

NEDSPICE

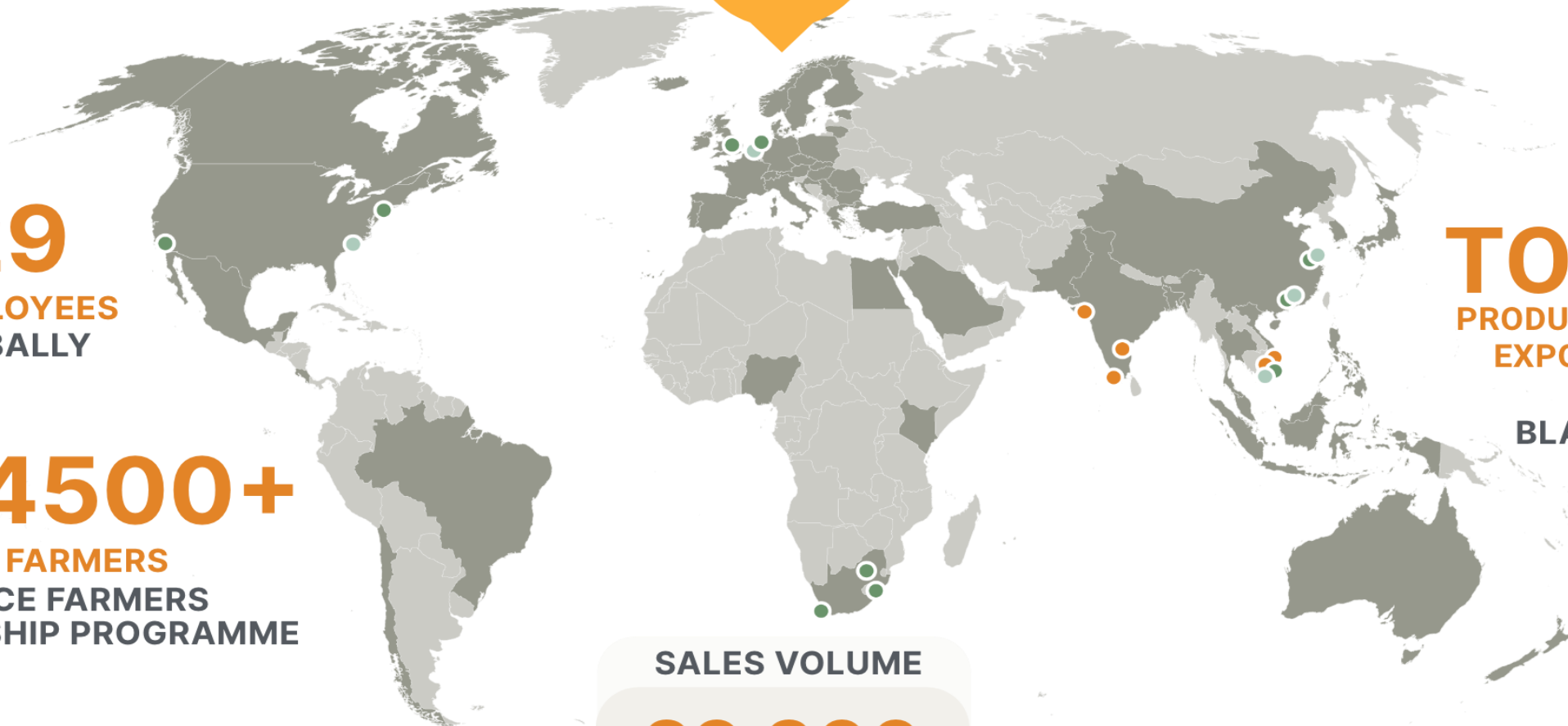
Pepper Crop Report 2023



WE HAVE CUSTOMERS IN

60

DIFFERENT COUNTRIES



729

EMPLOYEES
GLOBALLY



4500+

FARMERS
IN NEDSPICE FARMERS
PARTNERSHIP PROGRAMME

SALES VOLUME

29,300
MT

IN 2022

TOP

PRODUCER &
EXPORTER

OF GROUND
BLACK & WHITE
PEPPER IN
VIETNAM



Factory



Warehouse



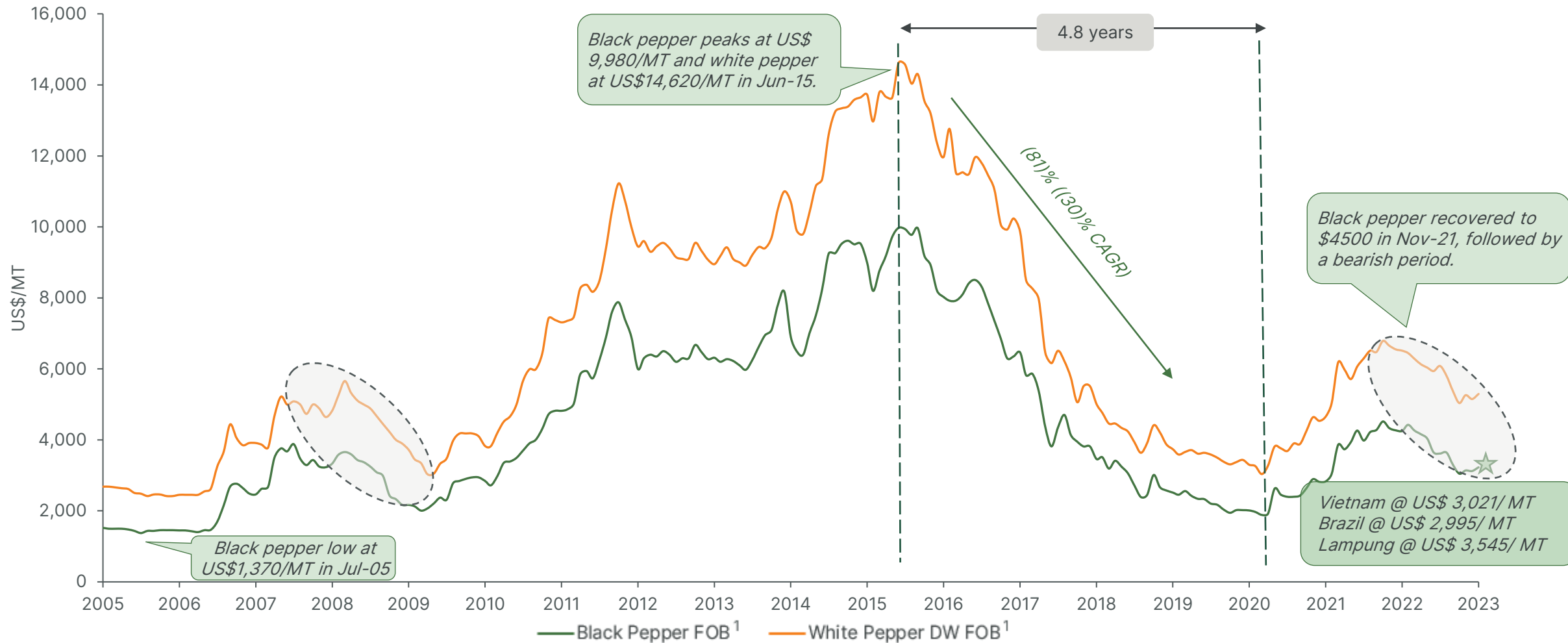
Sales office



Customer countries



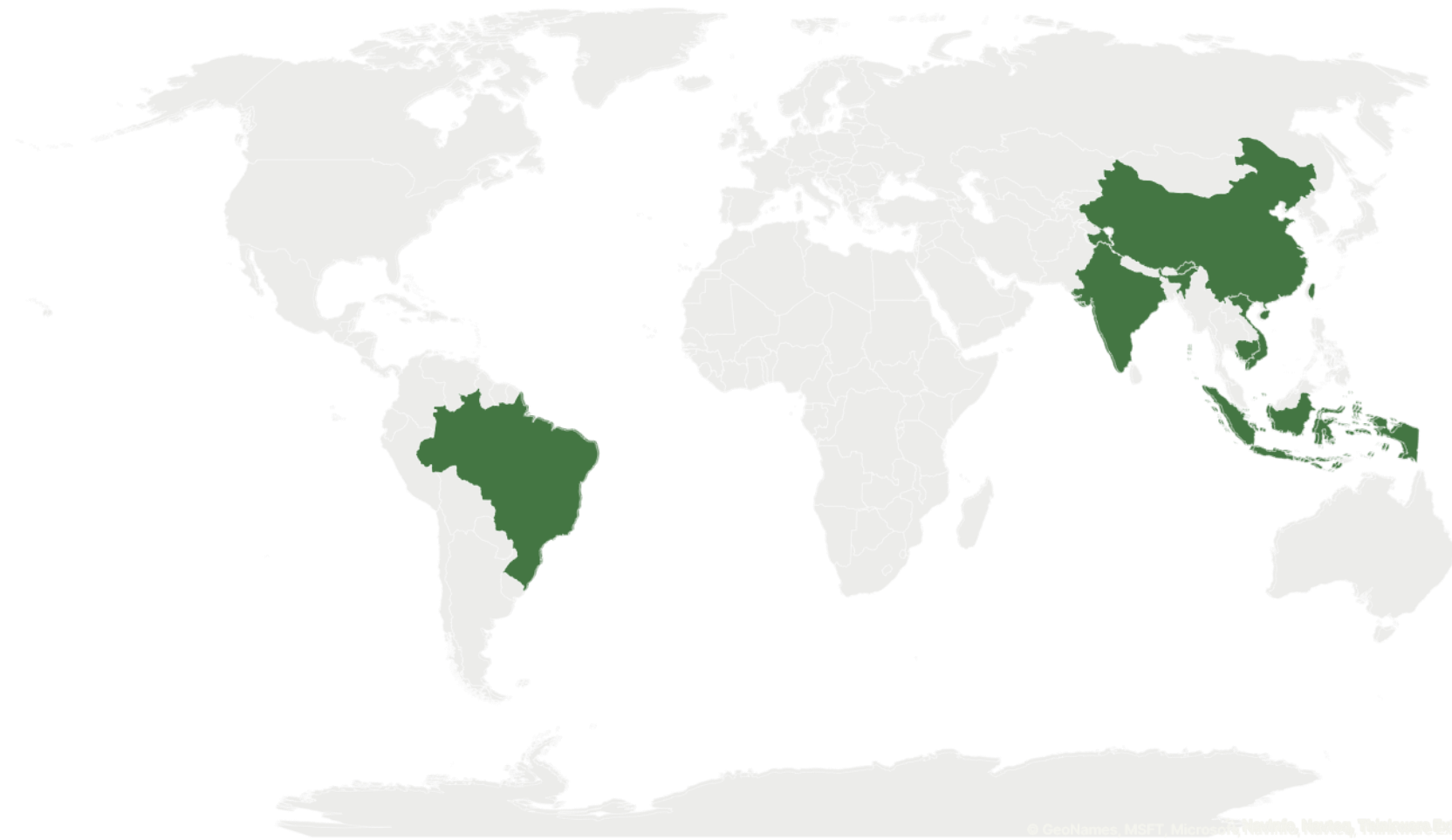
When will the downward price trend end?



NEDSPICE

Global production

Others
Sri Lanka
Malaysia
China
Cambodia
Indonesia
India
Brazil
Vietnam



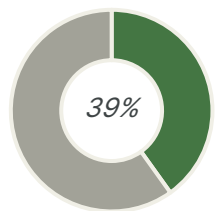
Note: Based on 2021/22 production estimates.
