<u>Current situation and market assessment for the 2022 harvest</u>

Ladies and Gentlemen,

The potato industry has been in crisis mode for 4 years now. Normal does not seem to exist anymore. The still existing Corona pandemy has faded into the background and since February 24, the Ukraine conflict has been dominating events, causing the commodity, energy, agricultural and thus also the potato markets to ride a roller coaster.

Although the agricultural sector has invested a lot in infrastructure, state-of-the-art technology and irrigation capacity in recent years, we end up depending on the weather.

On June 9 -almost 3 months ago- the Maurer Parat early potato day took place in the Palatinate region in very growing weather and full warehouses with potatoes of the harvest 2021. At that time, there was great concern about overproduction. Today, we are once again in crisis mode in northwestern Europe due to persistent drought and now are facing major challenges.

The year 2022 will go down in the history books alongside the well-known drought years of 1976, 2003 and 2018. And after the floods of the previous year, the agricultural sector in particular is feeling what climate change means with the current situation.

But in addition to the great uncertainty surrounding the availability of potato raw material, concerns about the availability of energy, transport capacity, fertilizer, personnel and purchasing power for our products are driving the industry. European agricultural policy contributes to this uncertainty and often makes us doubt the common sense of some politicians. The importance of a secure energy and fertilizer supply, and above all the supply of food, should have penetrated to the last offices of the incompetent decision-makers in Brussels. Farmers are rightly going to the barricades at the moment.

With all these factors of uncertainty, it is important to act wisely and prudently and, above all, to allow all parties in the value chain to benefit. We as partners of agriculture and our customers can only overcome these challenges together!

It is hard to believe, but even this week, several thousand tons of potatoes harvest 2021- in good quality - are still being processed.

Contrary to expectations from the fall of 2021, the potato area for 2022 was expanded by about 2% in the important growing areas. It is also important to consider that there have been notable shifts within the segments. Due to attractive conditions, significantly more French fry varieties were grown in D, F, B and the NL instead of table, seed and especially starch varieties.

Shipment of early table potatoes in Germany was initially sluggish. Imports from Israel, Egypt and southern Europe were preferred to German products, despite all the food retailers' vows of loyalty to regional production. All regions were then able to supply themselves by the beginning of July, so that market access for supra-regional shipments, especially from the Palatinate, was difficult!

This led to early varieties being taken from the field and stored for quality reasons. We were able to place a few dual-use varieties in processing. The Palatinate has lost 35% sales in the last 5 years. We need to take countermeasures here. We will try to do this with very attractive industrial contracts for July 2023. From mid-September, we will back this up with concrete contract offers.

Producer prices for table early potatoes have been at a high level and adequate in recent months. Other early areas were able to quickly supply their own markets. In addition to the regional packing market, the Rhineland also supplied the agreed programs in Benelux in recent weeks. Yield and revenue of the early varieties has been adequate so far. With the yields currently expected and the demand situation, growers can market continuously and calmly with the follow-up varieties.

That the processing industry would not start contract calls until the second half of July had been communicated for a very long time. The further almost two-week delay in offtake and early vegetation caused resentment, especially among pre-sprout growers. Although this is partly compensated by high prices in the daily price share. Nevertheless, it is important to think about this contract design. We can assure farmers that pre-sprouting is interesting, especially for 2023, and will be rewarded accordingly.

Only since the second week of August have shipments of early varieties been in full swing. The proven varieties Premiere and Amora are fully harvested. The variety Francis has also already been marketed and is showing good results in the field and in production. Yields and qualities were good because the poatoes had already raised their yield potential before the drought.

The variety Zorba produces normal yields on almost all sites and is one of the winners of the year on irrigated sites. Sinora confirms its robustness, but will also only produce below-average yields on non-irrigated sites.

In recent years, seed potato trading companies have developed low-input and also hardy drought-resistant varieties. Some varieties are like weeds, but with periods of 8 to 10 weeks without rain, even these varieties cannot produce reasonable yields.

This is equally true for French fries, table, and chip varieties. Foil poataoes have been marketed on schedule in recent weeks. Lady Rosetta is the earliest and safest chip variety. Austin also proves its worth and also scores well in chips and wedges production.

- Loadings of the early processing and dual-usee varieties will continue through mid-September. We will try to take advantage of any growth potential.

- High raw material prices, lack of availability, high energy prices or availability of gas are also a major concern for factories. Europe wants and needs to remain competitive in the global market. Whether all factories will be able to operate at full speed with the upgraded production facilities remains to be seen.

