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NHPNZ NOVEMBER 2022

# Overview

- Who are we?
- What's happening in our patch?
- Examples of market intel – Ascorbic Acid
- Market Intelligence report
- Supply Chain Strength

# Who are we?

- Global private distribution company
- Founded in 1995
- Global HQ in Shanghai, China
- Operations in CH, JP, EU, NA, AU/NZ
- Customers Served: ~700+
- Global team of ~150 employees



# Global Presence

*Offices and warehousing - North America, Europe, Japan, Australia, China and now New Zealand!*



## Global Headquarters

Freemen Nutra Lifescience  
Shanghai, China

## US Headquarters

Freemen Nutra Americas  
Piscataway, NJ USA

## Japan

Freemen Nutra Japan  
Tokyo, Japan

## Europe

Freemen Nutra Europe  
The Hague, The Netherlands

## Australia/ New Zealand

Freemen Nutra AU and NZ



# Industries Served

- Food & Beverage
- Animal Feed/Pet Nutrition
- Nutraceuticals
- Dietary Supplement/Pharma
- Cosmetics
- Dairy



# Key Product Categories



**Joint & Bone Health**



**Herbal Extracts**



**Amino Acids**



**Sweeteners**



**Vitamins**



**Specialty Nutraceuticals**

# What's going on with the market?

- China has endured in the last 12 months:
  - Worst heatwave in China ever recorded
  - Energy prices and rationing/forced closures
  - Tight monetary policies – even with SME bailouts
  - Adherence to “zero covid”
- However, global demand is lowering...

# What's going on with the market?

## **Dietary Supplement industry**

- Intense competition - RM manufacturing entrants
- CMOs order banks of most reasonable for next 3 months
- No indication of preference shift in China – yet
- “Busy running but not really moving”
- AU/NZ more shielded than US and EU counterparts