Source: Nedspice research.



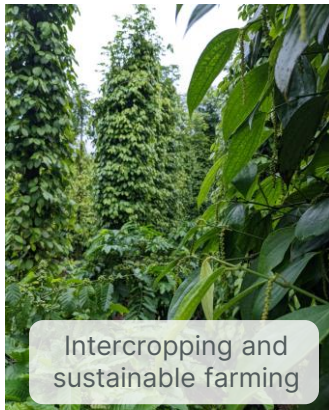
Vietnam

Remains the dominant producer globally

Top #1 origin, producing mainly black pepper



Vietnam vs RoW



Intercropping and sustainable farming

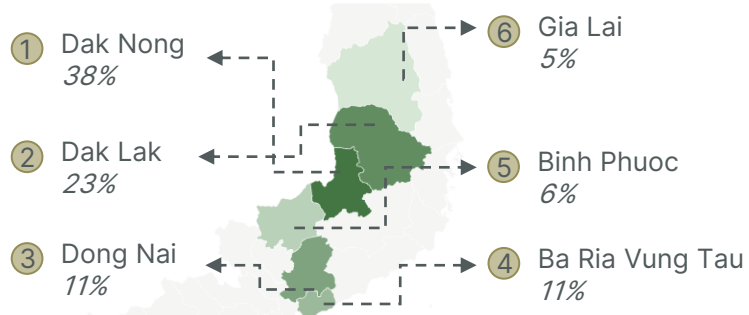


100% sun dried

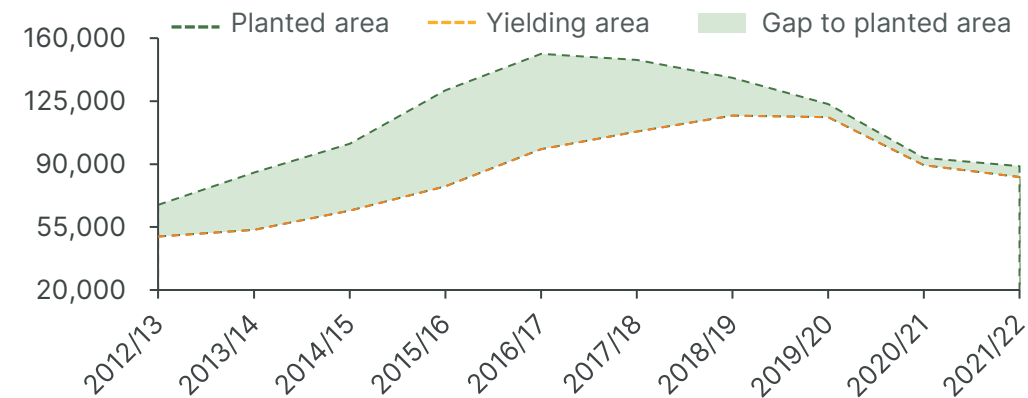


MC decorticated white pepper

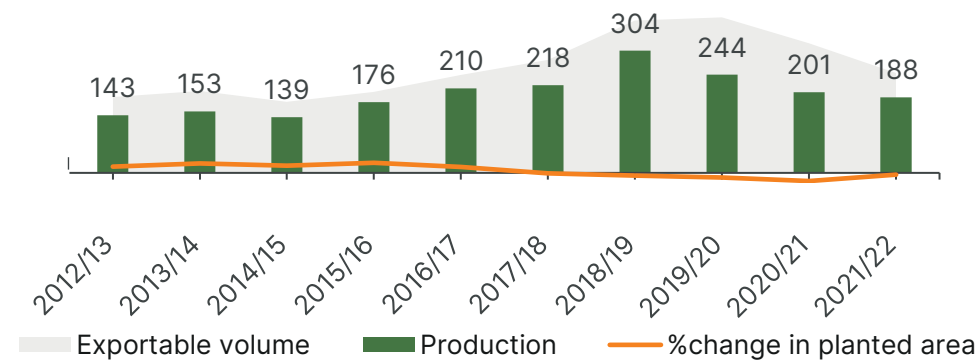
Production per key area



Change in planted area (Ha)

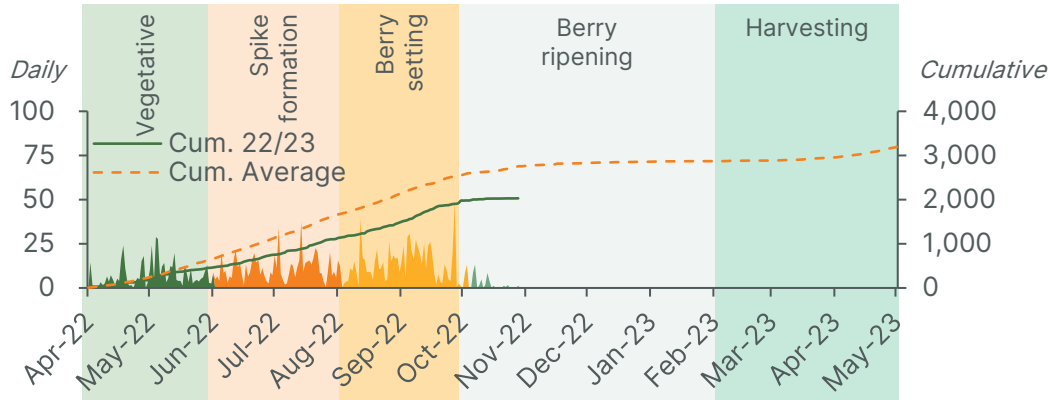


Production over time (KMT)

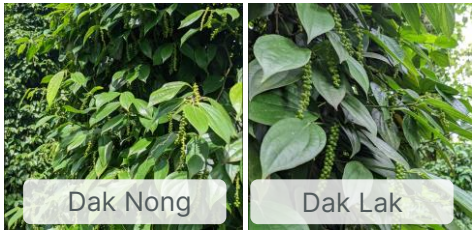


Yield is expected to increase, driven by good weather conditions during early crop stages

Rainfall distribution in Dak Lak (mm)



