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PRODUCTION, PROCESSING AND IMPORT EXPORT PEPPER
(REPORT AT 42TH CONFERENCE OF EXPORTER)
IPC ANNUAL MEETING
(Dated 22-26/2011 in Lombok, Indonesia)

I. The major factors affecting the Vietnam Pepper Industry in 2011:

- ***Advantages:***

- Pepper price increasing significantly compared to previous years and increase of income and profits of farmers boosting production and business development.
- The support of the Government in term of fiscal policies, credit and guidance to improve farming methods, giving less difficulty in production and circulation.

- ***Difficulties:***

- The financial crisis, global economic depression continued and even more serious affecting the global economy, including Vietnam.
- The weather was unusual, pet and diseases are still complicated, production costs increasing, lacking of investment capital driving pepper trees degrading faster, average yield and production in some areas came down. High volatile market that mainly in uptrend, traders have to adapt themselves to the new situation.

- ***Overview of the production and export:***

- In 2011, new plantation area is 1,500 hectares. However most of old pepper garden are warning at risk of earthworm, spread widely; on the other hand due to too much exploitation and bad weather condition have shortened life of pepper garden, faster degradation and rapid death. Therefore, the production of the year 2011was negligibly higher compared to that of 2010.

- Processing, diversification of products and trade Vietnam pepper were not adequate to the potential advantage since depending on the market and due to the limitation of commercial promotion of the sector.

- Thanks to the imbalance of global demand and supply market becomes beneficial to producers. Besides, the farmers have good communication, update information, estimation of market trend so they dictate market, dominated sales, choosing the right time to sell at good price, have contributed to regulating the volume of the local exporters, becoming less dependent on the international future market.

- Pepper price increased continuously over the past years, especially in 2011; the market has been so different to previous years that forced local traders and exporters to change the way of trading and exports. There are less forward contracts. Outright businesses are preferred to limit the risk.

1. PRODUCTION

a. Plantation Area

Unit: Hectares

Year	New plant	Harvesting Area	Not yet harvesting area	Total
2010	1.500	43.500	7.500	51.000
2011	1.500	45.500	7.000	52.500

b. Cultivation area of major provinces.

Unit: Hectares

Name of Province	2010	2011
Binh Phuoc	10.500	10.600
Dak Nong	7.100	7.600
DakLak	4.900	5.500
Ba Ria Vung Tau	7.000	7.000
Dong Nai	7.000	7.000
Gia Lai	5.800	6.300
Other Provinces	8.700	8.500
Total	**51.000**	**52.500**

c. Production

Unit: MTS

Year	Black pepper	White pepper	Total
2010	80.000	20.000	100.000
2011	80.000	20.000	100.000
2012 **	85.000	20.000	105.000

*** Projection*

2. TRADE

2.1. Quantity and export revenue

- During nine months of 2011 export volume reached some 104,842 tons earning USD 593.3 million, increased by 6.9 % in volume and 78% in value compared to the same period of 2010.

- Pepper export in the whole year is estimated at about 115,000 MTS and bringing back total revenue of USD 650 million.

Months	Year 2010		Year 2011	
	Quantity (tons)	Value	Quantity (tons)	Quantity (tons)
January	7,585	23.6	4,693	23
February	6,235	19.4	4,796	22.5
March	14,405	42.3	15,639	77.7
April	16,193	49.9	15,133	83.5
May	15,183	49.2	13,184	83.5
June	12,235	40.2	15,174	76.8
July	12,053	47.5	12,893	74.3
August	7,966	32.7	16,472	100.4
September	6,244	27.7	6,858	47.4
October	6,253	28		
November	6,120	29.2		
December	6,369	31.3		
Total	**116,841**	**421**	**104,842**	**593.3**

2.2. Import markets

PEPPER EXPORT BY COUNTRY OF DESTINATION

(Quantity in mt. and Value in US$)

