,000 MTS per year on average, dwarfing the other origins
- Large crop expected this year, however, recent unusual rains have damaged pods and reduced crop outlook by 20 – 25%
- Market has become very volatile pushing prices higher
- Expect market to stay firm

Saffron

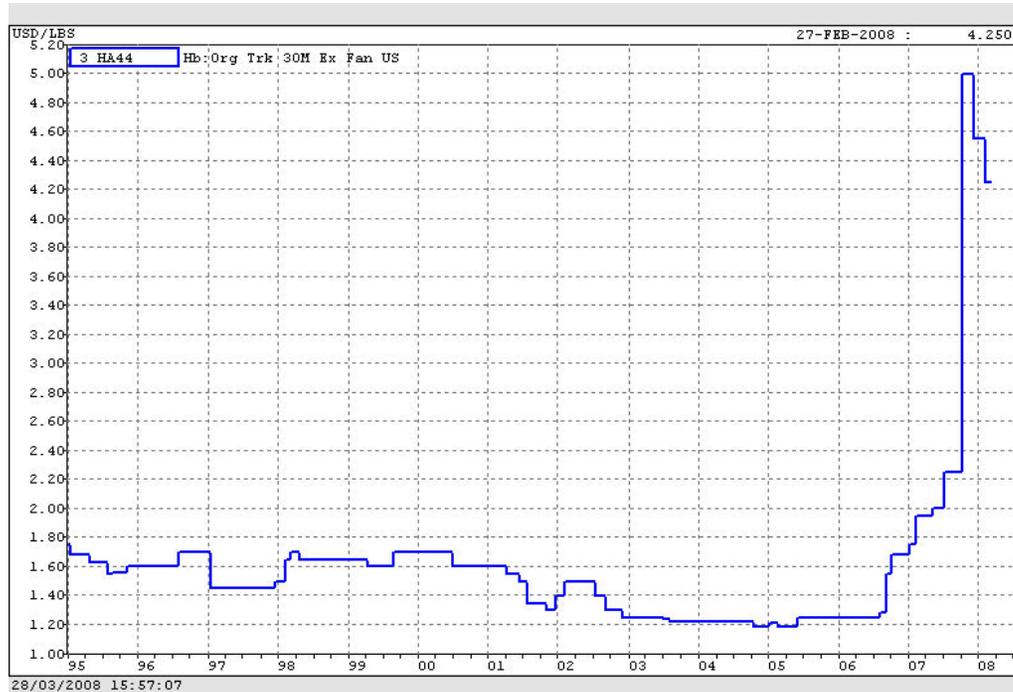


- World production is 205 MTS, Iran is 97%
- Prior to the 2006 crop, prices had been very depressed
- The 2006 crop was a failure in Iran due to a severe drought
- The 2007 crop was average in size and did not rebuild carry forward stocks
- Prices remain high
- Iran will most likely keep prices at current levels and may stock pile if necessary

Herb Category

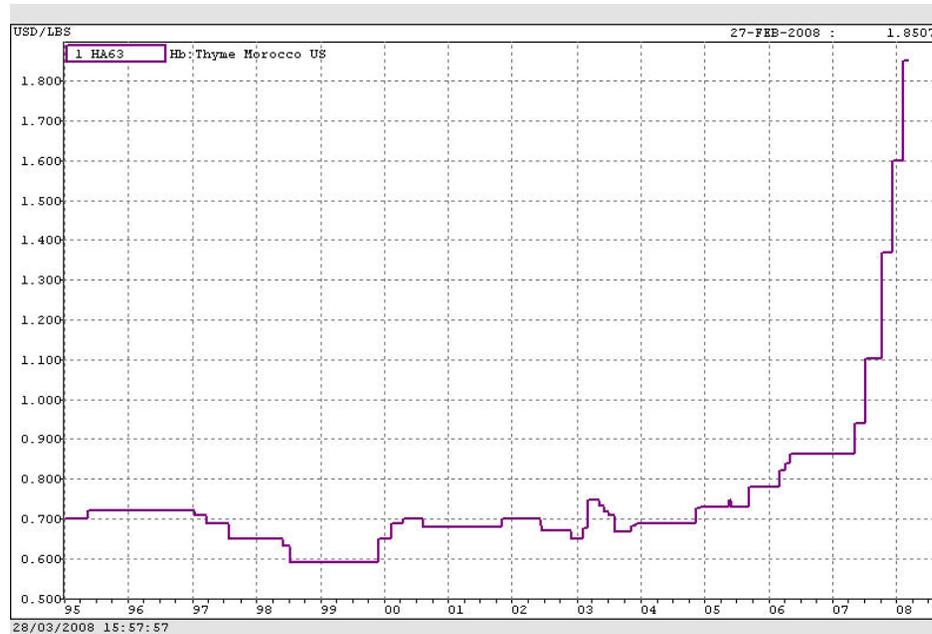
- The drought and high heat last summer in the Mediterranean had a major impact on oregano, sage, rosemary and savory crops
- The quantities were down significantly and the prices have sky rocketed