Crop development 2022/2023 season



5%

Death ratio

2%

Replanting

205KMT +9%

Production volume

76,000 ha

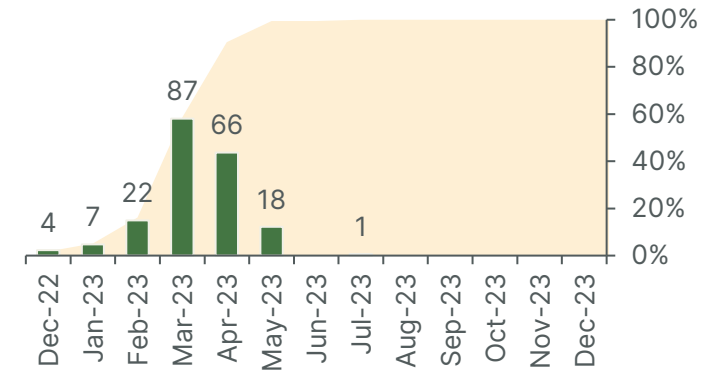
Total yielding area

2.7MT/ha

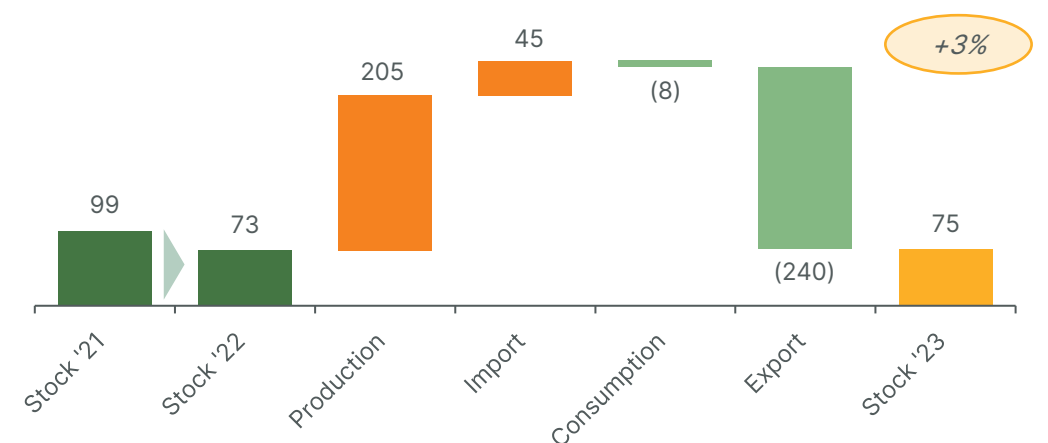
Yield forecast

Crop arrivals 2022/23 season (KMT)

- The harvest started in December and will peak in Mar-Apr.
- Only 10-15% of black pepper is processed into white.



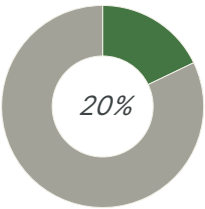
Stock development¹ (KMT)



Brazil

Production has been increasing over the past years, especially in Espírito Santo

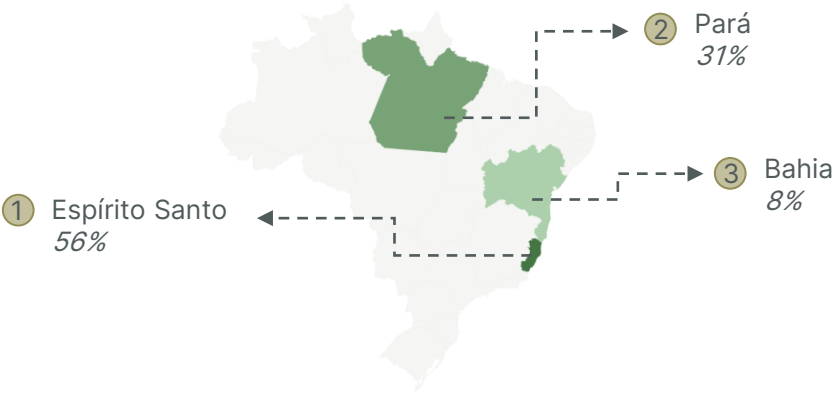
Brazil has meaningfully increased production vs other origins



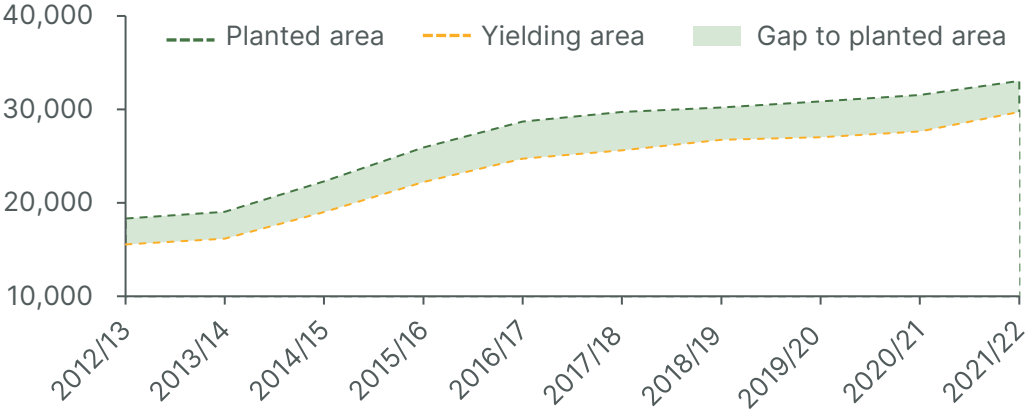
Brazil vs RoW



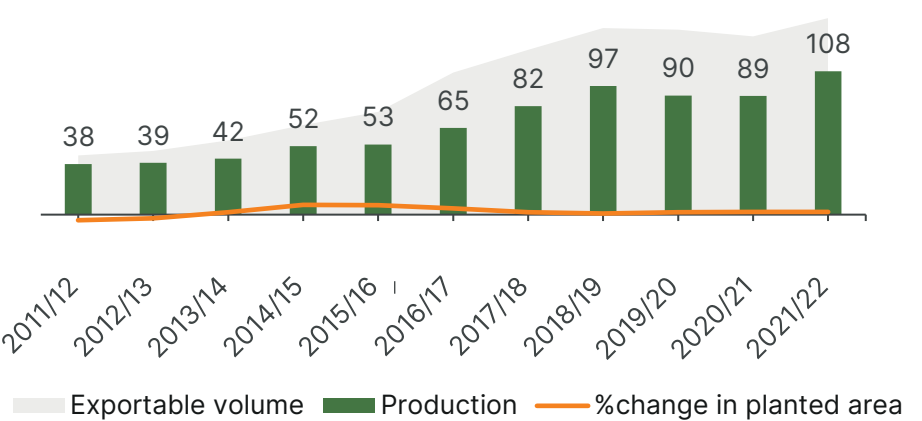
Production per key area



Change in planted area (Ha)

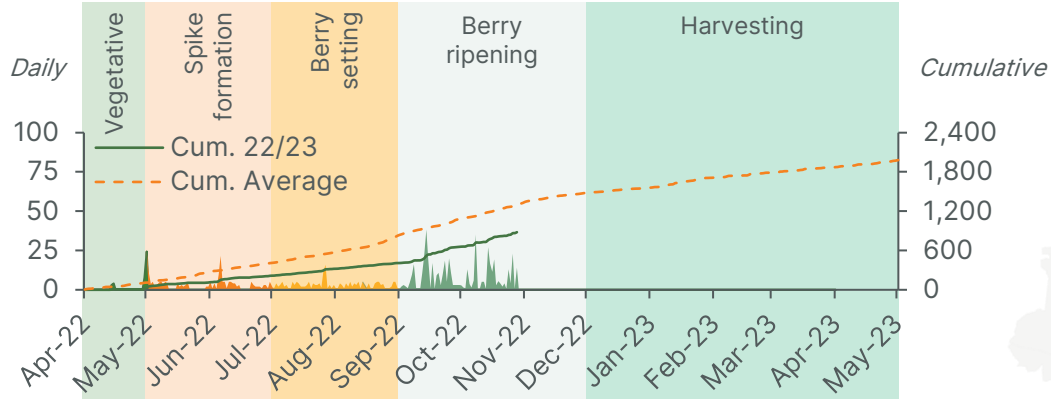


Production over time (KMT)



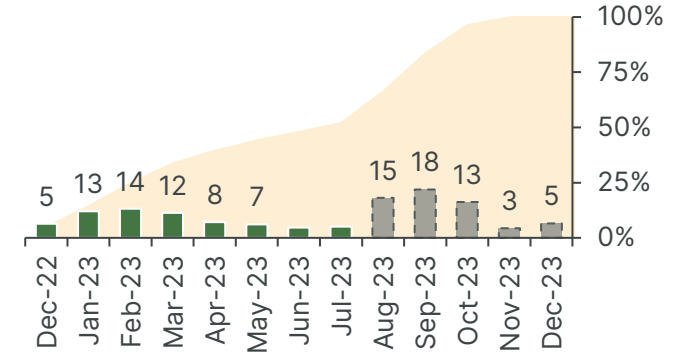
Approximately 115KMT is estimated to be harvested this crop season, up 6% YoY

Rainfall distribution in Espirito Santo (mm)

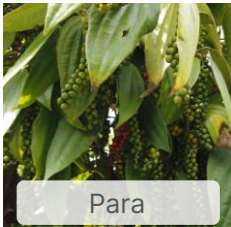


Crop arrivals 2022/23 season (KMT)

- The harvest in the South-East started in December, with the first volumes coming from Espirito Santo.
- Pepper from Para will arrive later in September.