- Packers and food retailers are also facing the challenges of bringing our tasty and healthy product to the consumer as sales figures in the fresh market decline. The further elimination of pesticides clashes with the increasingly demanding quality requirements of food retailers.

In our opinion, the main harvest is as follows:

In most regions we are still waiting for abundant rainfall! For most fields this comes too late anyway.

Most potato plants of the medium-early varieties have already entered natural maturity and have hardly any growth potential left.

In the case of still green stocks, hope dies last. Here, it is a question of balancing quality and quantity.

That our climate is changing is beyond doubt. The availability of water will play an even greater role in future investments.

Production techniques and our choice of varieties will be geared to this in the future.

The European seed potato trading companies are facing these challenges every day with their conventional, but nevertheless modern methods. You can get an idea of this work in the demo fields and in dialog with the specialists.

Thanks to the support of the Landfrauen Waldniel, convenience products of our delicious table potato varieties are made available in the Weuthen Pavilion.

Trial eroding and harvest estimation:

Results of the trial eroding's from all important growing regions are available.

We expect a small crop in the HAFPAL area. However, we believe the availability of raw material will be larger as in 2018. There are large differences within the EU 4 + GB. Large parts of NL and irrigated locations show average yields. Southern Germany, Austria, Northern Italy and the big potato country Poland have suffered enormously from the drought. There will be demand from all these regions.

There are extreme differences in yields between irrigated and non-irrigated sites. But especially on the non-irrigated sites, the choice of appropriate variety and crop rotation is showing to be a yield-stabilizing factor. Saving on fertilizer has paid off on some fields.

Our main varieties Agria, Challenger, Fontane, Markies mostly still have a small growth potential and confirm our strategy of relying on robust high-yielding varieties.

On non-irrigated sites, fast-food varieties have a particularly hard time. The irrigated Innovator plots have average yields with good processing quality. The price for this variety will be at the top of all price quotations throughout the season.

Newcomers such as Babylon, Palace, Linus and Lady Jane are showing good results. Especially the small-falling dual-use variety Gerona confirms and exceeds expectations of yield potential around the globe.

The variety Jurata confirms its drought resistance again in Bavaria and also in the Rhineland and therefore remains in our focus for the fast food segment. Linus and other low-input varieties will still have to prove their excellence in the coming years.

Organic farming

For the small market of organic French fries processing, production has focused on the proven Agria and Lady Jane. The market is not growing, at least among processors.

In the case of organic table potatoes, the political will is to convert to organic on a large scale in a short time, but in the end it is the consumer at the counter who makes the purchasing decision. Here, political desire and reality are currently light years apart. With current inflation and declining purchasing power, we see more of a trend toward cheap food instead of expensive organic products.

We are therefore focusing on regional, conventional production.

What can we expect in the coming months?

The supply of potato raw material to the factories is largely planned until the end of October. Necessary purchases have been made in recent weeks.

We therefore do not expect any major tensions or price changes in the coming weeks.

The main crop has yet to be harvested. The average rainfall for a year may come at some point - hopefully not too much during the harvest.

But you can see the appropriate innovative technology to meet these challenges in action here today.

The processing industry has created considerable capacity and will try to utilize it as much as possible by conserving raw materials and creatively handling the available potatoes. Raw material conservation has already begun with potatoes from crop 21 still being processed for a long time.

In addition to potato raw material, exploding gas prices are contributing to a concerning situation.

These questions need to be asked:

- Can these prices be paid by all consumers around the world?

- Will inflation be followed by a recession?

- Will factories be supplied with gas during an extreme winter?

These decisions may not be made by the supplier or purchaser, but by politicians.

Seed potatoes:

In the case of seed potatoes, we expect good yields with good size grading and high yields in plantable size gradings.

Early processing and dual-usevarieties will be in demand.

For news from European nurseries and availability, check out the demo fields outside.

Crop yields in 2022:

There is still some yield potential in some regions. It remains to be seen what the rain can still do, for example in Bavaria. Nevertheless, we have a small harvest ahead of us. In figures, we currently estimate this as follows:

- Germany:	9.25 - 9.50 million tonnes
- EU 5 (incl.GB):	24,25 - 25,00 million tonnes

This means that we will only be able to harvest just enough to cover demand in Europe and that the potato industry will take appropriate measures to conserve raw materials, such as adjusting specifications.

How do we deal with this scenario?

First, it remains to note that the marketing of the 2022 crop can be shortened to 11 months. Namely: 2 weeks longer old crop, 2 weeks earlier processing of early potatoes.

Therefore, we will try to expand the early potato areas in all regions in D, B, F, etc., or to harvest earlier accordingly. For this purpose, attractive conditions will be presented to the specialized farms timely.

