



# NEDSPICE

Pepper Crop Report 2020

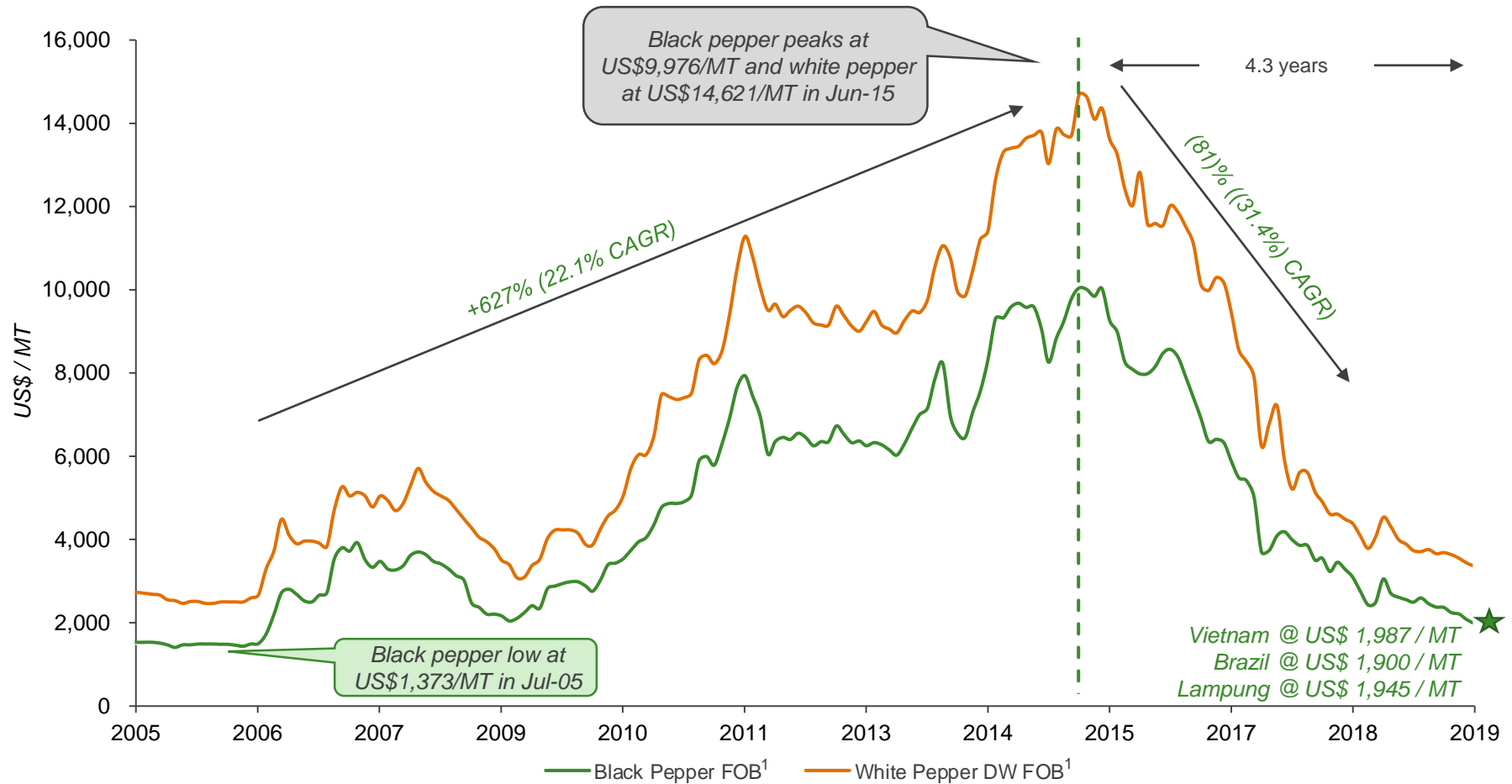
*Willem van Walt Meijer, Anh Thai Van*

*China Spice Conference*

*21-24 November 2019*

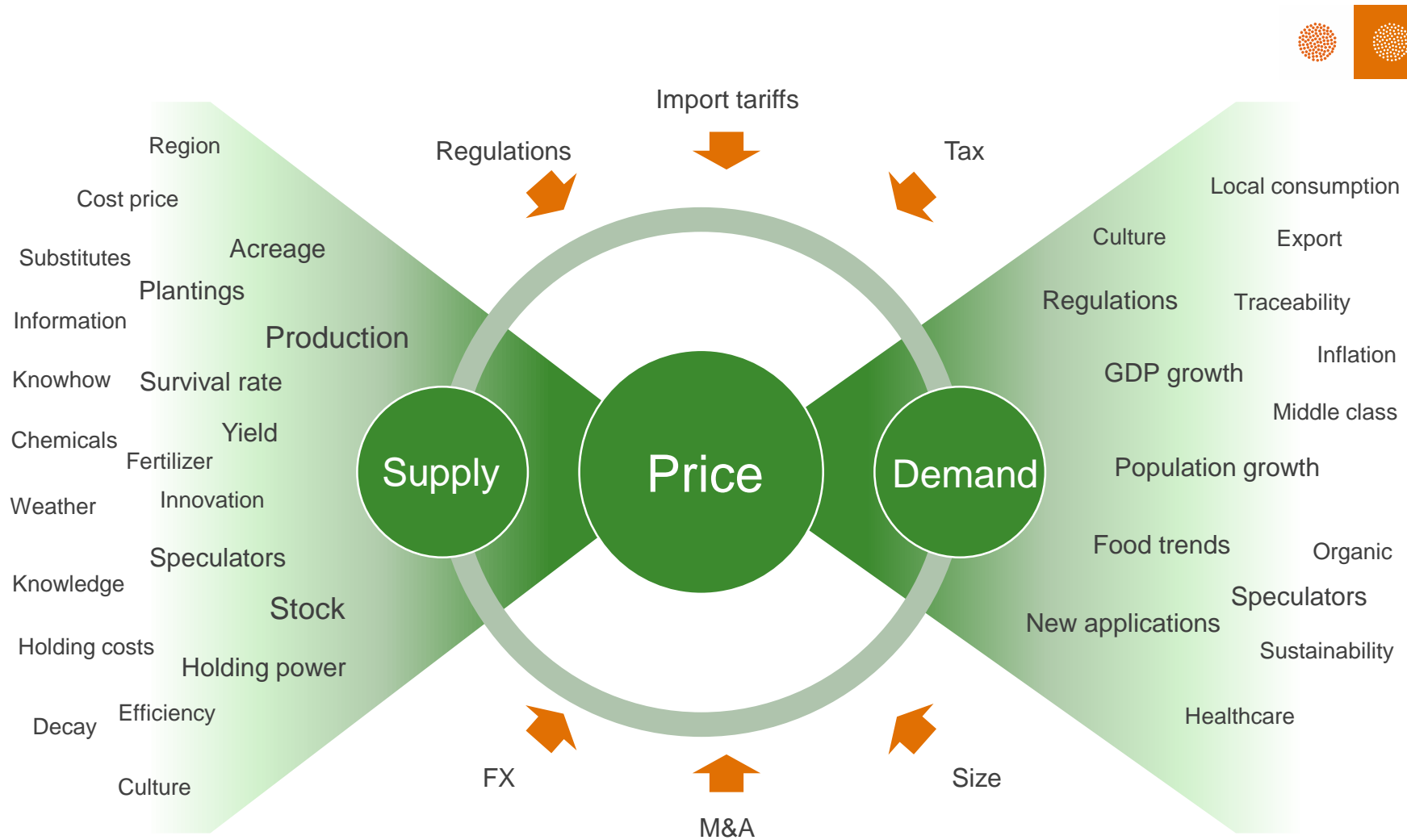
*Nanjing, China*

# Have we seen the bottom yet?



Note: Monthly price data as per 31-Oct-19.  
1) Average of ASTA quality Vietnam, Lampung and Brazil.  
Source: Nedspice research.