Crop development 2022/2023 season



10%

Death ratio

7%

New planting

112KMT +5.4%

Production volume

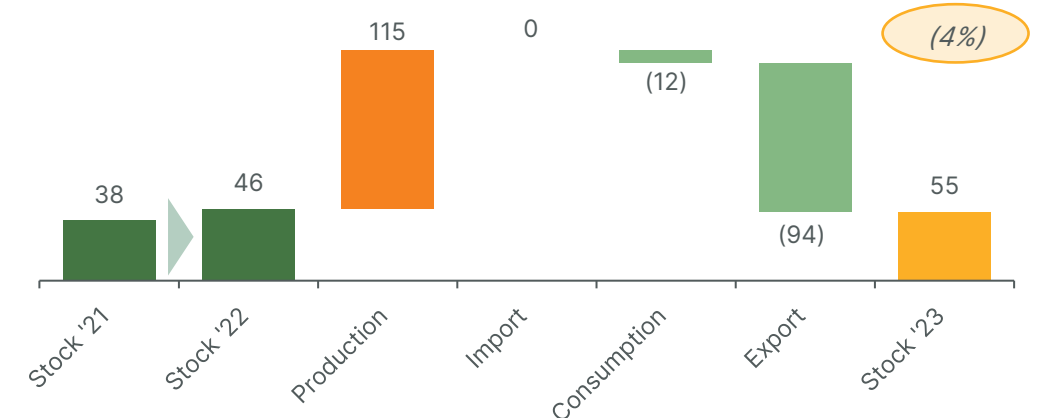
33,000 ha

Total yielding area

3.1MT/ha

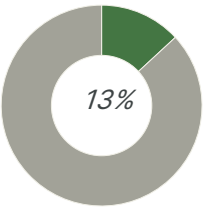
Yield forecast

Stock development¹ (KMT)



The crop size is relatively stable, with low yielding but long living vines

India is well-known for its Tellicherry pepper & oleoresin production

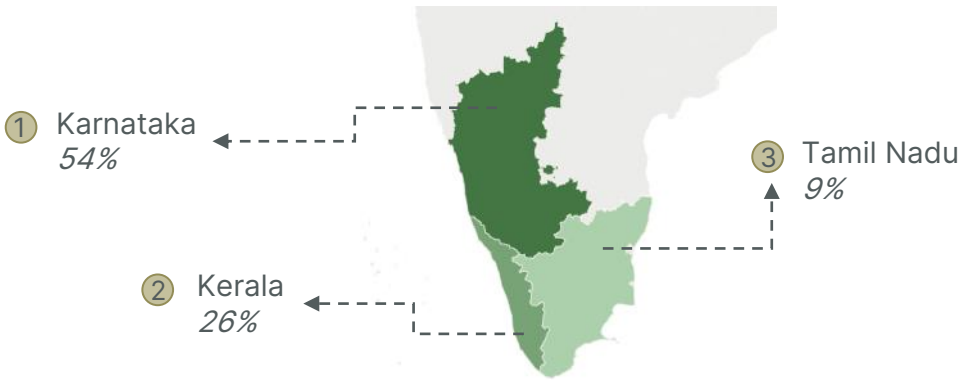


India vs RoW

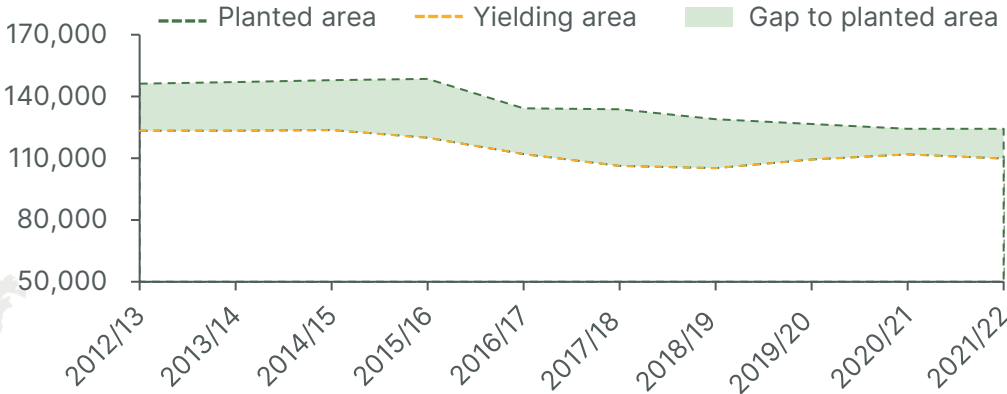


The biggest oleoresin producer

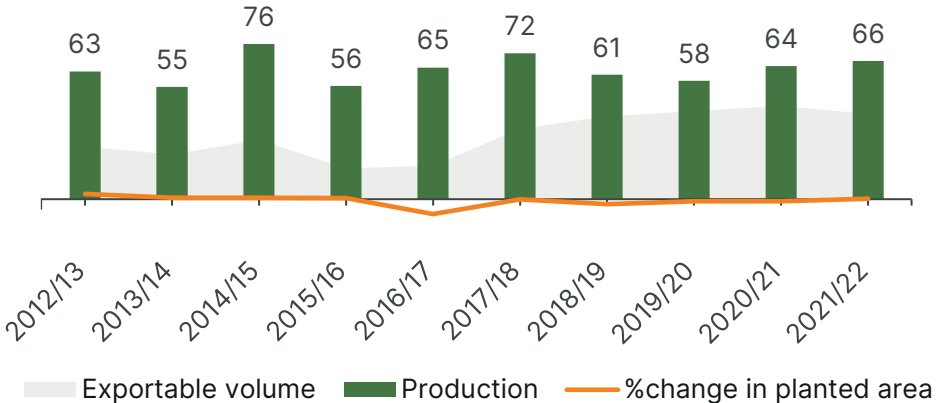
Production per key area



Change in planted area (Ha)

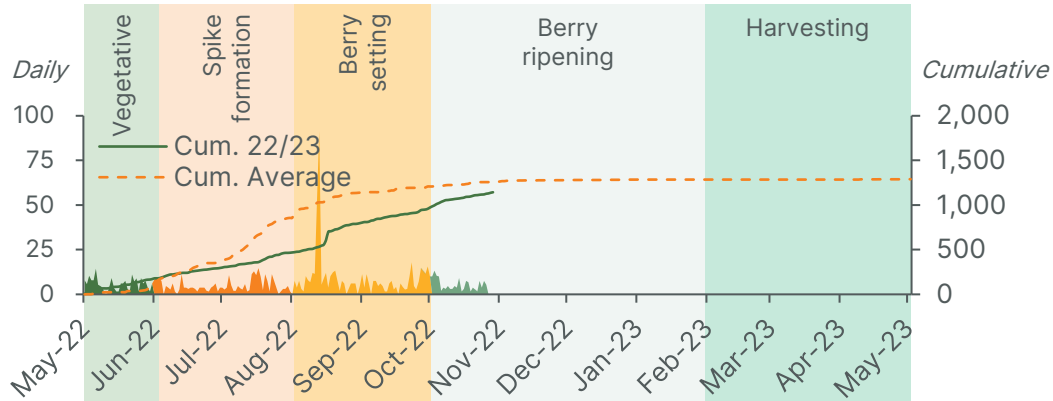


Production over time (KMT)

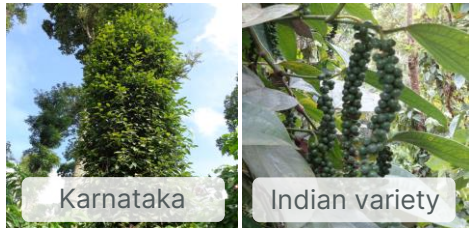


Production is slightly below last year, which saw good weather conditions

Rainfall distribution in Karnataka (mm)



Crop development 2022/2023 season



8%

Death ratio

3%

New planting

64KMT -3%

Production volume

107,000 ha

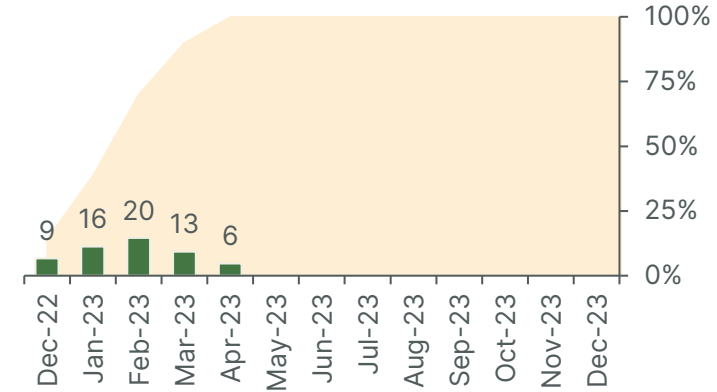
Total yielding area

0.6MT/ha

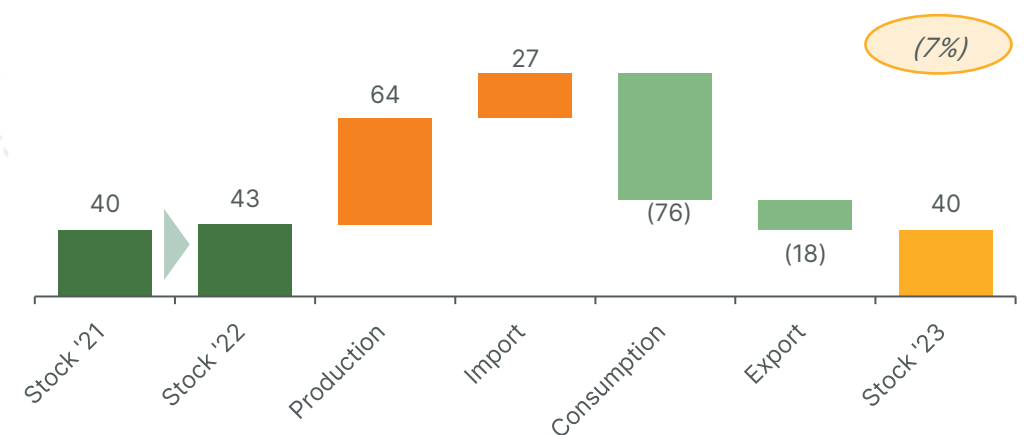
Yield forecast

Crop arrivals 2022/23 season (KMT)