Oregano



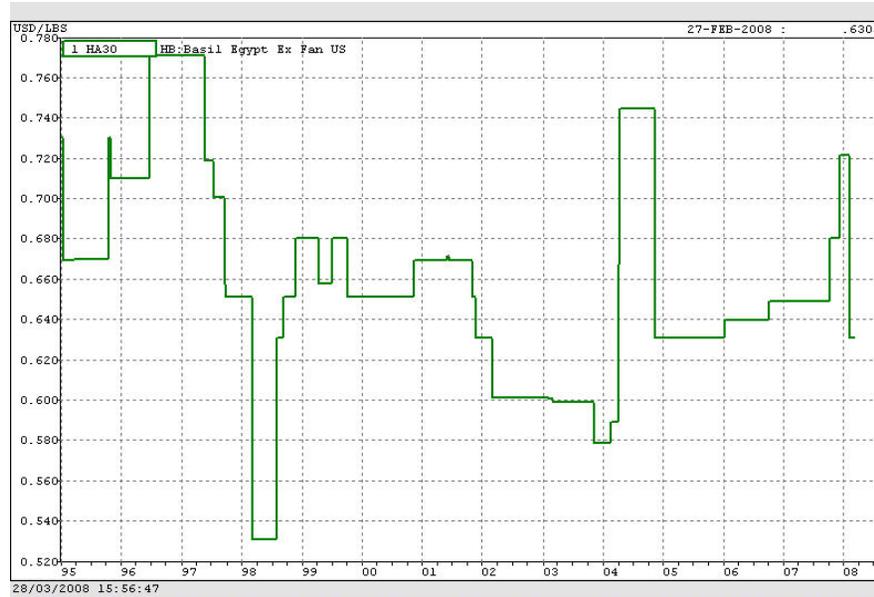
- Last year's crop is basically sold out
- V.O.'s have been on the low side
- No carryover going into new crop
- The amount of the Winter / Spring rains will be the indicator of the health of the next crop
- Expect new crop pricing to remain firm until sufficient supply becomes available

Thyme



- The drought in Morocco reduced the harvest significantly
- Poland has become the major thyme supplier today
- The Pole's had a good crop, but managed the sales of thyme keeping the prices high
- Expect some price relief next Fall