No.	Country of destination	2010		From Jan to September 2011	
		Qty	Value	Qty	Value
	BLACK PEPPER	**94,139**	**313**	**89,325**	**474**
1	**American**	13,980	49.24	17,389	99.00
2	**United Arab**	12,793	44.56	9,905	53.74
3	**India**	5,318	14.92	5,645	28.13
4	**Germany**	8,527	28.67	5,244	27.38
5	**Egypt**	3,066	9.16	4,993	26.30
6	**Pakistan**	3,655	11.23	4,873	26.22
7	**Nerthlands**	5,432	18.53	4,650	24.23
8	**Russia**	3,775	11.75	3,461	18.31
9	**Spain**	1,278	4.35	3,096	17.86
10	**Singapore**	2,466	5.84	2,689	12.92
11	**England**	2,582	10.09	2,191	11.92
12	**Poland**	3,055	10.19	1,912	9.59
13	**Korea**	2,124	7.68	1,717	9.55
14	**Turkey**	1,207	2.99	1,642	5.84
15	**France**	1,423	4.55	1,576	8.44
16	**Ukraine**	2,601	8.42	1,567	7.92
17	**Philippine**	1,985	5.89	1,233	5.71
	Others	*18,872*	*65*	*15,542*	*81*

	WHITE PEPPER:	**22,722**	**108**	**15,517**	**119**
1	**American**	2,434	11.09	2,292	17.76
2	**Germany**	6,470	31.88	3,229	23.88
3	**Nerthlands**	2,894	14.52	2,156	16.44
4	**Indonesia**	2,391	9.51	733	5.70
5	**Japan**	794	4.14	632	4.86
6	**England**	609	3.3	590	4.40
7	**Singapore**	401	1.78	584	4.35
8	**India**	916	3.52	576	4.77
9	**Spain**	612	3.06	489	3.88
10	**United Arab**	387	1.84	383	2.78
11	**Belgium**	253	1.18	345	2.42
12	**Sweden**	289	1.57	253	1.98
13	**Thailand**	730	3.49	235	1.91
14	**South Africa**	299	1.72	232	1.80
	Others	*3,243*	*15.55*	2,788	21.9
	GRAND TOTAL	**116,861**	**421**	**104,842**	**593,3**

Source: Vietnam Pepper Association

2.3. The export of processed products:

Vietnam had 18 pepper processing factories, equipment manufactured locally with quite advanced technology; total capacity reached 70,000 MTS per year, out of which there are more than 14 steam washed treatment factories, including Vietnam and foreign companies such as Netherlands, Japan and India. The factories produce clean pepper of high quality, meeting the requirements of the international standards such ASTA, ESA and Japan.

Type of pepper	2011	2012
Black pepper *(with ground black pepper, crushed)*	95,000 *7,800*	100,000 *9,000*
White pepper *(with ground white pepper, crushed)*	20,000 *2,500*	20,000 *3,000*
Total	**115,000**	**115,000**

However there is still about 70% export of raw material product, whole seeds while 70% of total production is from 500g/l and above. Black pepper export accounting for about 80%, white pepper, ground pepper for 20% depending on the customers' requirements and consuming market.

2.4. Estimation of exports in 2012.

- The exports in 2012 estimated at 115,000 to 120,000 tons.

- The basis of estimation: The plantation area increased but the harvesting area did not increase (it takes 4 years to harvest). The weather and climate, the complicated situation of pets and diseases, the old and weak trees continue to expire. There is possibility that supply could not meet the demand, market is expected to remain high.

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2.5. Import

Unit: tons

No.	Country	2010	2011 *
1	Indonesia	13,614	2875
2	Brazil	1,051	850
3	Singapore	1,227	839
4	Malaysia	955	388
5	India	843	137
6	China	230	112
7	Mexico	83	25
	Others	468	11
	Total	**17,870**	**5,238**

**: figure until June, 2011*

3. Summary of production, import and export, domestic consumption and carry-over stock in 2010, estimation in 2011 and projection in 2012 *(table 4)*

4. Development program for pepper in the near future:

4.1. Development objectives

Ministry of Agriculture and Rural Development: stable scale of production area of about 50,000 - 53,000 hectares, production reaches about 125,000 tons in 2015 and 135,000 tons in 2020. Export production reaches 135,000 tons in 2015 and 140,000 tons in 2020.Export value reaches USD 800 million in 2015 and USD 1,000 million in 2020.