- The harvest started in December and will peak in February.
- Volumes have not increased in recent years, while domestic consumption is on an upward trend.



Stock development¹ (KMT)



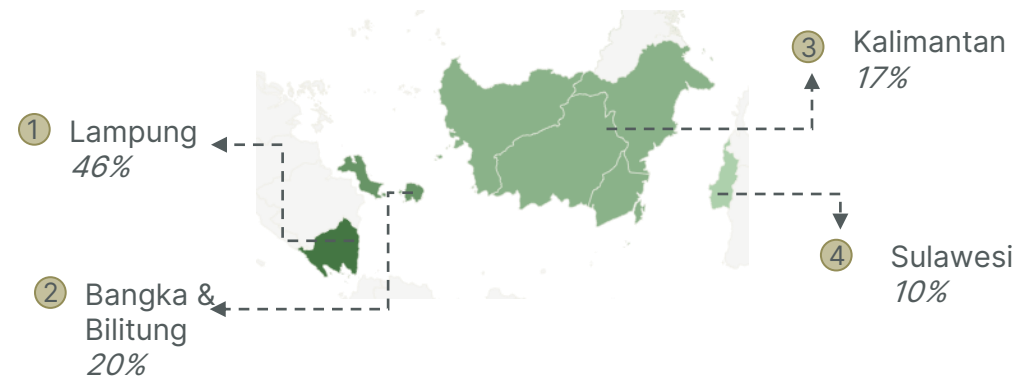
Indonesia

Well-known for several signature products, white pepper production going down

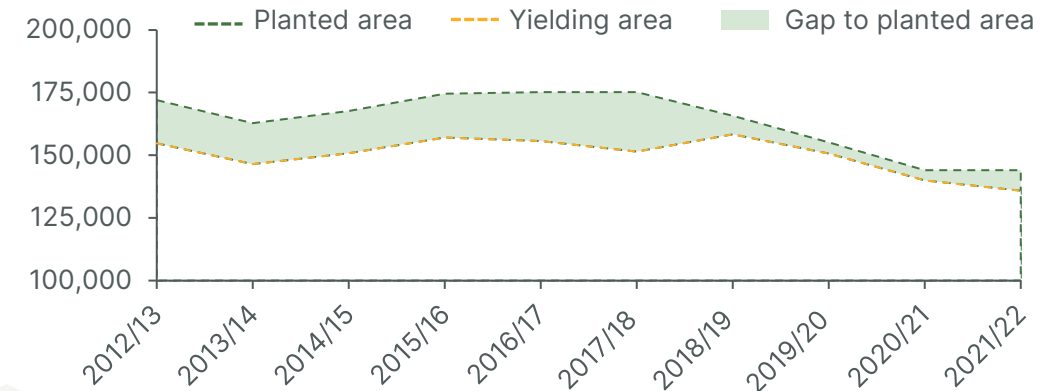
Indonesia and key signature pepper products



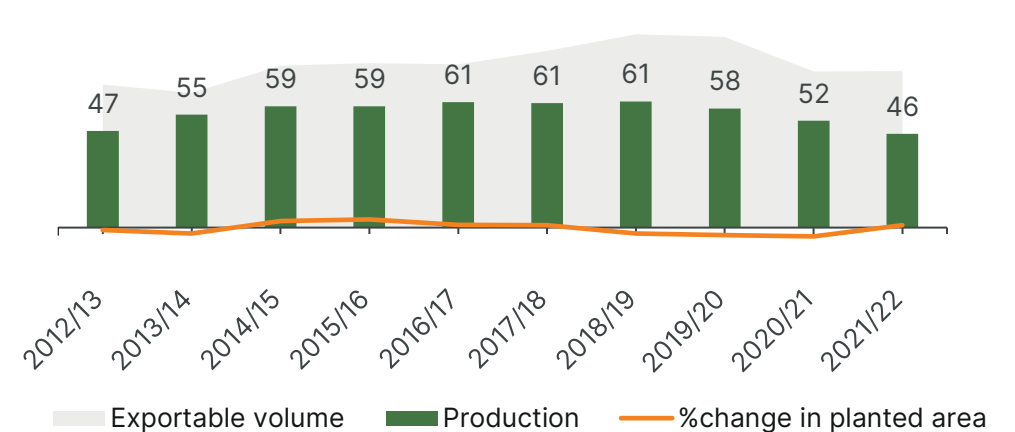
Production per key area



Change in planted area (Ha)

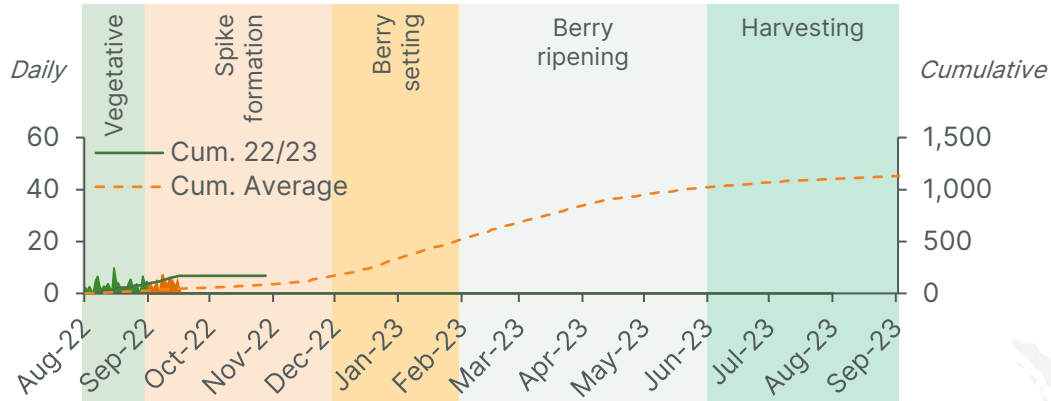


Production over time (KMT)



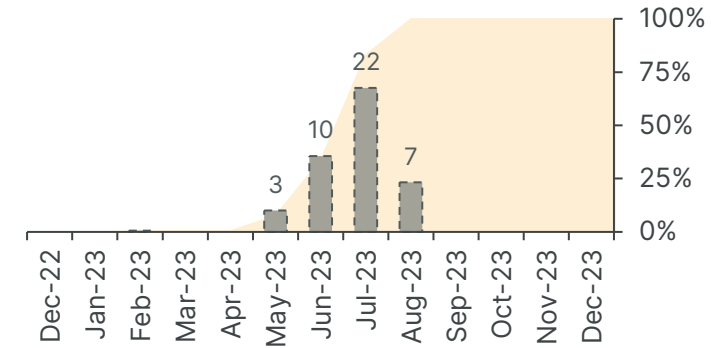
Production has been on downward trend in recent years

Rainfall distribution in Lampung (mm)



Crop arrivals 2022/23 season (KMT)

- The harvest will start in summer 2023 and the current crop is in spike formation stage
- White pepper process is 100% done by the fermentative method, soaking in water for c. 2 weeks.