# Ocean Freight – how do we compare in costs?

## New York



## Los Angeles

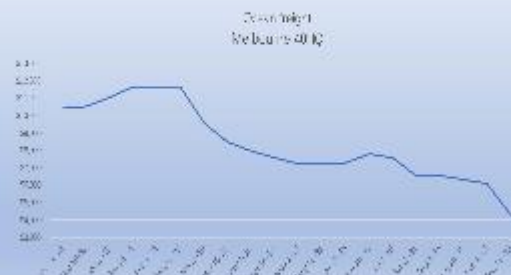


LA matches AU

## Rotterdam



## Melbourne



NZ is almost double AU

# Vitamin C – Ascorbic Acid

## Supply vs Demand

Global Supply: 220,000MT/Year

Global Demand: 200,000MT/Year

## Demand by Region

US: approx. 28%

Europe: 29%

Asia: 16%

Others: 23%

AU: 3.8%

NZ: 0.2%

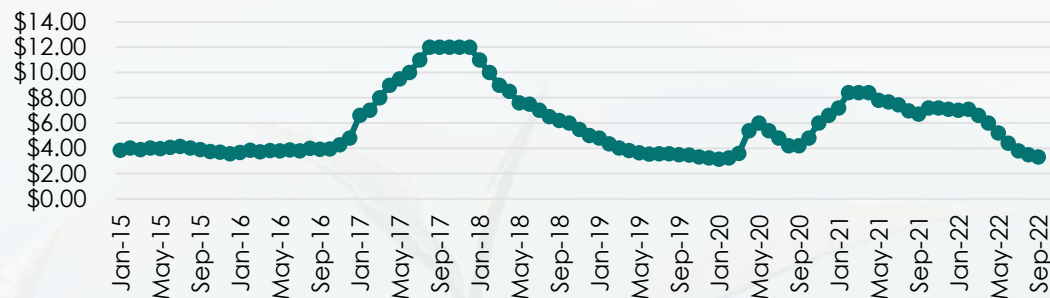
## Usage

F&B – 47%

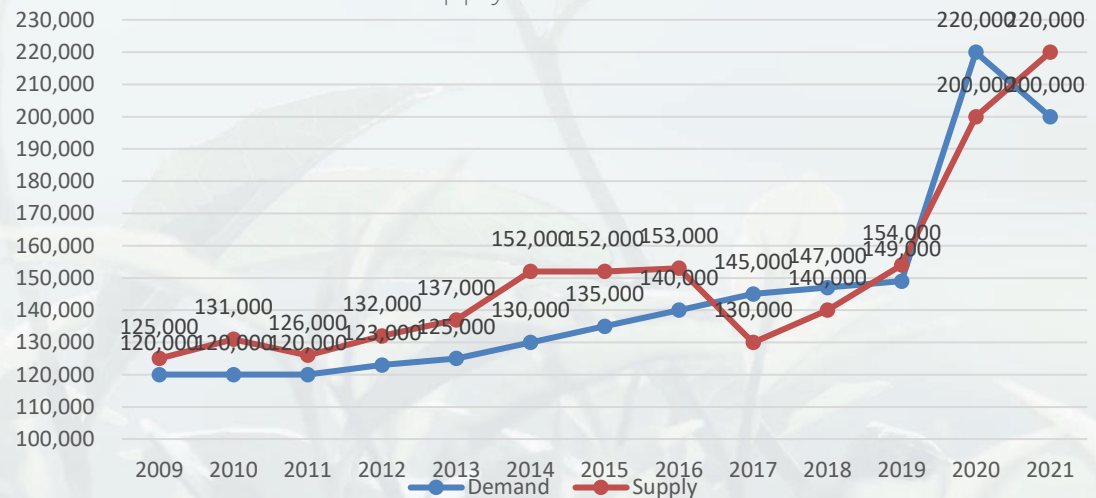
Nutra/Pharma – 43%

Animal – 10%

Price trend of Ascorbic Acid from 2018-2022.9



Supply VS. Demand



# Vitamin C – Ascorbic Acid

Manufacturer	Location	Capacity (MT/year)	Estimate Output 2021 (MT/year)	Notes
CSPC Weisheng	Shijiazhuang, Hebei, China	80,000	~50,000	
Shandong Luwei	Zibo, Shandong, China	60,000	~50,000	
DSM /JSPC	Dalry, Scotland, UK Jingjiang, Jiangsu, China	35,000	~30,000	Combined capacity of two facilities
NEPG	Shenyang, Liaoning, China	20,000	~10,000	
Shandong Tianli	Shouguang, Shandong, China	20,000	~18,000	
Ningxia Qiyan	Yinchuan Ning Xia, China	30,000	~20,000	
Zhengzhou Tuoyang	Zhengzhou, Henan, China	10,000	~1,000	
Anhui Tiger	Bengbu, Anhui, China	40,000	~5,000	Newer entrant with increase stock on the market
NHU	Suihua, Heilongjiang, China	40,000	~20,000	

# Market Intelligence – Macro economic



## China to extend 440 billion yuan tax relief for small firms

In a State Council executive meeting presided by Chinese Premier Li Keqiang, key decisions were made on multiple economic issues, including a tax relief to small firms and offering of low-cost loans to support equipment upgrades by companies.

Noting that the key to stabilizing the economy is securing market entities, the meeting decided that micro, small and medium-sized enterprises (MSMEs) and self-employed households in the manufacturing sector could defer the payment of five taxes and two fees (namely, corporate income tax, personal income tax, domestic value-added tax, domestic consumption tax, and urban maintenance and construction tax, as well as the education surcharge and the local education surcharge).

Deferrals that have expired will be extended for another four months starting from September 1. Such an arrangement will enable 440 billion yuan (63.66 billion U.S. dollars) of tax relief.

China will support commercial banks' moves to make medium- and long-term loans at an interest rate of no higher than 3.2%, to support small firms' equipment upgrading in the fourth quarter, state media quoted the cabinet as saying. The central bank will make low-cost loans via a special relending facility worth 200 billion yuan to support the initiative, the cabinet said, adding that the one-year loans will be rolled over twice.

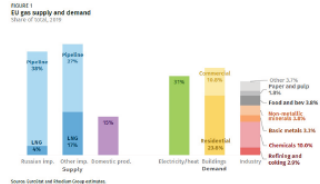
The meeting stressed the need to support enterprises in retaining orders and expanding their market presence. All-out efforts should be made to secure energy and labor supply and logistics for foreign trade companies to ensure the delivery of contracts. Measures to further stabilize foreign trade and investment were introduced at the meeting to cement the foundation of economic recovery.

## The infinite shutdown of Nord Stream 1 having huge impact on the global supply of chemical products

The Nord Stream 1 gas pipeline operating between Germany and Russia was shut down indefinitely due to an oil leak, hours before the gas supply was expected to resume. The indefinite closure means no gas will flow through the pipeline from Russia to Europe effective September 2nd. This is likely to cause significant impact on the manufacturing of European countries.

According to TradingEconomics, EU Dutch TTF gas price has soared since the Russia-Ukraine War, from Euro 100/MWh in January of 2022 to the highest at Euro 336/MWh in late August 2022. The price has plunged to Euro 185/MWh on September 23, 2022, thanks to the continuous inventory building.

The following table displays EU Natural Gas supply and demand.