# Fundamental market forces

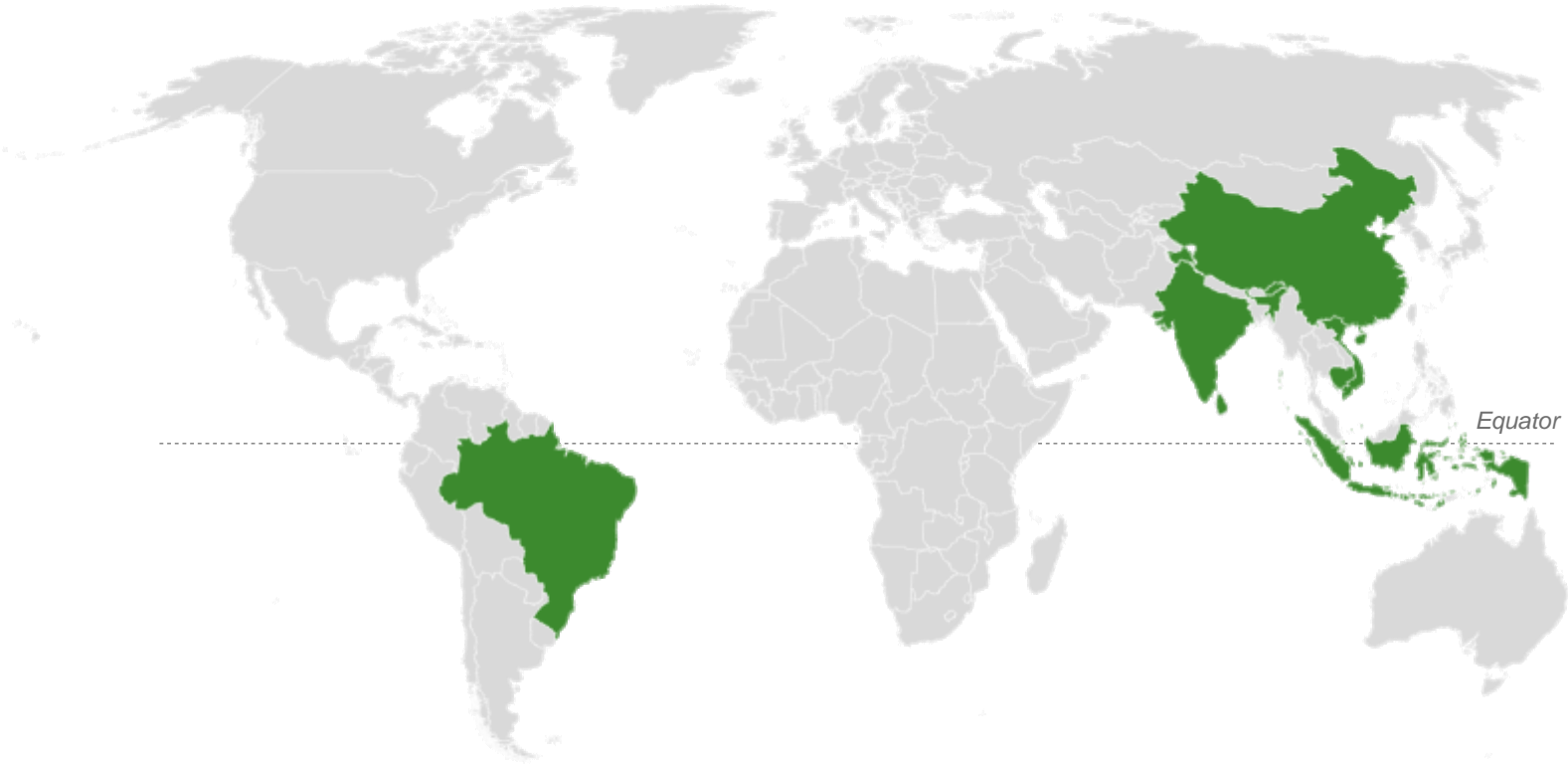


Source: Nedspice research.

# Global production



Others
Sri Lanka
Malaysia
China
Cambodia
Indonesia
India
Brazil
Vietnam

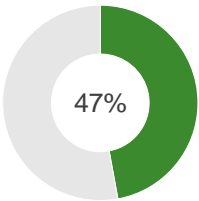


Note: Based on 2018 production estimates.  
Source: Nedspice research.

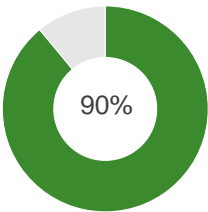
# Vietnam



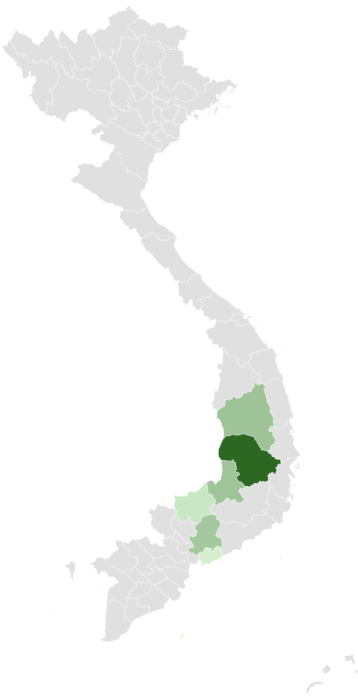
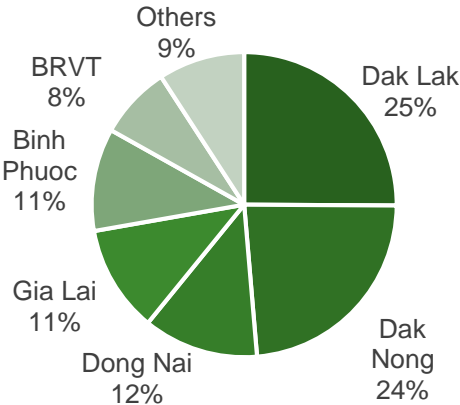
Vietnam vs RoW



Black vs White

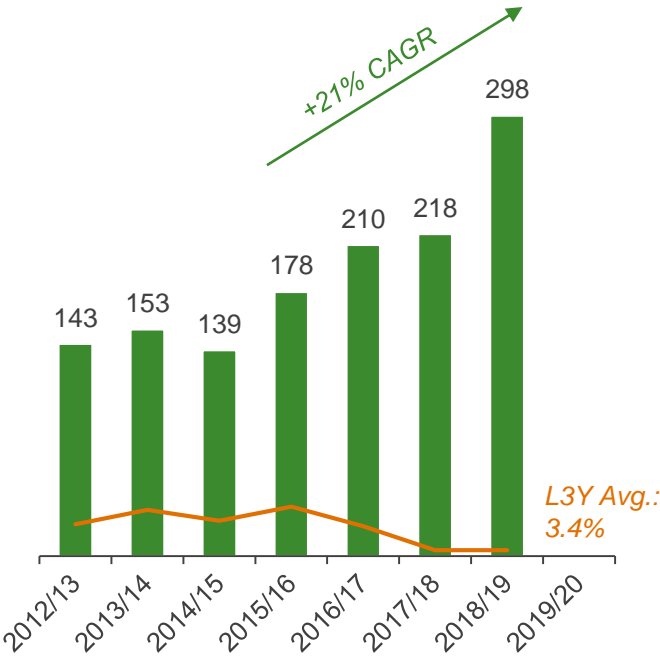


Production per key area



Production over time (KMT)

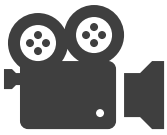
■ Production  
— % change in planted area



Note: Based on 2018/19 production estimates.  
Source: Nedspice research.



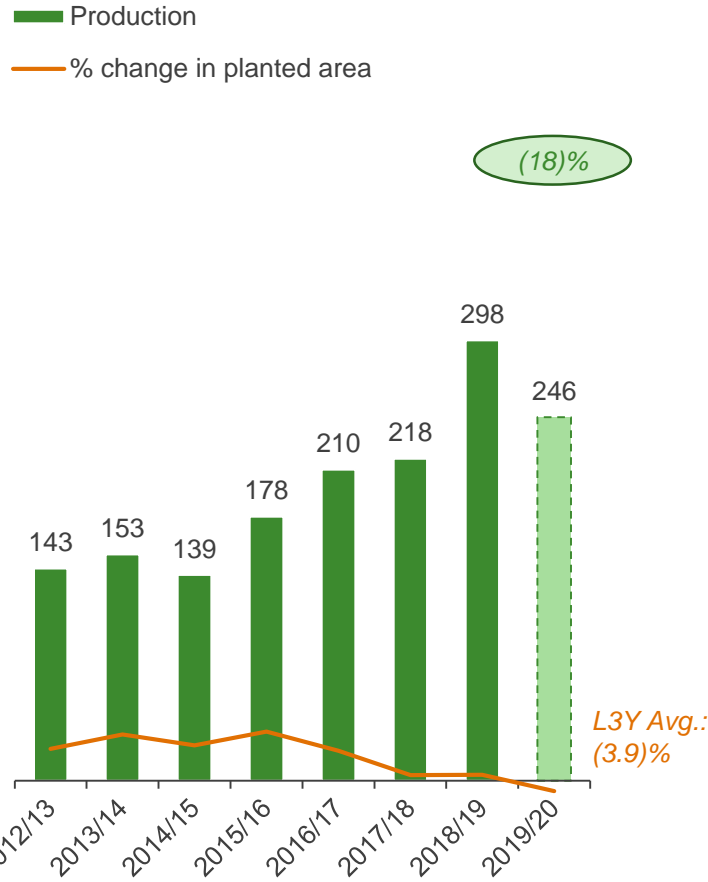
# Vietnam – Crop video



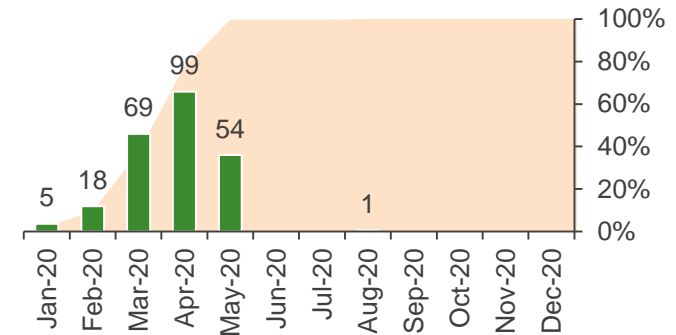
# Vietnam production is estimated to drop by 18%, largely due to unfavorable weather this season



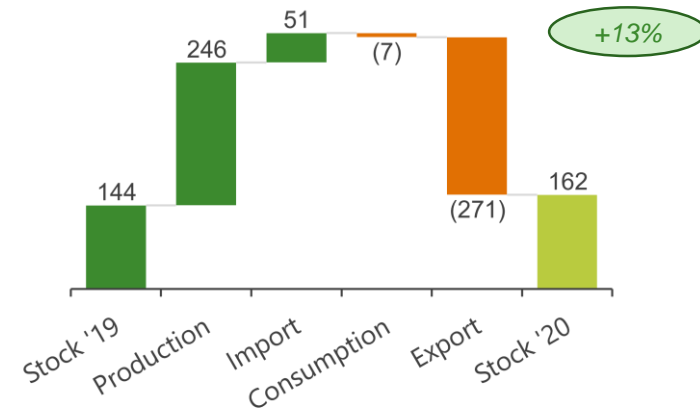
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)



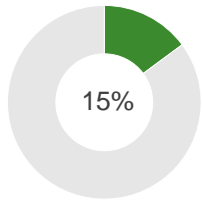
1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.