All early potato regions can and will profit from this!

The potato is in fierce competition with other crops. Cereals, rapeseed and other agricultural products are also attractive for arable farmers. Milk prices are also attractive and fourage is scarce.

Production costs for potato cultivation have exploded and irrigation costs a lot of money and labor.

And we can only repeat: "The most expensive raw material is no raw material".

Therefore, contract prices must and will increase significantly. Over the past decades, we have proven that the potato industry in particular can adapt quickly to changing markets and also overcome enormous crises on its own.

What price curves can we expect?

<u>Market for table potatoes:</u>

We expect hardly any price reductions for table potatoes in the coming weeks.

All grading sizes will be in demand and even deviating lots and medium qualities will find their market.

After storage, we expect rising prices and rapid marketing, also due to demand impulses from abroad.

For ware potatoes from storage, we expect prices above €30.00/100 kg and, from the turn of the year, corresponding markups for boxed and cold storage goods.

Processing market:

Processing potatoes remain scarce and expensive.

From mid-September, we expect moderate demand for free potatoes. Any declining quotations would immediately cushion any short-term supply pressure, because farmers with excellent prospects for stockage will then hardly be pushing goods onto the market.

For processing potatoes from storage, we expect between €27.00 and €32.00/100kg, depending on variety, quality and delivery time.

In the storage period, today's forward market quotations are rather the lower edge of our estimate for spot prices. There will be a larger price difference between varieties. Irrigated large sized Innovator or Markies from long-term storage will clearly stand out from the normal segment. The export to Southern Europe or Switzerland could be the price maker again for top qualities Agria.

- Often in expensive years, the price curve was such that spot prices were higher in December to February than in May and June. This was also the case in 2018. This will have a lot to do with the start of planting for 2023.

- A supply shortage of gas could also cause caprioles in the market.

Therefore, it is also important to take advantage of good sales moments for prudent growers. The experience of the Corona crisis should be a lesson to us.

- Often in expensive years there were potatoes over at the end.

- Often import programs were organized from Bordeaux, Egypt, Spain and Italy and nobody wanted these potatoes in June/July.

- The biggest challenge will be keeping potato growers in line. Especially in the arable areas in France and Wallonia, this will be a challenge.

- Extreme years are a big challenge. They cost a lot of energy, challenge everything that has been tried and tested, and require a great deal of discussion in the value chain. But it is important to have this dialog.

But extreme years also offer very great opportunities:

- Opportunities to strengthen existing business relationships, especially in times of crisis!

- Opportunities to think intensively about sustainable potato cultivation.

- Opportunities to think about breeding programs.

- Opportunities to adapt to the climatic changes and to take appropriate risk precautions.

- Opportunities to emerge from this situation stronger together.

What conclusions do we draw from 2022?

This year's harvest will have an impact on contracting in the future. Current grain and rapeseed prices, along with extremely high fertilizer, labor and energy costs, are important arguments for fair contracting for the coming harvest. Even if it is suggested otherwise in digital media, professional growers do not need a speculative market, but attractive contract offers and regulated commodity flows. This is how we have become what we are today over the past decades. What needs to be discussed, however, is whether the pie in the value chain can be distributed even more fairly.

The demand for early potatoes will be correspondingly high for the 2023 harvest. In addition to importers from southern Europe, there are corresponding opportunities for specialized farmers in the Rhineland and in all German, Belgian, French and Dutch early potato-growing regions. We will be approaching farmers in the Rhineland, the Palatinate, Lower Saxony and Southern Baden in good time with concrete ideas about conditions and volumes.

The agricultural and potato sectors will move even closer together after this year.

The German growing region is not questioning contract farming and will continue to try to maintain its lead through production reliability and high irrigation intensity. However, this must be rewarded accordingly!

Despite very high spot prices, there are fewer winners than losers in this year's industrial potato market due to the contracts and cost explosion caused by the Ukraine conflict. When you have nothing to sell, there is nothing to earn.

The global market for frozen potato products continues to grow. Specialized potato professionals can and will continue to benefit from this boom.

Our company will do its utmost to continue to be an important partner at the side of the European potato industry.

The very committed team at Weuthen and all RWZ potato subsidiaries wish you good and interesting discussions, a lot of energy for dealing with the current season and continued good cooperation.

In closing, I call out to you and us with Rhenish composure:

"Et kütt wie et kütt, on et hätt noch noch joot jejange".

"It comes as it comes, but it still went well".

Schwalmtal, 25.08.2022 Ferdi Buffen