Crop development 2022/2023 season



8%

Death ratio

2%

New planting

42KMT -8%

Production volume

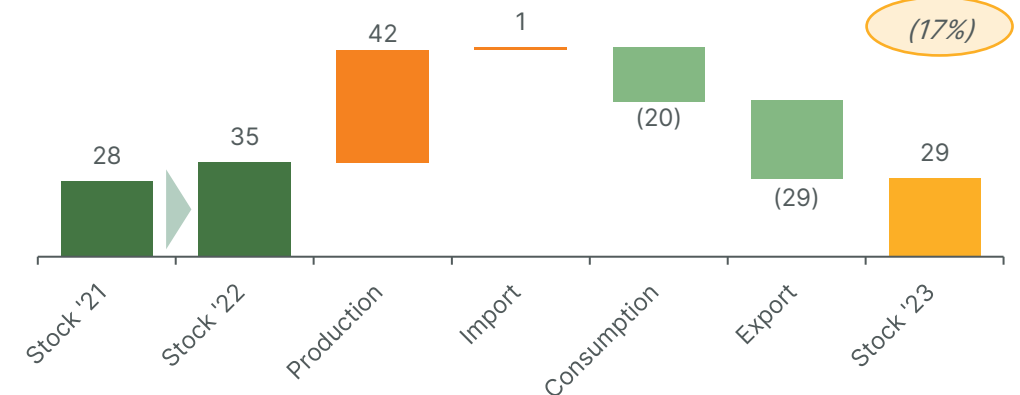
115,000 ha

Total yielding area

0.4MT/ha

Yield forecast

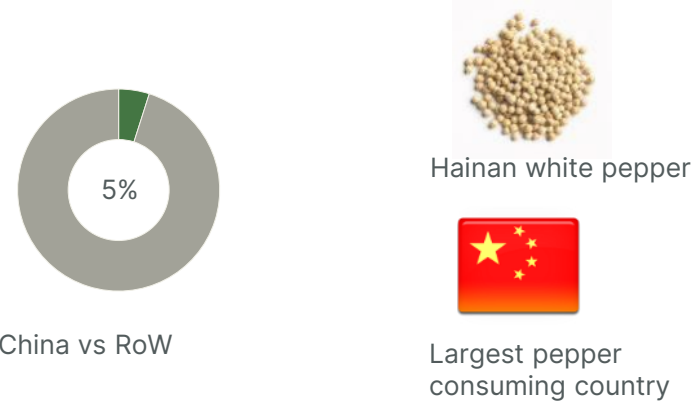
Stock development¹ (KMT)



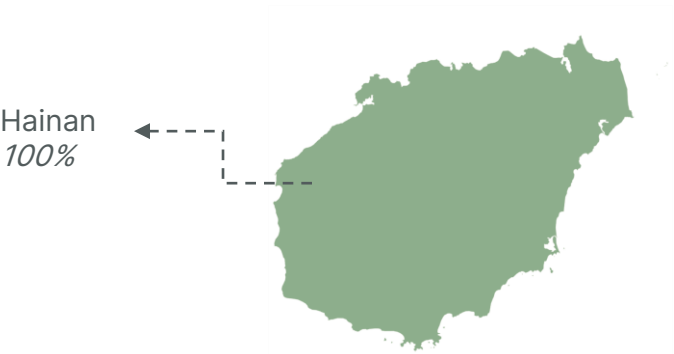
China

China produces almost exclusively white pepper, grown on the southern island of Hainan

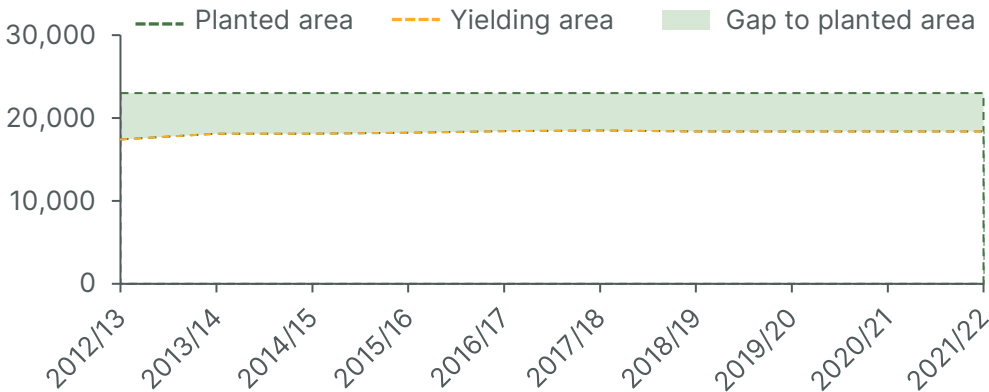
The largest consuming country in the world



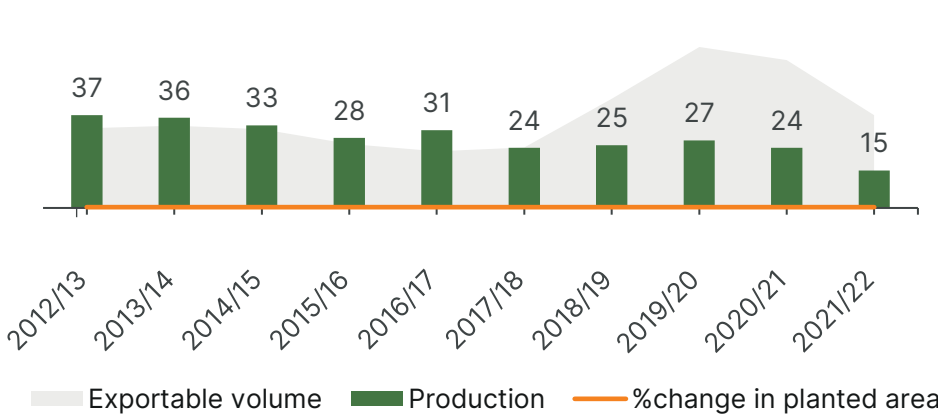
Production per key area



Change in planted area (Ha)

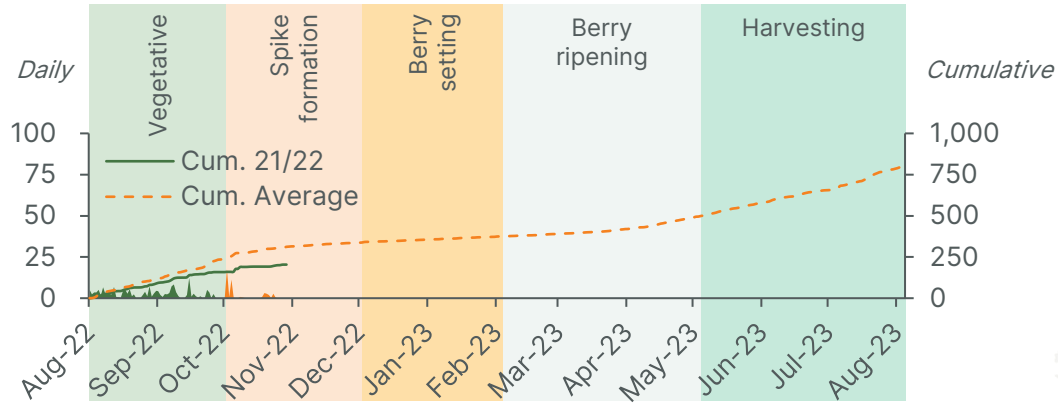


Production over time (KMT)



Production is expected to recover after adverse weather conditions hurt the '21/'22 crop

Rainfall distribution in Hainan (mm)



Crop development 2022/2023 season



5%

Death ratio

-%

New planting

25KMT +0%

Production volume

18,400 ha

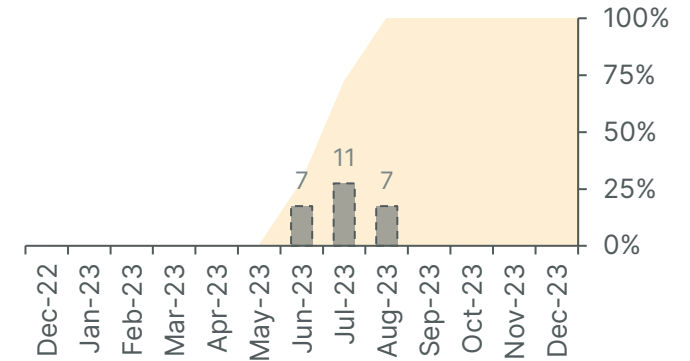
Total yielding area

1.4MT/ha

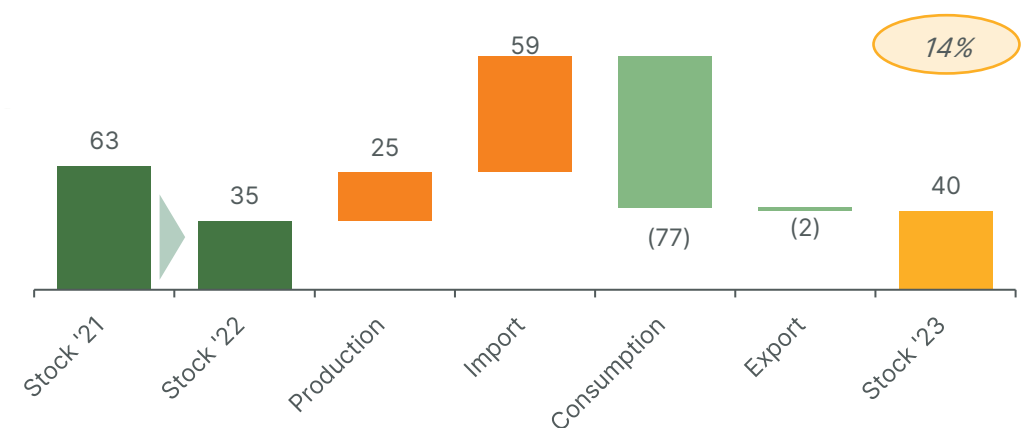
Yield forecast

Crop arrivals 2022/23 season (KMT)

- The harvest will start in summer 2023 and the current crop is in early spike formation stage
- 90% of harvested pepper is processed into white pepper by soaking method.