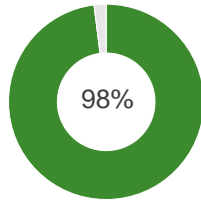
# Brazil



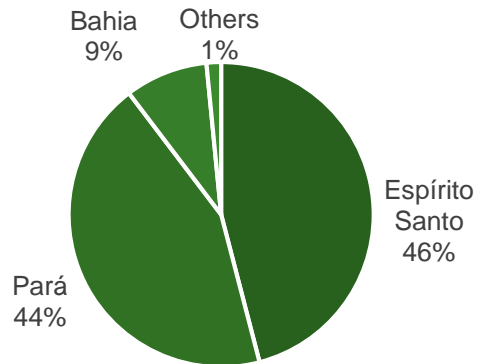
Brazil vs RoW



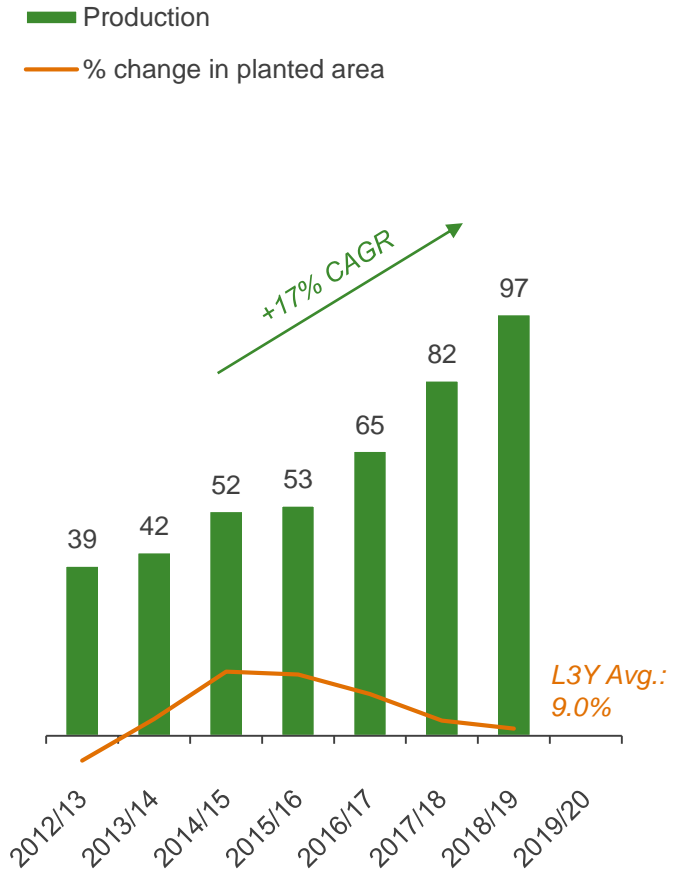
Black vs White



Production per key area



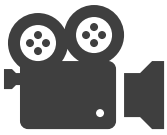
Production over time (KMT)



Note: Based on 2018/19 production estimates.  
 Source: Nedspice research.



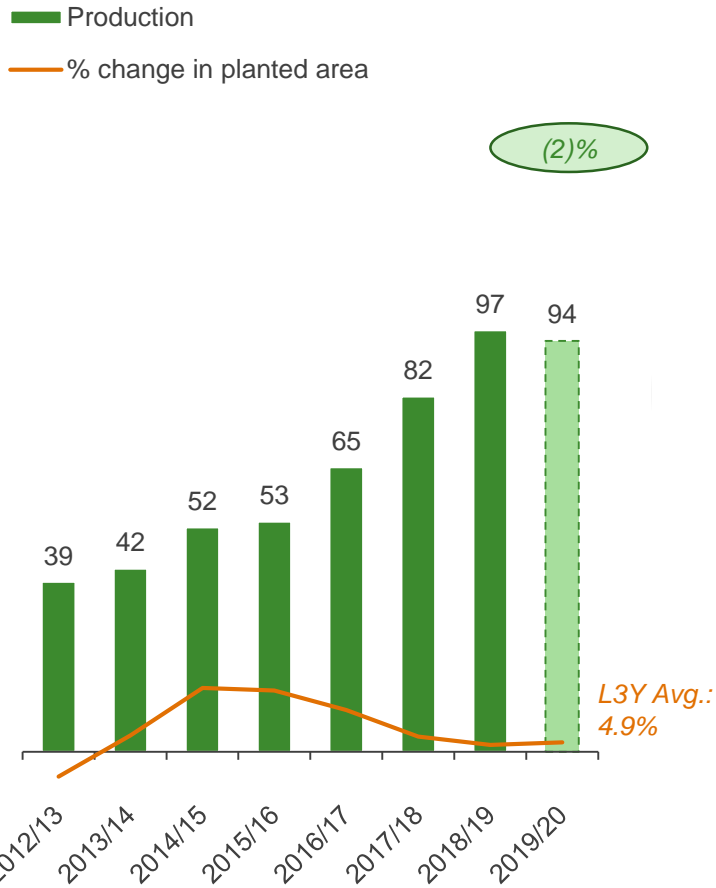
## Brazil – Crop video



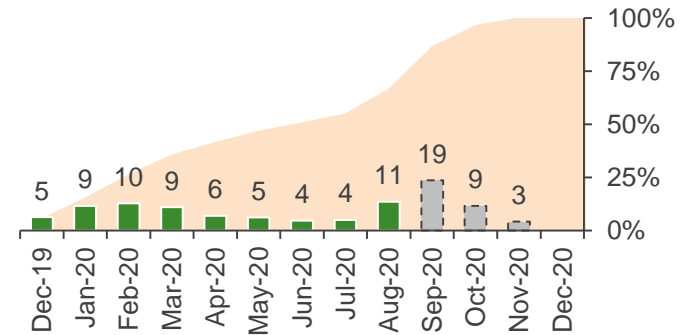
# Brazil's crop remains above 90 KMT this season



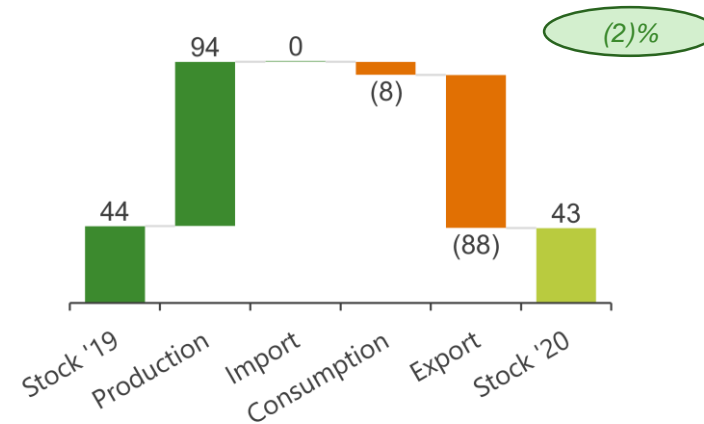
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)

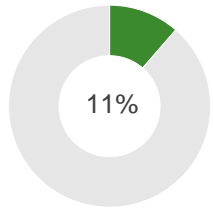


1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.

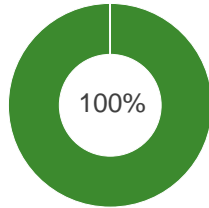
# India



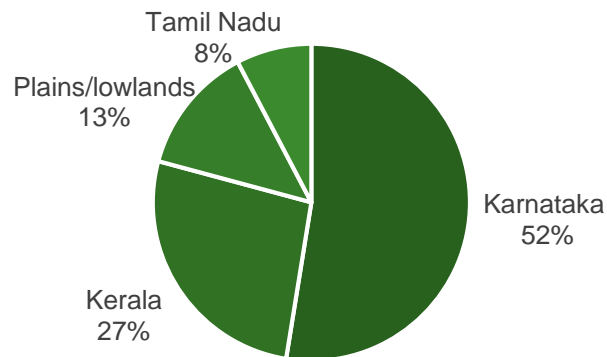
India vs RoW



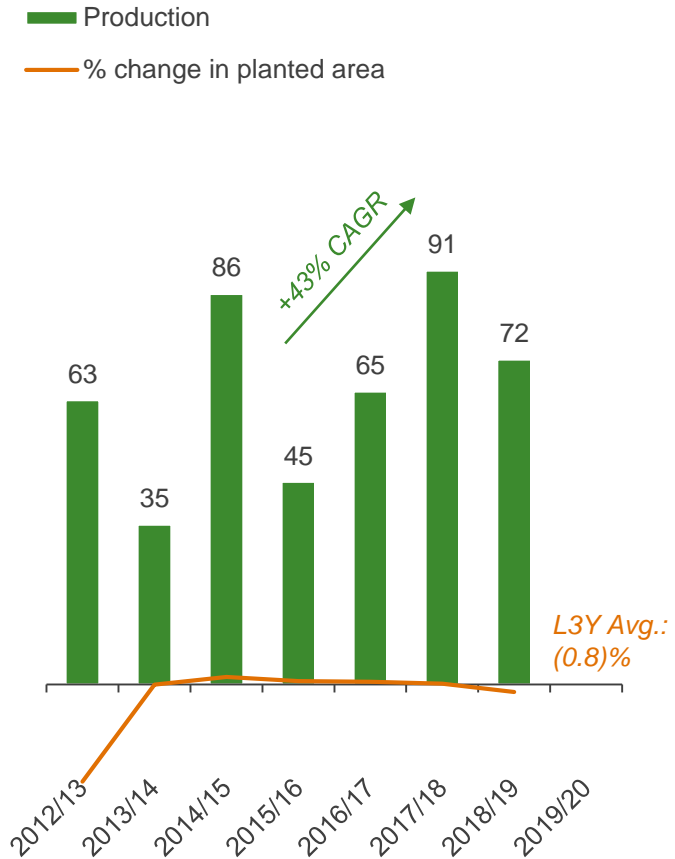
Black vs White



Production per key area



Production over time (KMT)