As the largest supplier of chemical products in Europe among all EU countries, Germany is the largest user of Russian natural gas with an annual spending of \$20 billion from Russia. Credit Suisse analyst Zoltan Pozsar pointed out in his "War and Industrial Policy" that Germany is now in Minsky moments, which are triggered by excessive financial leverage. In the context of supply chains, leverage means excessive operating leverage: In Germany, \$2 trillion of value added depends on \$20 billion of gas from Russia - that's 100-times leverage (see the chart below) - more than Lehman's during 2008 financial tsunami.

For example, BASF's Ludwigshafen site is the world's largest integrated chemical complex owned by a single company. The site accounts for around 4% of total German natural gas demand.

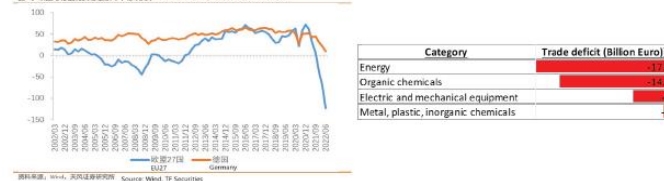
According to CITIC Group, 40% of chemical raw material are from natural gas, while 33% of the energy used in the production process relies on natural gas. The following table demonstrates the capacities of EU27 and China on a variety of chemical products.



Industry	Category	Capacity % out of global	
		EU27	China
Oil Refining	Oil Supply	31%	32%
	Naphtha	15%	32%
	Refined oil	15%	32%
	Refining capacity	15%	32%
	Asphalt	9%	32%
	Cracked	31%	32%
	Phenol	23%	32%
	Formaldehyde	21%	32%
	Acetone	10%	32%
	Ethylene oxide	19%	32%
Petrochemical	Phenolphthalein	38%	48%
	1,4-Bisphenol	17%	48%
	Styrene	27%	38%
	CO2	17%	38%
	GAP	10%	32%
	PMMA	10%	32%
	Acrylonitrile	15%	27%
	Propylene	14%	36%
	Ethylene	13%	21%
	BDI	13%	14%
Agricultural	Caprolactam	31%	17%
	Hexamine	0%	0%
	Methanol	0%	38%
	Butane	2%	19%
	Potassium chloride	43%	13%
	Vitamin A	17%	14%
	Vitamin E	10%	14%
	Mathionine	25%	22%
	Sulfur	14%	22%
	Acrylonitrile-ethylene phosphate	23%	43%

China's import data has shown that the trade deficit of EU27 and Germany has been increasing since the war. EU27 Q2 trade deficit has decreased to -123.1 billion euros, while Germany's trade surplus shrank to 9.8 billion euros, a drop of 32.9 billion euros, which has never happened in 20 years. In June 2022 Germany had its first monthly trade deficit since 1991, which is partially blamed for inflation.

图4：欧盟与德国的贸易差额（十亿欧元） EU and Germany Trade Deficit (Billion Euro)



A closer look at the trade deficit of Germany, according to TF Securities report, reveals that the following categories contribute to most of the change. Among all its trade partners, Germany's trade deficit with China increased by 245% yoy, adding \$18 billion, or 44% of the total change. This is a clear indication that the production of these categories are shifting to China due to the supply shortage and high price of energy in Europe, especially in Germany.

WSJ also reported that the war is driving up energy costs in Europe, pushing European manufacturers to shift to the US. As the war escalates with no end in sight at all, the exodus of European manufacturing is likely to continue, causing more global supply disruptions.

# Market Intelligence – Micro detail

**Vitamins**  
SHANGHAI FREEMEN  
MARKET UPDATE  
VOLUME XXXI - ISSUE NO. 39

**Vitamin A**  
After numerous months, the demand for Feed Grade material remains flat, and factories have large safety stock in their warehouses. The Food Grade material continues to soften slightly.  
60 DAY

**\* Vitamin B1 (Thiamine)**  
As previously mentioned, the market remains stable at these low levels. The global supply is outpacing demand with four major factories. Some factories are adjusting quotes to turn over inventory and bring in capital.  
60 DAY

**Vitamin B2 (Riboflavin)**  
There are multiple new entrants to the Food Grade Riboflavin market; it will take time for the market to accept these factories. With new factories come new competition; the market will likely change over the next few years as they compete for market share.  
60 DAY

**Vitamin B3 (Niacin)**  
Even with production prices rising by ~15%, the price has continued to weaken. Factories are approaching negative margins – likely, any changes in this market will bring price fluctuation.  
60 DAY

**Vitamin B5 (D-Calcium Pantothenate)**  
The price has stayed stable at an elevated level even with additional capacity online and more to follow. We will continue to monitor new capacity and pricing from the factories.  
60 DAY