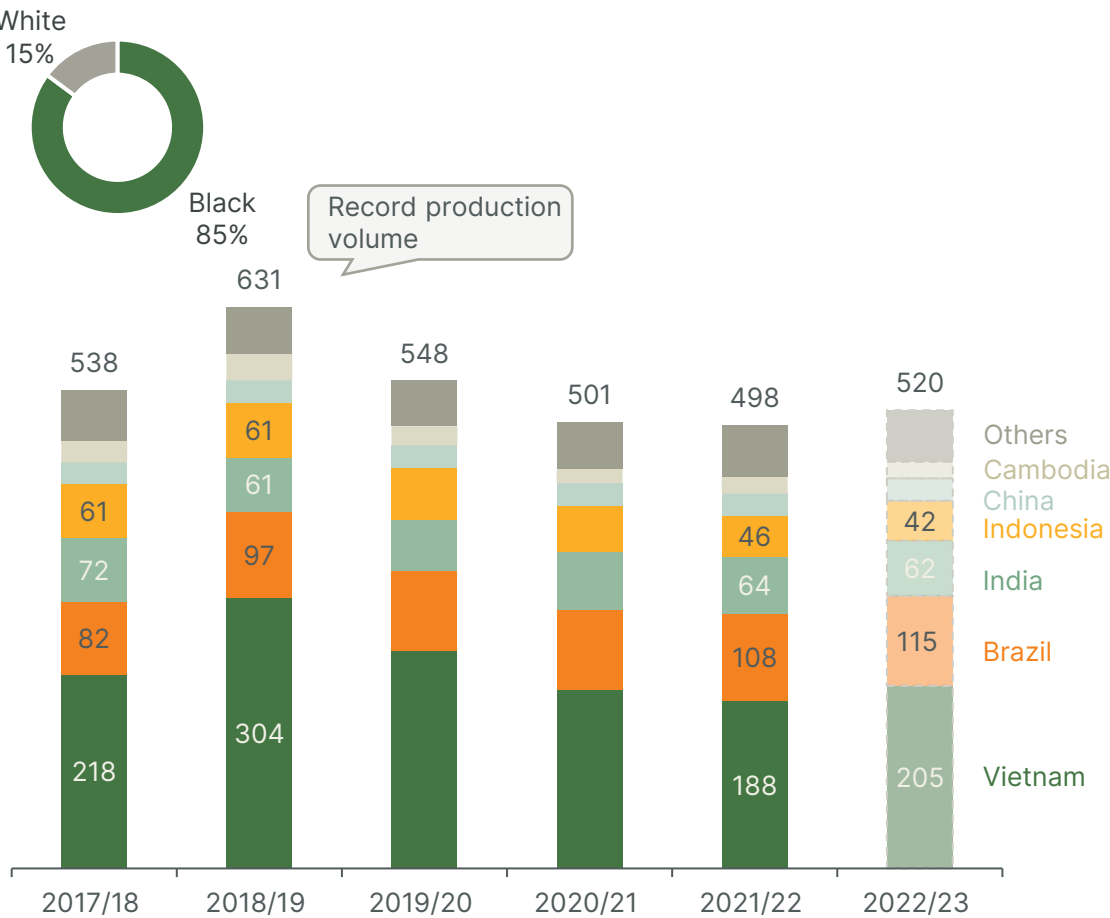


Stock development¹ (KMT)

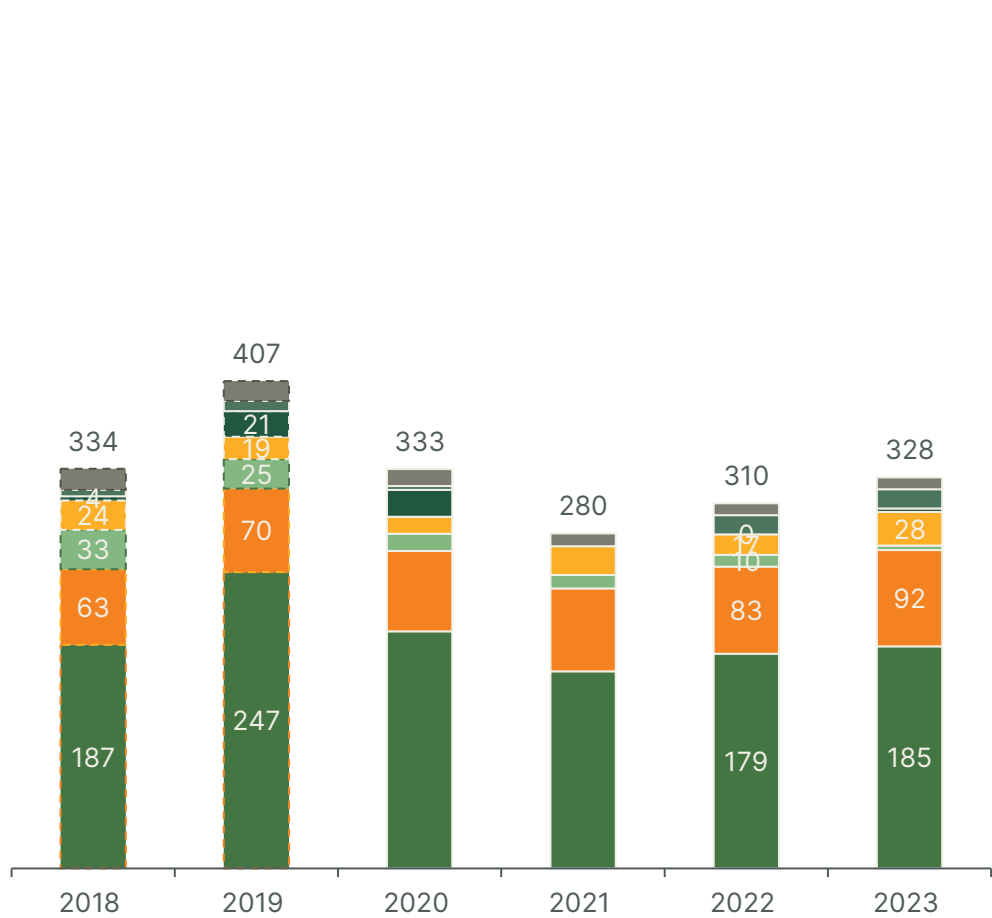


Total global production is expected to be slightly higher this year, at ~512KMT.
Availability of material remains sufficient

Global pepper production (KMT)