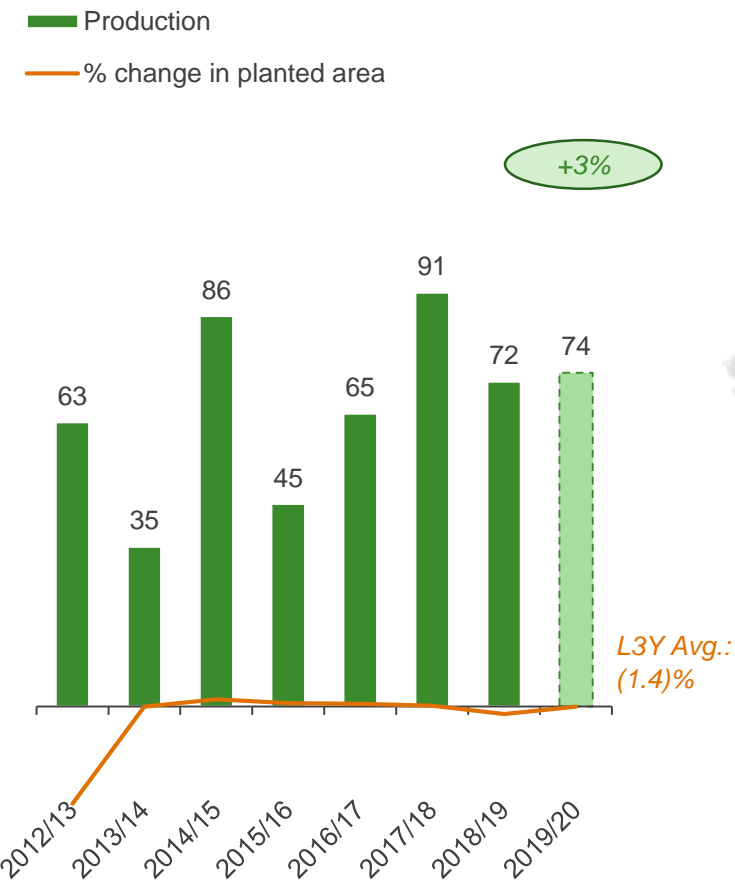


Note: Based on 2018/19 production estimates.  
Source: Nedspice research.

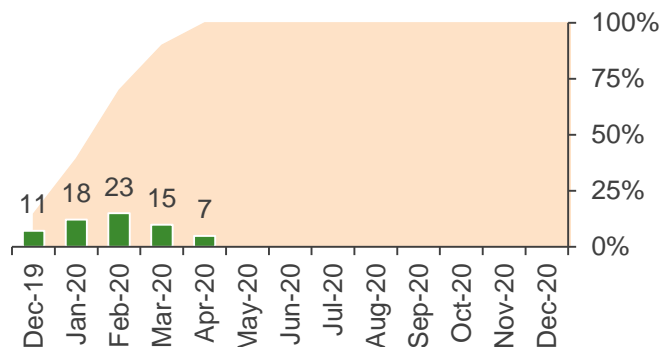
# India is expected to have a good crop of c. 74KMT this season



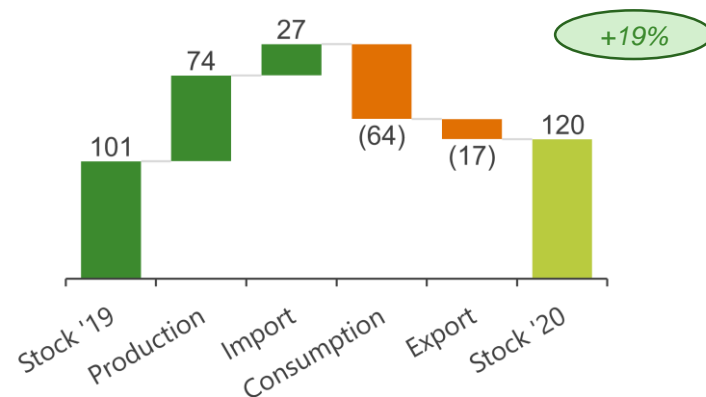
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)



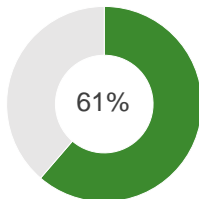
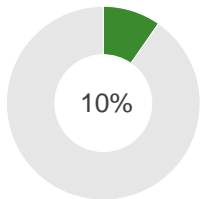
1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.

# Indonesia



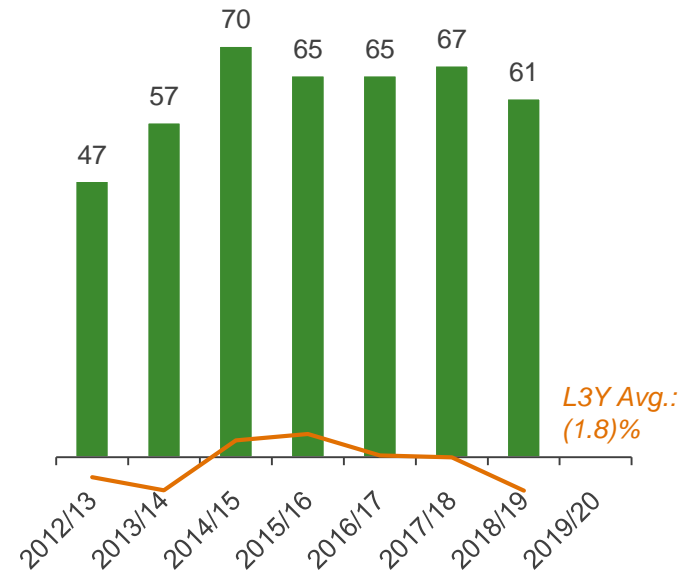
Indonesia vs RoW

Black vs White

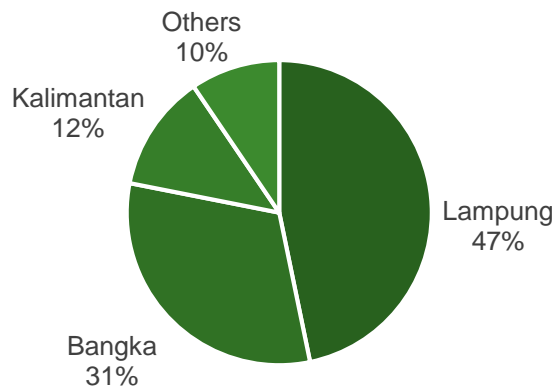


Production over time (KMT)

■ Production  
— % change in planted area



Production per key area



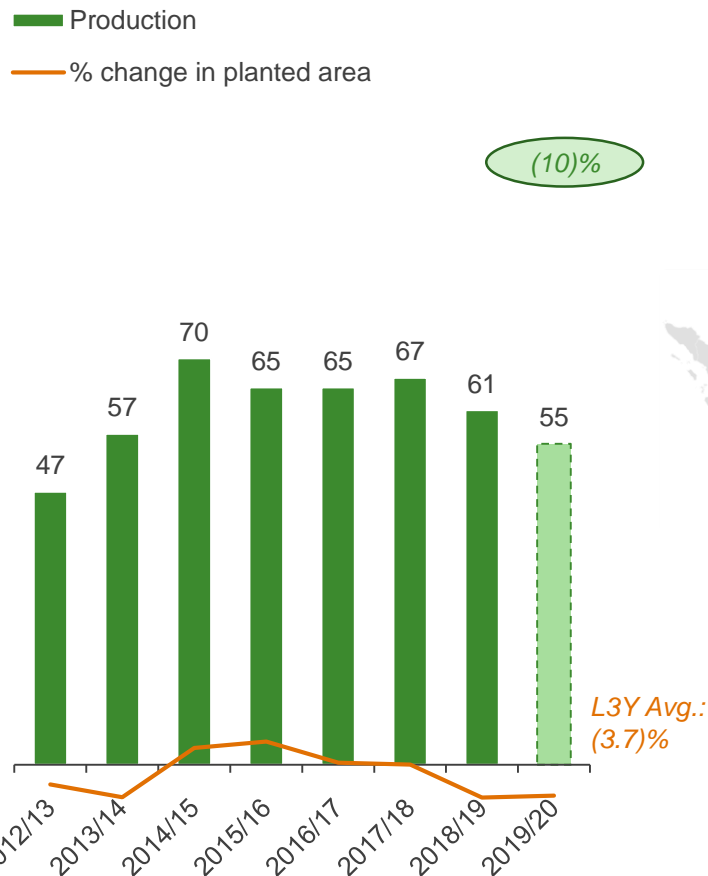
Note: Based on 2018/19 production estimates.  
Source: Nedspice research.