4.2. Problem Resolution of productivity, production, quality improvement

Training IPC GAP, combines holding a workshop to learn experience "good pepper farmers", to exchange, popularize experience of cultivation techniques, pest and disease prevention, sustainable organic farming, producing the organic products, food safety and hygiene.

4.3. Solutions to the development of new products. Promotional products, consumption.

Enhances the investment in processing technology, product diversifying, improve quality, food safety and hygiene to meet the market's demand, international standards. Improving the trade promotion and mobilization companies joining to find new customers, expand the market to boost export.

4.4. Methods of using and controlling fertilizers, pesticides on pepper trees

The too expensive lesson that Vietnam Pepper farmers paid for the condition of pepper tree that were fast dying, slow wilting over years; The reason for this disease was too much chemical fertilizers, pesticides applying on the pepper trees, causing polluted soil poisoning the pepper trees. When earthworm and pets attacked the trees got diseased and spread to the others on a large scale, consequently pepper died in mass. Now everyone acknowledge this matter very clearly, switch to organic farming, using organic fertilizers, limitation of chemicals fertilizers and pesticides are used, environmental improvement for pepper trees to recover and survive, sustainable development, to have organic products, ensuring no pesticide residues.

4.5. Solutions on trade and investment policy:

- Government, Ministry of Agriculture has favorable policies on credit, investment tax on Agriculture as nursery garden, production practices under GAP, building trade brand, promotion, holds the exhibitions, trade fairs, visiting and doing survey inbound and outbound, support and giving incentives to investment on the processing industry.

- Encourages joint ventures between foreign and local enterprises to invest in production, trading, processing for export under the terms and conditions of content and procedure of integration to the WTO.

4.6. Estimation of area and production in 2010 to 2012.

Unit: hectares, tons

Year	Plantation area	Production area	Production
2010	51.000	43.500	95.000
2011	52.500	45.500	100.000
2012	53.500	49.000	110.000

CONCLUSIONS AND RECOMMENDATIONS:

For the sustainable development of the International Pepper Community and the efficient operation of the IPC, we would like recommend the following:

1. IPC should continue to cooperate with international organizations (such as FAO, WB, ...) in term of research to do projects on cultivation techniques, processing and trade, building trade brand etc., to assist in implementation of these projects in its member countries.
2. IPC needs timely information and accurate data on area, yield, harvest progress, production and the volume of import and export of pepper in IPC member countries.
3. IPC needs to strengthen relationships and help its member countries more about diversity and richness of information. (The content of Weekly report of IPC is very sketchy and very slow, lacking of regular estimation for the situation of supply - demand, world market prices to help member countries to plan up their production and trade efficiently).
4. During this conference, IPC needs review on its functions, tasks and role of the IPC to its members, in term of right and responsibilities of each member of the IPC. Concerning the annual fee paid to IPC among

countries, it is necessary to discuss about in this meeting, to ensure the reasonability and equal right and responsibilities from the IPC to the members and vice versa. Regulations that were issued by IPC are too old (since 1972) so we suggest IPC needs study, revise and add to be suitable with the facts today.

Table 2:
SUMMARY OF PRODUCTION, DOMESTIC CONSUMPTION, EXPORTS, IMPORTS AND CARRY OVER STOCK IN 2010, ESTIMATION IN 2011 AND PROJECTION IN 2012.

Pepper	2010					2011 * (estimated)					2012 ** (projection)					
	Carry over stock 2009	Productio n	Import	Domestic consumption	Export	Carr y over stock 2010	Productio n	Import	Domestic consumption	Export	Carry over stock 2011	Productio n	Import	Domestic consumption	Export	Carry over stock 2012
Black Pepper	10.639	80.000	15.000	3.500	94.139	8.000	80.000	15.000	4.500	95.000	3.000	90.000	15.000	4.500	98.000	5.500
White Pepper	5.222	15.000	5.000	500	22.722	2.000	20.000	5.000	500	20.000	6.500	20.000	5.000	1.000	22.000	8.500
Total	**15.861**	**95.000**	**20.000**	**4.000**	**116.861**	**10.00 0**	**100.000**	**20.000**	**5.000*** **	**115.000**	**9.000**	**110.000**	**20.000**	**5.500**	**120.000**	**13.000**

***** *estimation*

****** *projection*

****** use in domestic including processing spices and food processing industries.***