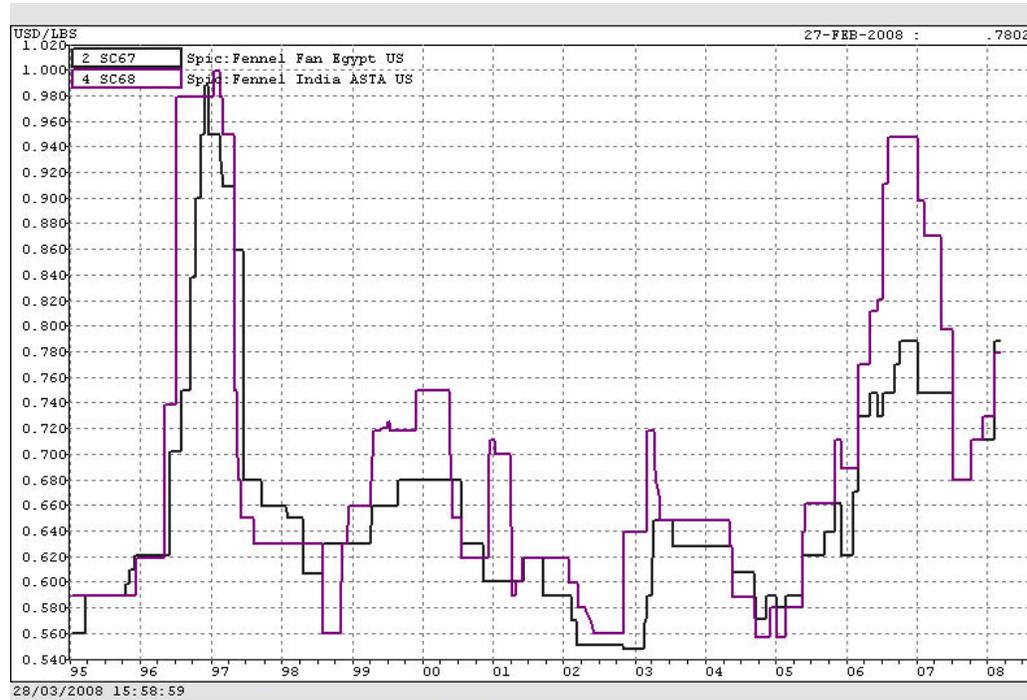
Egyptian Herbs and Seeds



- In general, Egyptian herbs and seeds have been very competitive year in / year out
- This is all about to change! Why?
- Cost of rent of agricultural land is up 50%
- Cost of fertilizer is up 400%
- Farm labor has increased 100%
- Energy costs up 100%
- Inflation has increased sharply
- Egypt wants to increase its production of wheat; i.e. price has gone from 720 EP / MT to 2,400 EP
- Wheat is a lot easier to grow than basil, marjoram and fennel seed and gives a better yield
- Expect prices to escalate 40 – 60% !!!