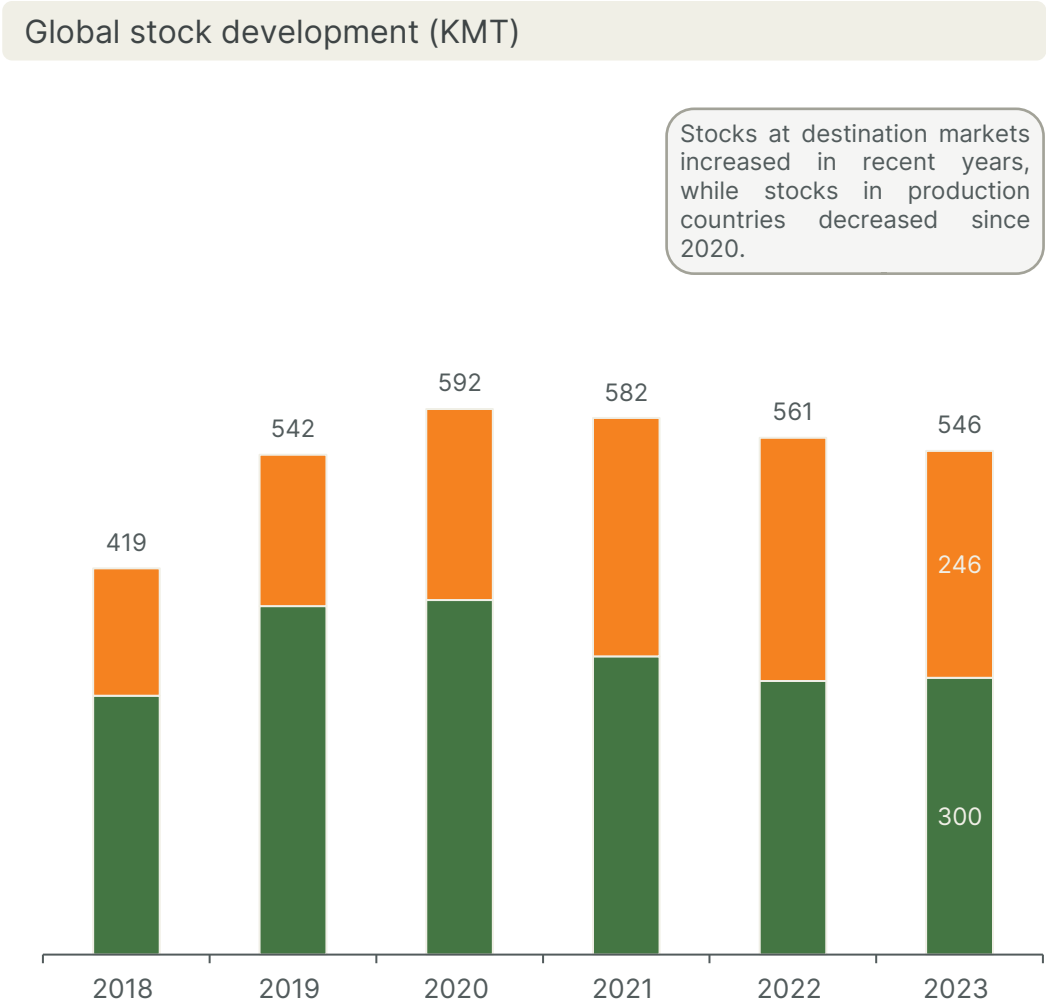
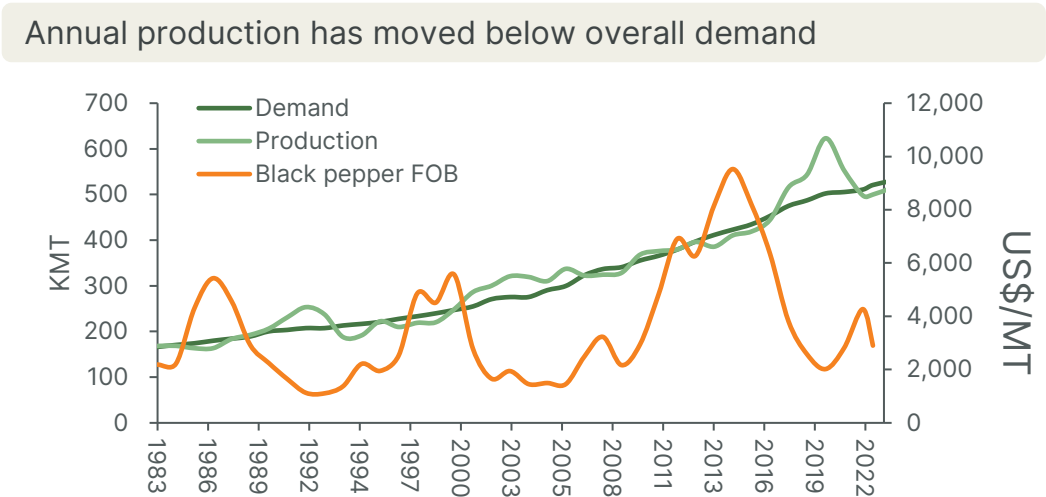
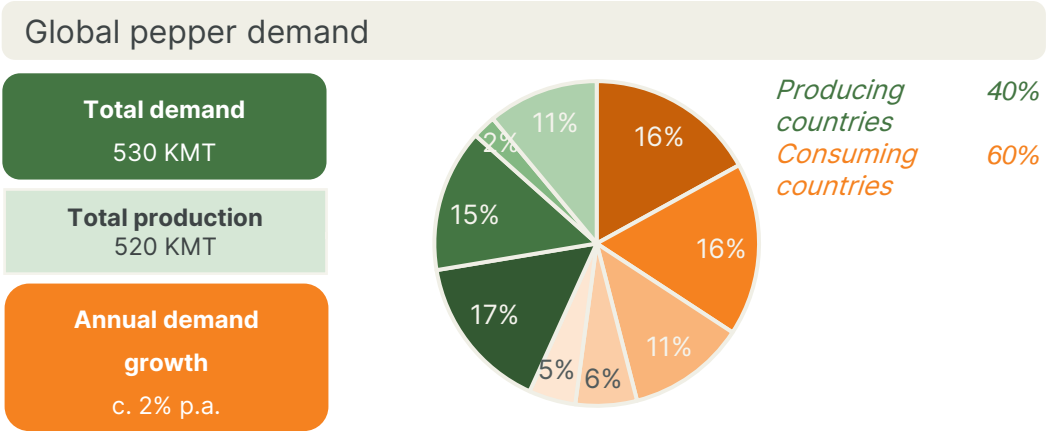
Net exportable production from origin¹ (KMT)



1) Includes imports and exports of producing countries.
Source: Nedspice research.



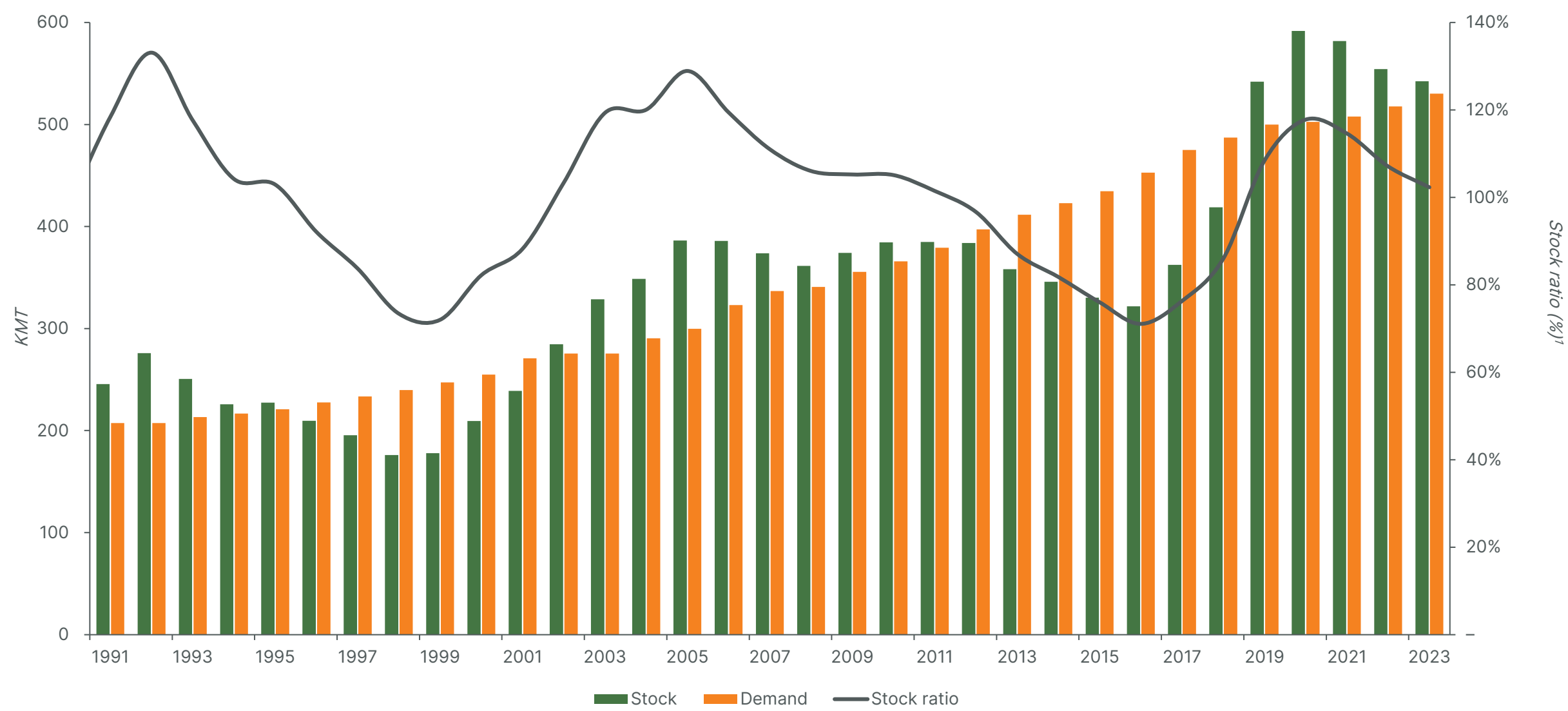
Demand remains resilient, at c. 530KMT currently, global stocks have decreased but are still above annual demand



1) Market price as per 07-Nov-22. Average of Vietnam, Indonesia and Brazil ASTA quality.
Source: Nedspice research.



The stock ratio reversed direction, but is still above 100%



1) Define as global stock position / global demand
Source: Nedspice research.



Stock levels at destinations could have a dampening effect in the short term



Note: Market data as per 31-Dec-22.
1) Defined as global stock position / global demand.
2) Average of Vietnam, Indonesia and Brazil ASTA quality
Source: Nedspice research.



Concluding summary

- Global production forecast: 520KMT, a slight increase from last year. Vietnam's production will rise slightly but decline in future years.
- Production: 520KMT vs demand: 530KMT, causing a slight drop in global stocks. Stocks at destinations and origin still sufficient to meet near-term demand.
- Increased interest rates are not favorable for speculators and large stock holders.
- Contrary to many market players' early expectations, prices have been on a downward trend throughout 2022. One factor is the decreased imports by China (-47% YoY), especially during the first five months of the year.
- Considering all factors above, the current market situation is uncertain. Although the long term price trend is likely to be up because of decreasing global production, short term price dynamics are difficult to predict.

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