

Ethiopian Sesame Review

2016 Market Update

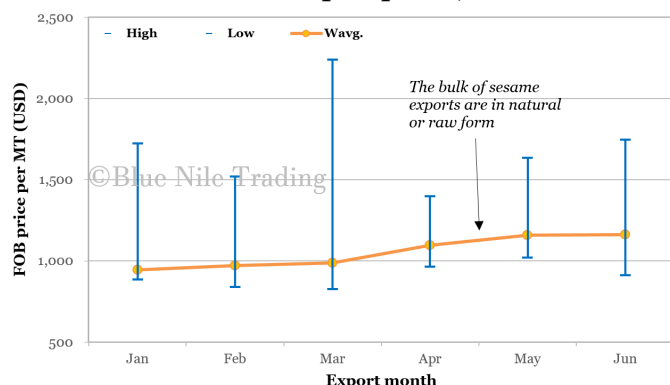
1. Export Trends

Importers are demanding raw sesame that is then processed into new products

Ethiopian sesame FOB export prices have followed the general trend upwards since the beginning of the year. The volume-weighted export price has risen c. 20% since January, in line with market prices.

It is interesting to note the wide spread in export prices. The average range of export prices per month is c. 800 USD, with importers demanding a mix of grades and purities. The bulk, however, is raw sesame ready for processing and is clearly seen due to the volume-weighted average being at the lower-end of the range.

Exhibit 1: Sesame FOB export prices, H1 2016



Source: Blue Nile Trading Limited, ERCA

China has dominated the Ethiopian sesame export market

Total Ethiopian sesame exports for the first six months of 2016 were c. 295,000 MT with the Ethiopian Commodity Exchange accounting for c. 60-70% of these volumes. Nearly 45% of this buying occurred in January and February where prices were at multi-year lows. This is an impressive run-rate with China, at a huge margin, accounting for nearly 75% of the total demand.

Exhibit 2: Sesame FOB export prices and volumes, H1 2016

	Price (USD per MT)					
	Jan	Feb	Mar	Apr	May	Jun
High	1,723	1,521	2,240	1,399	1,633	1,746
Low	886	841	828	965	1,019	911
Wavg.	946	972	988	1,096	1,157	1,162
Vol. (MT)	58,014	72,003	56,508	39,049	39,358	30,939

Source: Blue Nile Trading Limited, ERCA

Exhibit 3: Sesame export destinations, H1 2016

#	Destination	FOB Value (m USD)	FOB Value (%)
1	China	230.24	74%
2	Israel	30.07	10%
3	Jordan	6.26	2%
4	Turkey	6.13	2%
5	Saudi Arabia	5.21	2%
6	Yemen	4.74	2%
7	Japan	4.27	1%
8	Singapore	4.2	1%
9	Vietnam	3.56	1%
10	United Arab Emirates	2.52	1%
11	Others	12.83	4%
Total		310.03	100%

Source: Blue Nile Trading Limited, ERCA

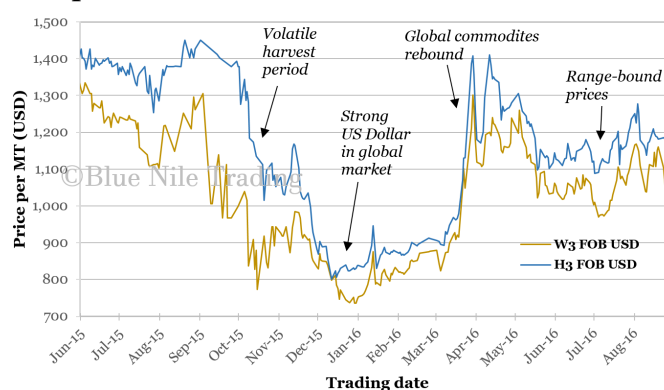
2. Market Prices

Humera and Wollega prices have fluctuated wildly throughout 2016, dominated by macro and micro forces

At beginning of the year we saw risk assets under pressure due to several reasons: the global market revised down China growth expectations, oil prices fell on over-supply concerns and the US Dollar strengthened on reviewed interest rate forecasts.

These factors pushed commodities to multi-year lows including Ethiopian sesame. January and February saw sesame prices well below 1,000 USD per MT. As 2016 progressed, a commodities rebound, from a small base, pushed prices up c. 40% from the lows. March was a particular strong month for sesame with high volatility. Often, strong rebounds become stretched and prices have since settled in the summer months before harvest time.