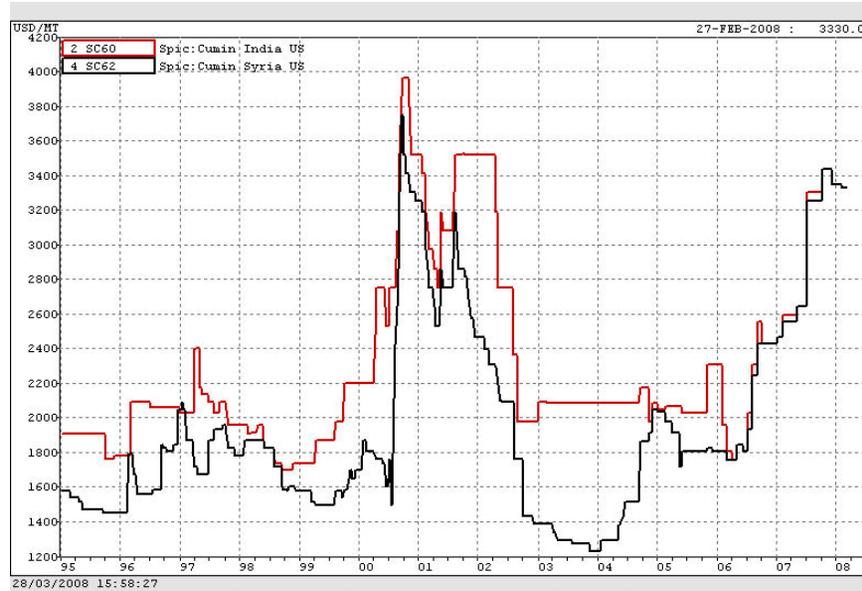
Seed Category

Fennel



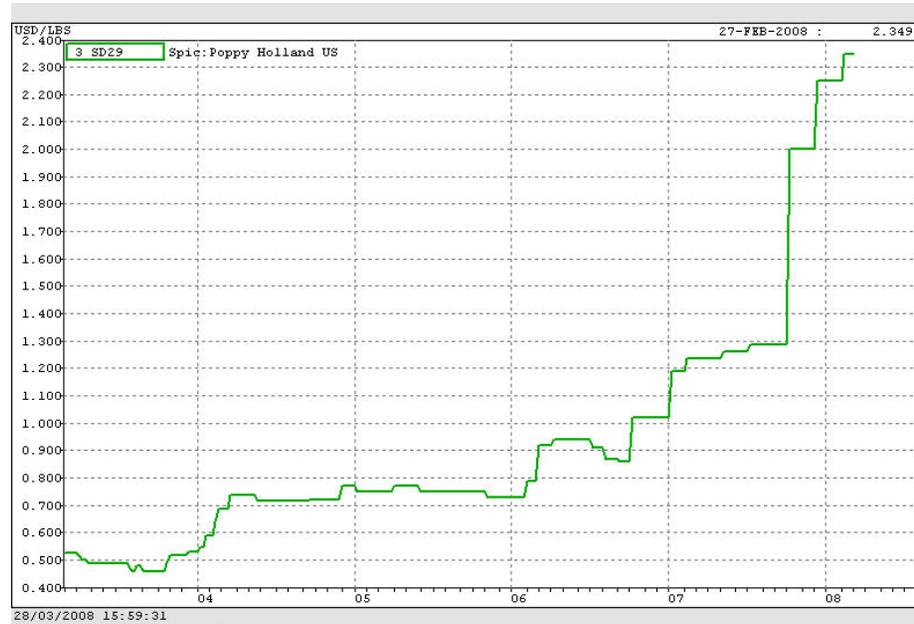
- India had a large crop and is very competitive
- Egypt, as noted previously, will be expensive
- For the first time in a long while India will be the most competitive origin

Cumin



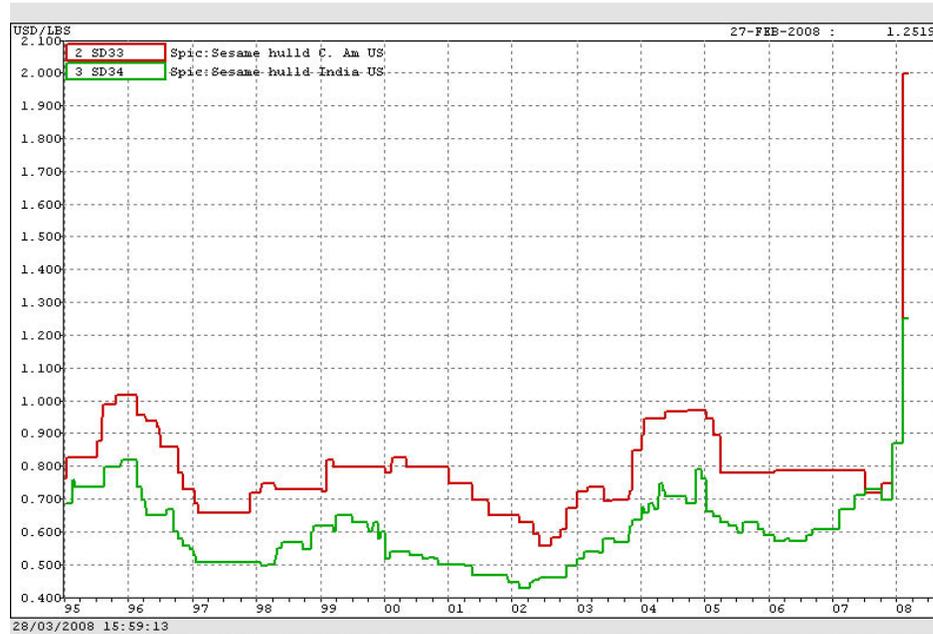
- India has been in the driver's seat since 2007 crops in Syria and Turkey suffered from cool temperatures and late rains
- New crop seed from Syria should pressure the market down in the summer months, provided the crop is not damaged again

Poppy



- Prices are off the chart!
- Australian crop has been smaller for each of the past two years due to dry weather and medical restrictions
- Czech farmers produce the most seed but have limited their sales keeping the price high

Sesame



- Poor crops in Africa and Central America have driven prices higher globally
- India is having difficulty in producing enough seed oils for cooking and is talking about barring sesame seed exports!

What will turn the markets around?

- When supply over shadows demand
- US Dollar reverses down trend and strengthens
- The commodity bubble implodes