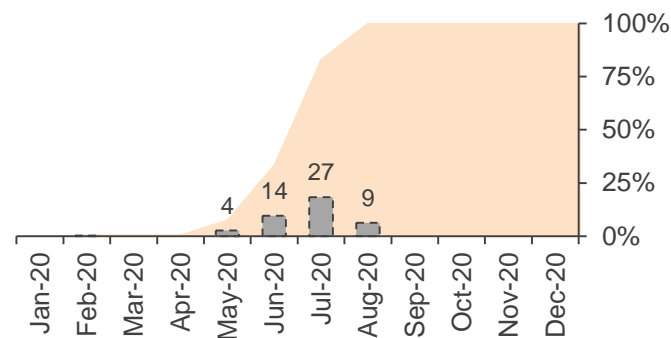
# Indonesia is expected to see a decrease in production to 55 KMT



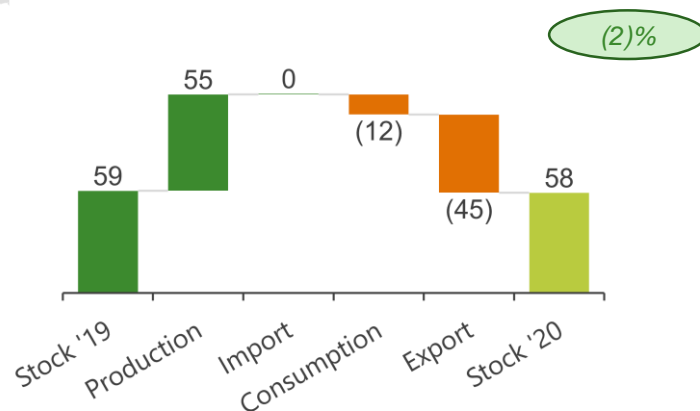
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)

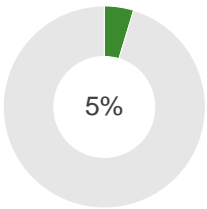


1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.

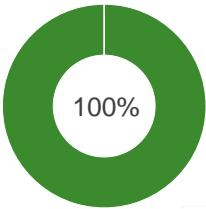
# Cambodia



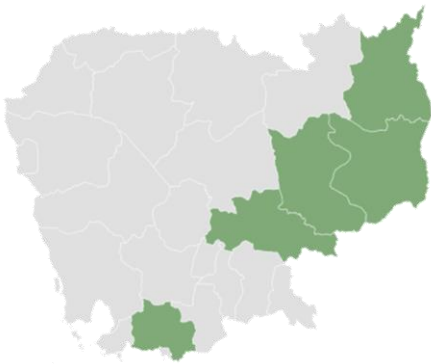
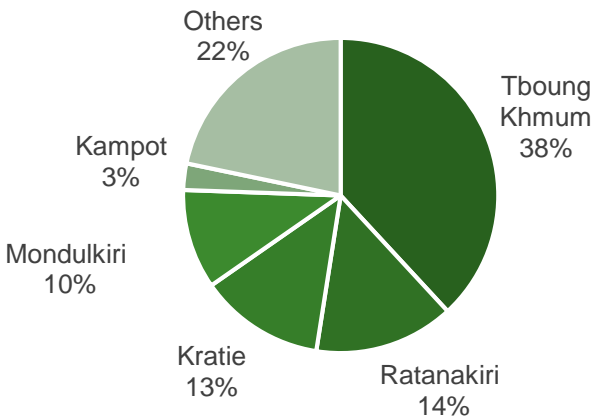
Cambodia vs RoW



Black vs White

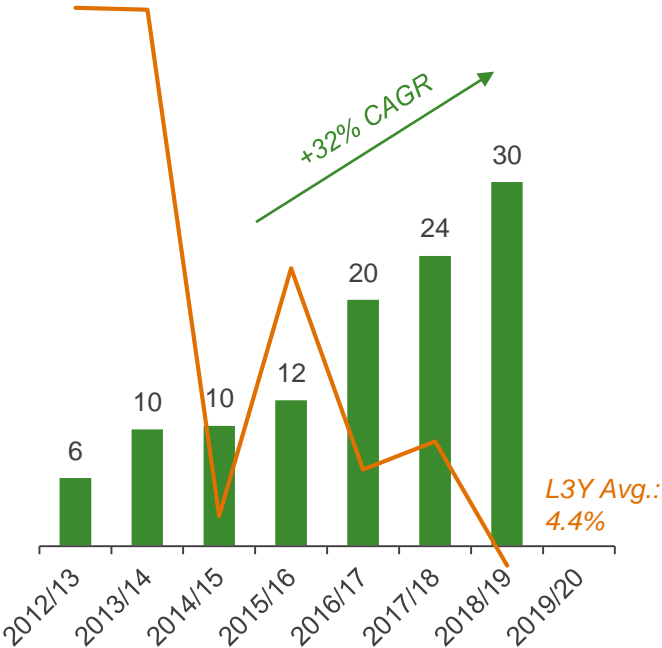


Production per key area



Production over time (KMT)

■ Production  
— % change in planted area

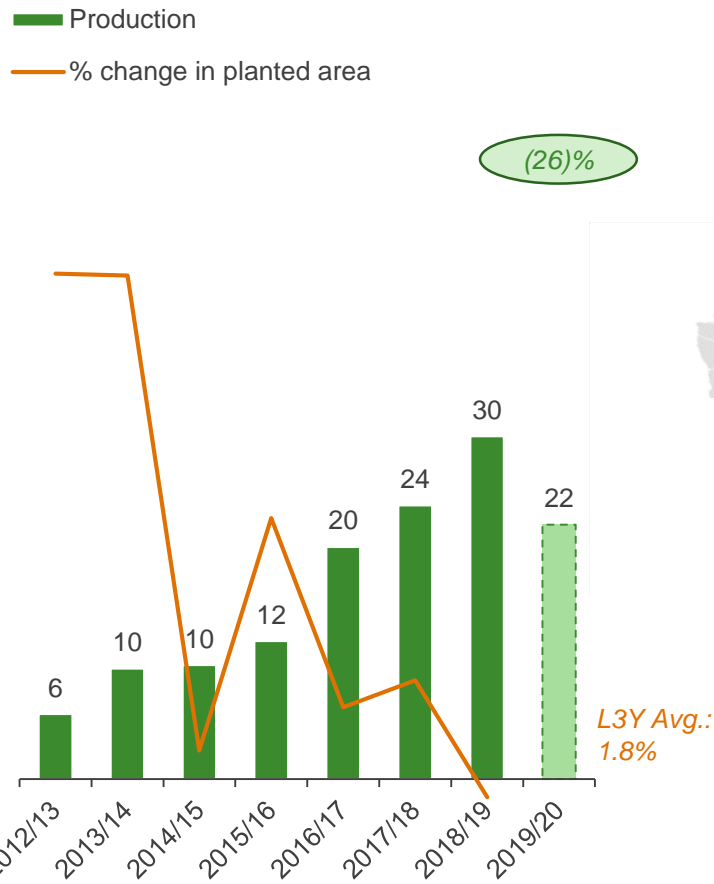


Note: Based on 2018/19 production estimates.  
Source: Nedspice research.

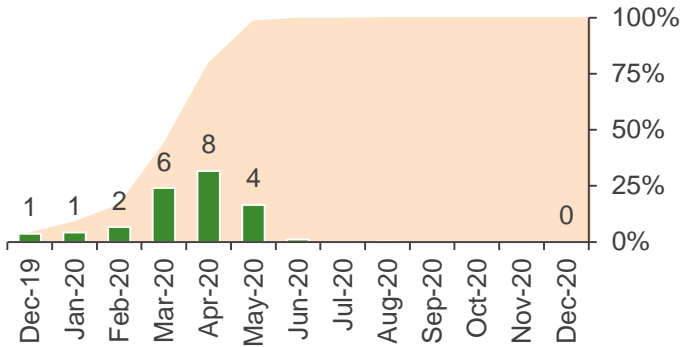
# Cambodian production is expected to drop significantly



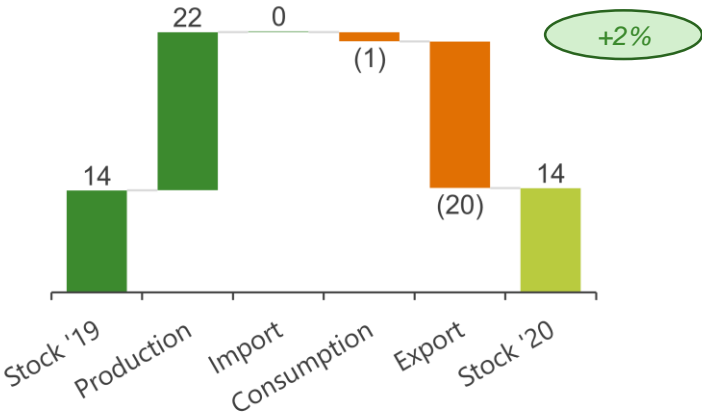
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)

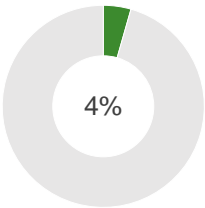


1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.