**Vitamin B6 (Pyridoxine)**  
As last month's update mentioned, the competitive landscape and high inventory levels will keep the price stable for months to come.  
60 DAY

**Vitamin B7/H (D-Biotin)**  
Biotin prices are sitting near a 5-year low and shows no sign of an upward trend. Three major factories have expansion plans in the future, and most are aggressively going after market share.  
60 DAY

**Vitamin B8 (Inositol)**  
The market is stable and sits at these high levels. Prices will be determined by market demand in the coming months.  
60 DAY

**\* Vitamin B9 (Folic Acid)**  
The price has softened as supply is stable. The price will likely stay at these low levels in the next few months as demand weakens.  
60 DAY

**Inositol Hexanicotinate (Non-Flush Niacin)**  
There has been no change for this ingredient since our last update, the market is stable.  
60 DAY



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**Vitamins**  
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MARKET UPDATE  
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**\* Vitamin B12 (Cyanocobalamin and Methylcobalamin)**  
B12 market is still weak, prices have dropped again to the lowest point in 10-years even with high input costs from production. The two major factories are running at 100% capacity this is leading to high inventory levels.  
60 DAY

**Natural Vitamin E**  
The demand started to pick up for Natural Vitamin E in Q3, and the price of DD Oil is still on an uptrend. The price will likely remain flat in the coming months.  
60 DAY

**Synthetic Vitamin E**  
The price of Synthetic Vitamin E is still elevated, but the demand has weakened. One factory had issues with production equipment in September and is expected to disrupt production until this month. DSM announced they would make equipment improvements starting in the fourth quarter, output will be affected during this time.  
60 DAY

**\* Vitamin C Series**  
Vitamin C has almost dropped to 2019 Pre-COVID prices. The main reason for the slight price difference from these bottoms is the still inflated sea freight costs. The market continues to be less active than usual.  
60 DAY

**Vitamin D3**  
Demand on this fat soluble vitamin remains weak and the market is over supplied. Food Grade Powder and Oil have hit historic lows.  
60 DAY

**Co-Enzyme Q10**  
The downward trend continues due to low demand and the new capacity. The price may not hit historic lows because of raw material costs, wastewater/solid treatment, and additional safety protocols. CR Double-Crane Pharma acquired Shenzhen in August, which has not affected the production or sales channels.  
60 DAY

**Vitamin K1**  
As previously mentioned, the market will continue to stay flat.  
60 DAY

**Vitamin K2**  
No significant changes in the K2 market; prices remain stable.  
60 DAY

**Vitamin K3**  
After the spikes in K3 prices, the raw material is still short, and factories have stopped quoting this ingredient to the market.  
60 DAY



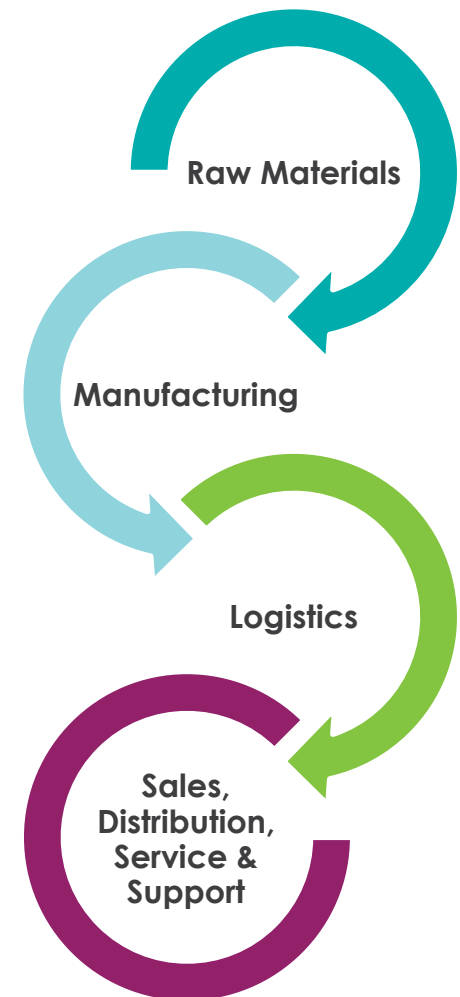
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# Supply Chain Strength

## Supply Chain Strength

- Strategic partnerships remain key
- Economies of scale as a global leader
- Fast and accurate market intel
- One-stop-shop for multiple items consolidation
- Flexible business models, including cost plus
- Local warehousing with 3PLs
- Security of supply – multiple approved options





# Thank you!