Exhibit 4: One-year Humera and Wollega grade 3 FOB price trend

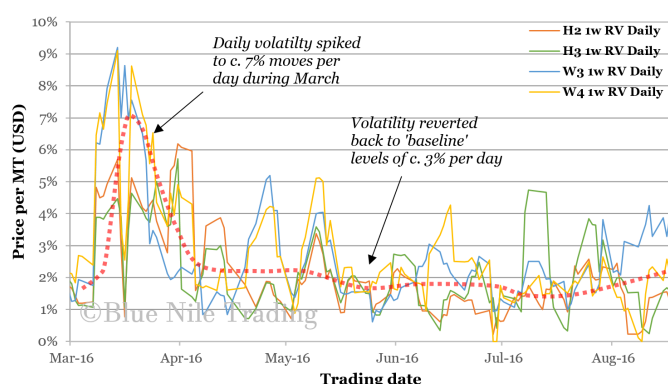


Source: Blue Nile Trading Limited, ECX

Ethiopian sesame market volatility fluctuates throughout the season and exhibits mean-reverting tendencies

In general, sesame prices move c. 3% per day (c. 45% per year) and moves between types and grades are well correlated. On average, the most volatile part of the sesame calendar is during the summer wet season and the lead-up to harvest between August and October. This is where farming conditions and yields are consistently being revised against current expectations. Prices can move wildly at c. 8-10% per day with correlations between sesame types breaking down before eventually normalising in November.

Exhibit 5: Six-month sesame volatility trends



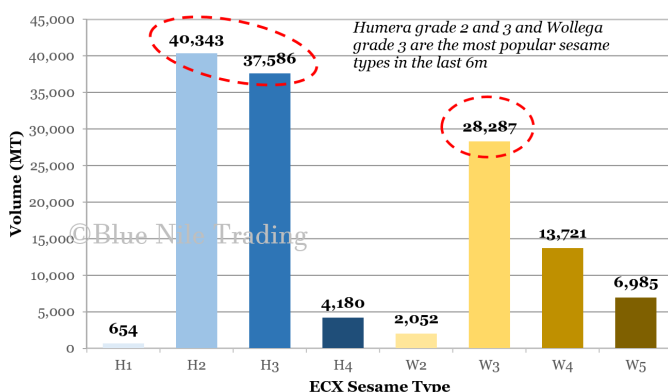
Source: Blue Nile Trading Limited, ECX

3. Volume Analysis

Importers are drawn to Ethiopia's two main sesame varieties: Humera and Wollega

There has been a clear trend in the past six months where importers have favoured Humera type over Wollega type. This has been a consistent ratio of 60:40. Humera has a high oil content, sweet flavour and aesthetic qualities and is a good "all-round" sesame compared to the darker coloured, less expensive and higher-oil content, Wollega type.

Exhibit 6: Six-month sesame volumes trends

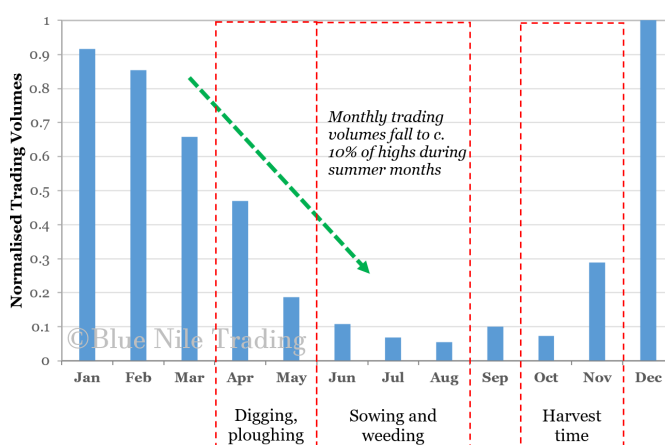


Source: Blue Nile Trading Limited, ECX

The Ethiopian sesame market exhibits seasonal trends that clients should be aware of

Historically, August is the lowest trading volume month of the year and corresponds to the end of the season. Harvest time in October brings new supply into the market with c. 350,000 MT sesame being prepared for export. As the crop enters the market, volumes climb in November and peak in December to the highest of the year.

Exhibit 7: Seasonal sesame volume trends



Source: Blue Nile Trading Limited, ECX

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