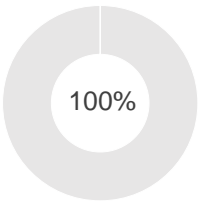
# China



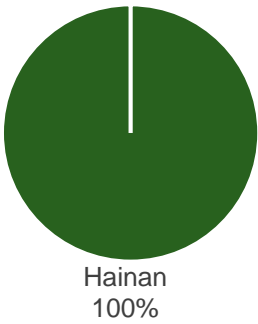
China vs RoW



Black vs White

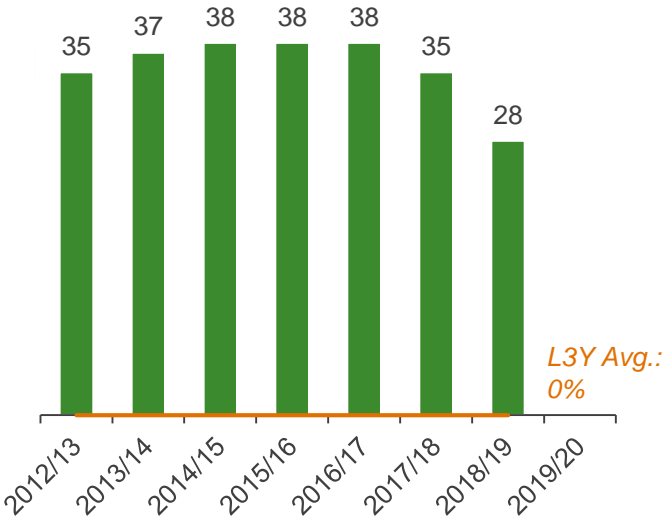


Production per key area



Production over time (KMT)

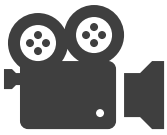
■ Production  
— % change in planted area



Note: Based on 2018/19 production estimates.  
Source: Nedspice research.



# China – Crop video

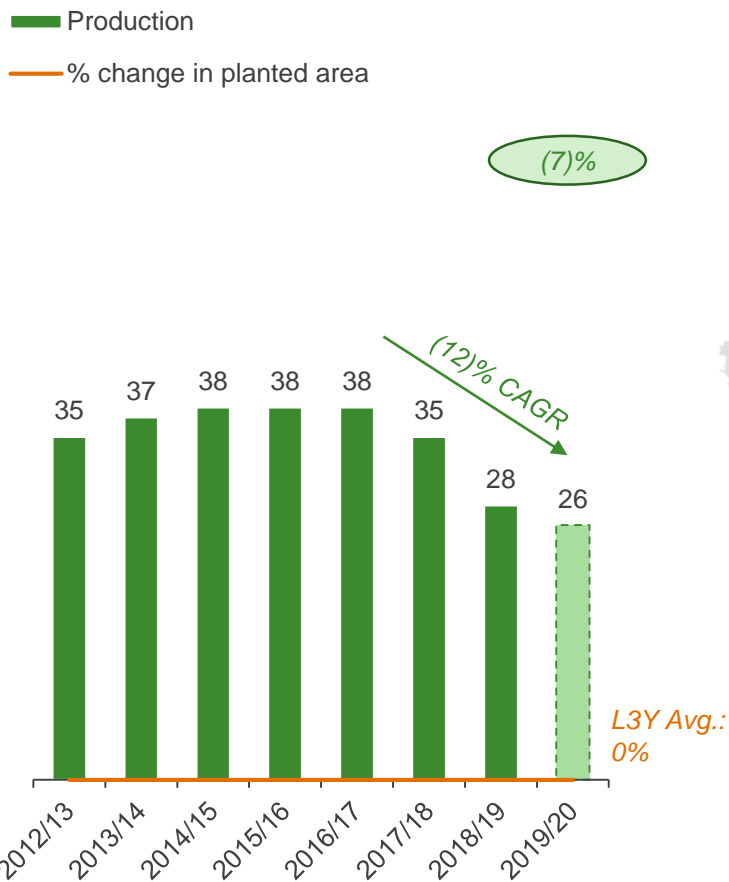




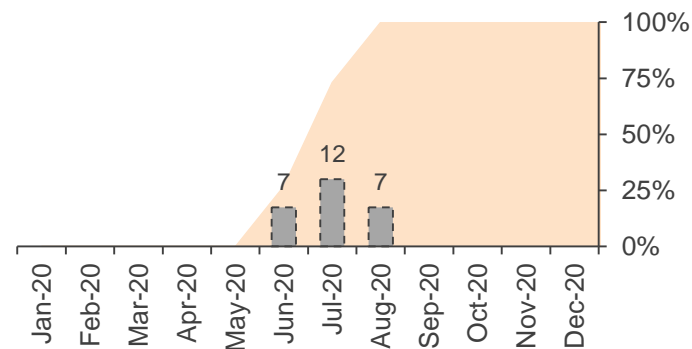
# China's crop size is estimated to decrease to 26 KMT



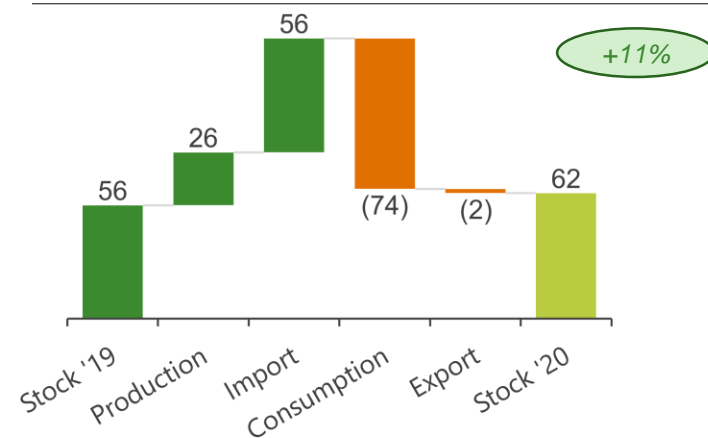
Production over time (KMT)



Harvest calendar 2019/20E (KMT)



Next twelve months stock development<sup>1</sup> (KMT)

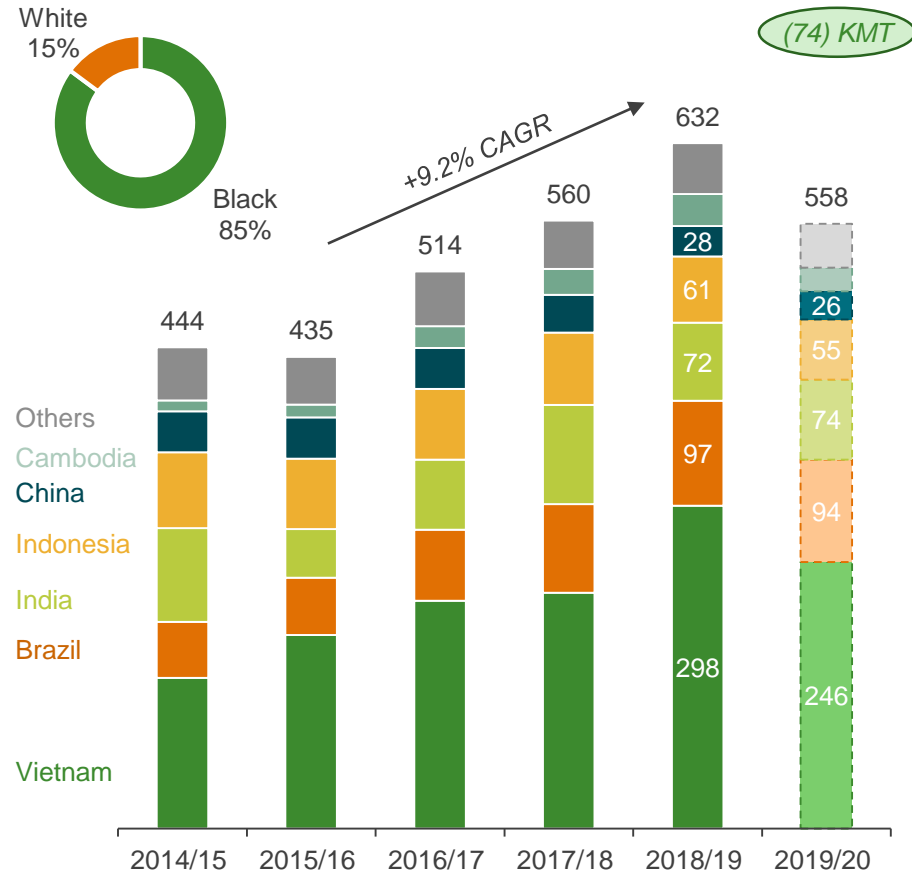


1) As per end of Dec-19. Export includes re-export volume.  
Source: Nedspice research.

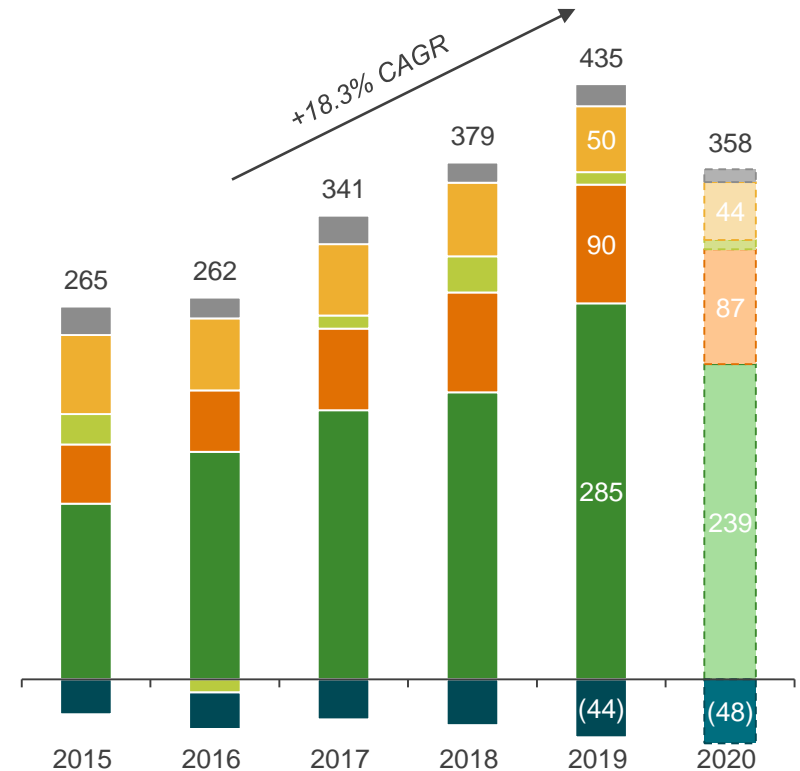
# Total production is expected to decrease with 74KMT to a total of 558KMT this season



Global pepper production (KMT)



Exportable production<sup>1</sup> (KMT)



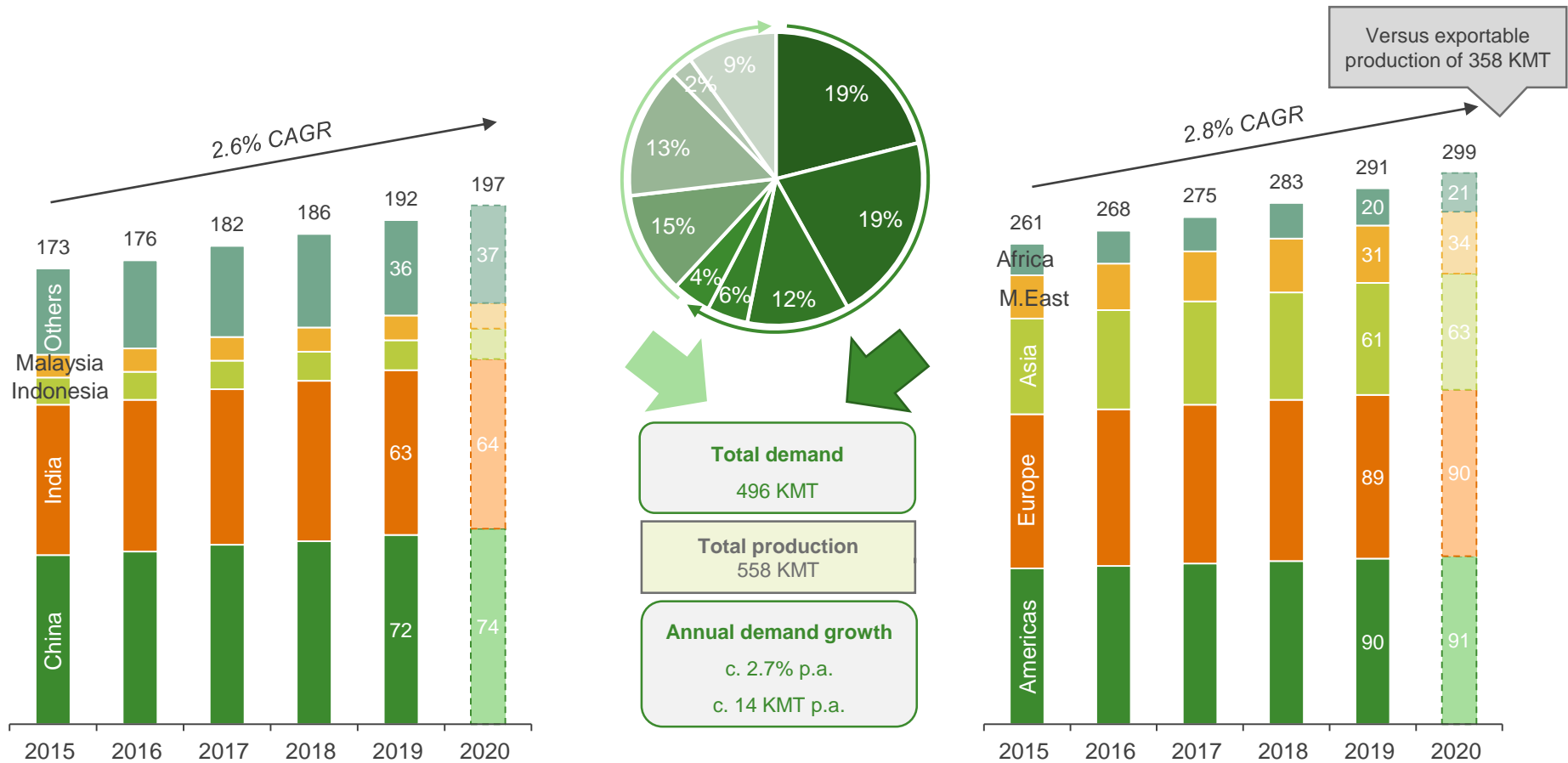
1) Excludes imports and exports between producing countries.  
Source: Nedspice research.

# Demand remains resilient at some 496KMT, but is still below production levels



Producing countries (KMT) – 40% total

Consuming countries (KMT) – 60% total

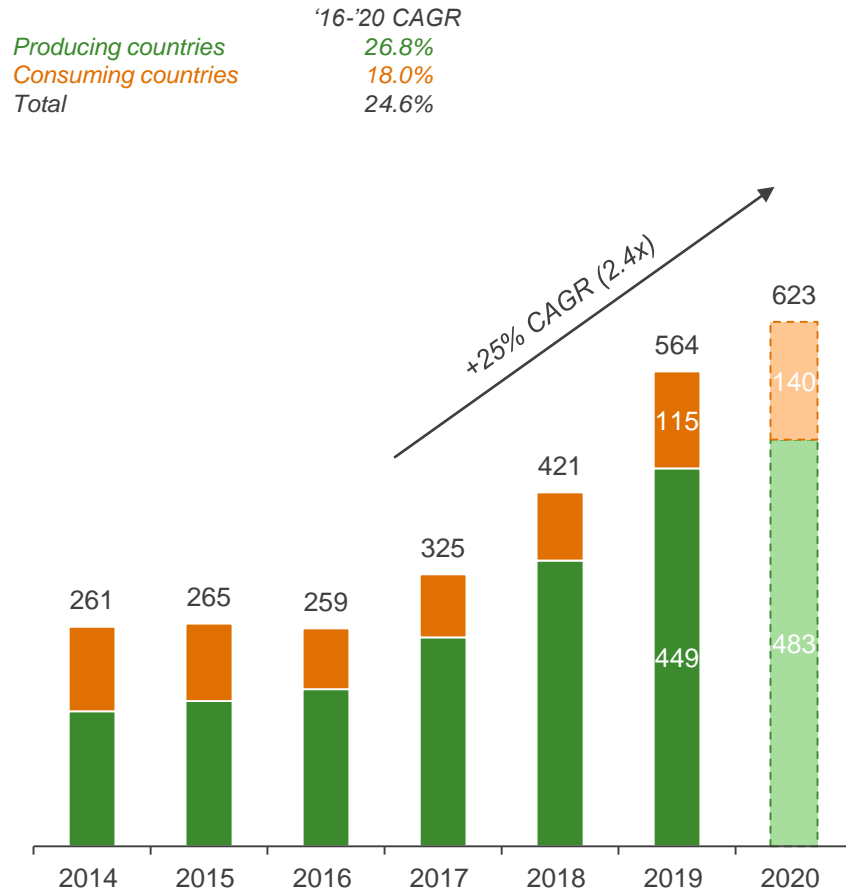


Source: Nedspice research.

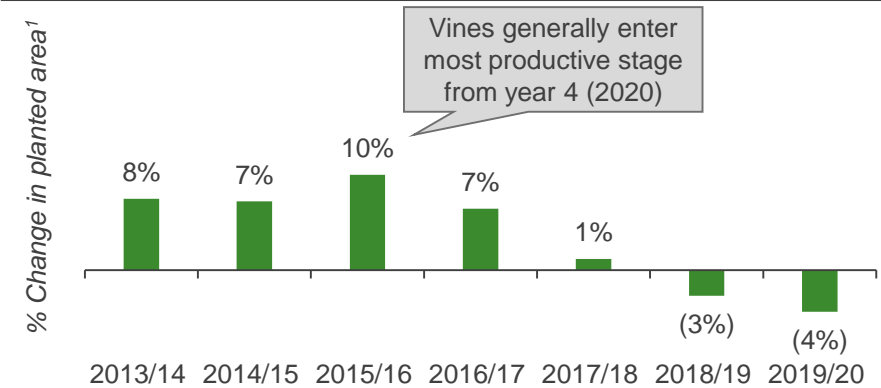
# Global stocks continue to increase, also in foreseeable future



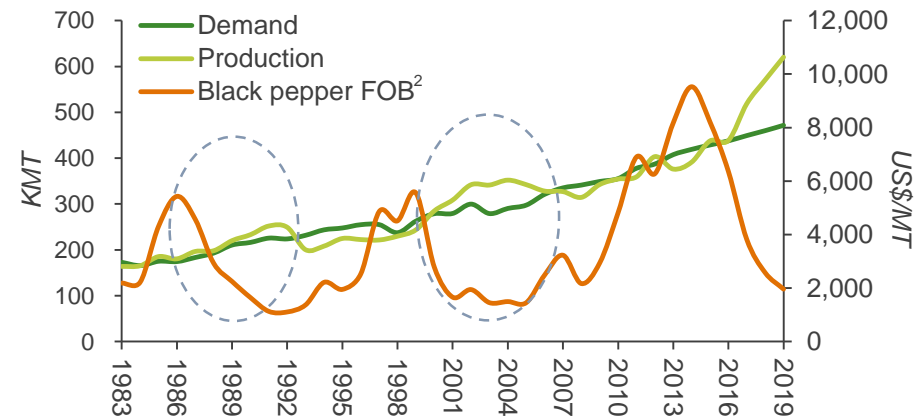
## Global stock development (KMT)



## Planting estimates suggest that supply will continue to outgrow demand



## Historically there is a c. 3-6 years reversal period



Note:

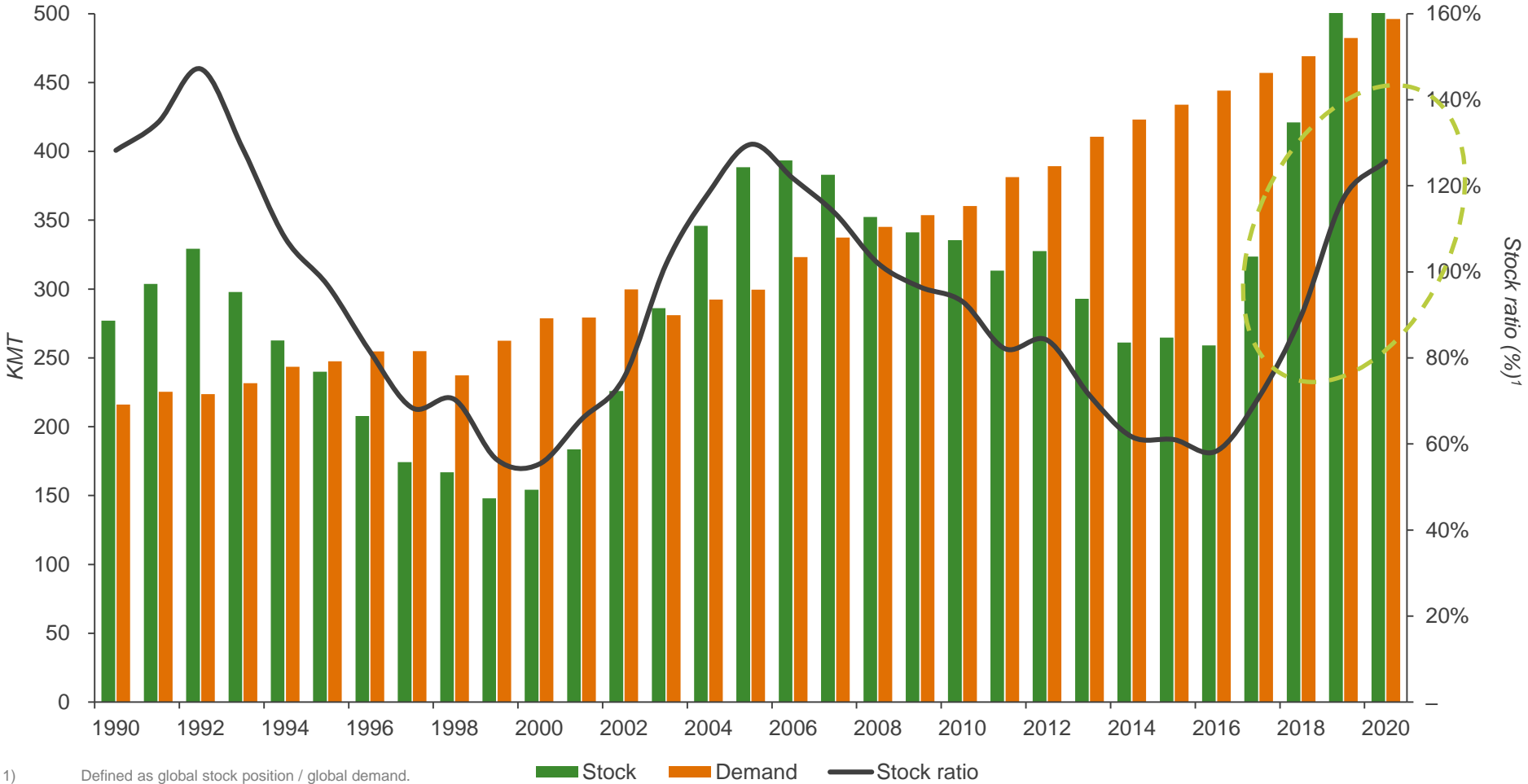
Market data as per 31-Oct-19.

1) Weighted average of estimated increase in Vietnam, Brazil, India, Indonesia, China, Cambodia and Sri Lanka planted areas. The production quantities of the previous year are used as weight.

2) Average of Vietnam, Indonesia and Brazil ASTA quality.

Source: Nedspice research.

# Excess production is pushing the ratio of global stocks relative to demand close to the previous high...



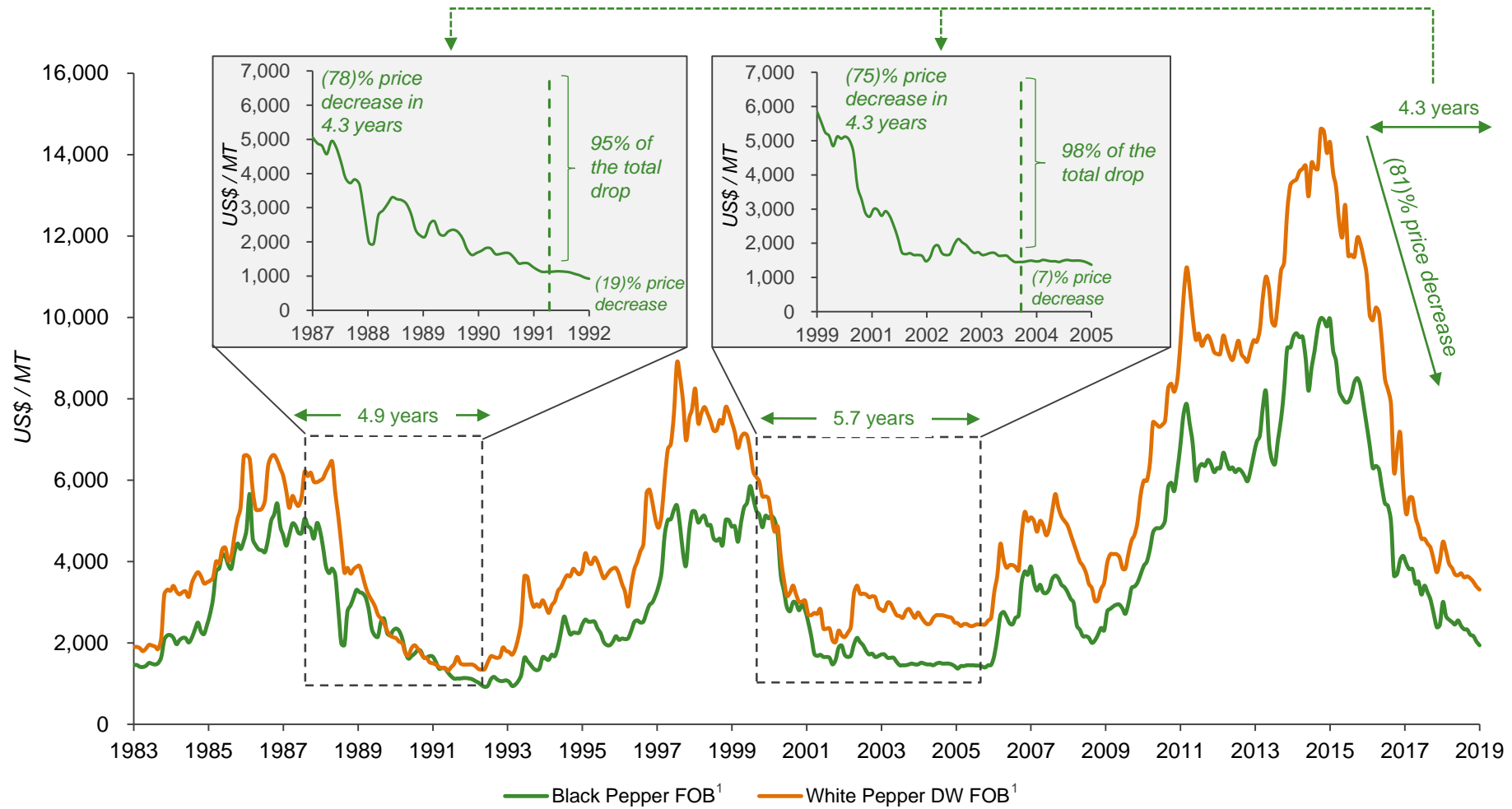


...and price bottoms tend to occur around stock ratio highs



Note: Market data as per 31-Oct-19.  
 1) Defined as global stock position / global demand.  
 2) Average of Vietnam, Indonesia and Brazil ASTA quality.  
 Source: Nedspice research.

Historical data suggests we have seen the largest part of the price drop, although it may take more time before reversal sets in



Note: Market data as per 31-Oct-19.  
 1) Average of Vietnam, Indonesia and Brazil ASTA quality.  
 Source: Nedspice research.

# Concluding summary



- Production is expected to decrease by some 74 KMT this season, mainly driven by unfavorable weather in Vietnam
- Total production of c. 558KMT remains significantly higher than total demand at 496 KMT
- The excess production will cause global stocks to increase further
- As it will likely take some time before supply lines up with demand, price pressure is expected to continue
- Also historical data suggests that we may see a further decrease in prices over the next year, though we should be near the bottom
- Prices are close to or below production costs in many countries, so the struggle for farmers is likely to continue