



CURRENT MARKET

The novel coronavirus outbreak continues to have a strong impact on the chillies market. With demand remaining low-key and growing areas rather inactive due to the lockdowns imposed following the virus outbreak, the market has been mostly silent.

With very strict restrictions continuing to have an impact on almost all business activities, factories in China remain affected. Both import and export of red pepper have been far below normal this year. The pestilence broke out as the Chinese buyers returned from the Lunar New Year holidays, and buyers have kept away. Normally, Chinese buying becomes active from early-February, after the New Year holidays. There is still some amount of stocks, including Indian chillies, still remaining with processors in China.

There is not much market movement reported in India, with the wholesale markets remaining shut due to the nationwide lockdown. Before the shutdown was imposed, prices had been mostly steady, held firm by good domestic and export demand, together with limited available stocks.

CROP CONDITIONS

INDIA:

Harvesting was in progress in the South Indian states of Andhra Pradesh and Telangana before the nation-wide lockdown was imposed. With favourable growing conditions prevailing, production is estimated to increase by about 10% in these states. However, with the sudden imposition of the lockdown, harvesting has not been completed and some of the material is still in the fields due to the unavailability of labour. Some reports indicate that nearly 80% of the material has been harvested. During the past few days, isolated showers have been reported from parts of Telangana and Andhra Pradesh. According to a weather bulletin from the Indian Meteorological Department, moderate rains and thunderstorms are likely over coastal Andhra Pradesh during the coming days. These rains, together with the resultant drop in temperatures, could affect the quality of the material still remaining in the fields. With all the major wholesale markets, including those at Guntur, Warangal and Khammam closed, farmers have been trying to move their harvested material to cold storages.

In the state of Karnataka, a decline in output is expected due to excess rainfall earlier in the season. Arrivals have been delayed beyond normal due to late sowing in many areas

CHINA:

During the last season, there had been an increase in area under cultivation of both bell pepper and paprika. However, production did not increase due to adverse weather earlier in the season which affected productivity. The coronavirus outbreak has affected processing operations, and export activities have been below normal. This year, planting of bell pepper has been slightly delayed due to the lockdown, but meanwhile, field preparation activities have resumed as normal. The delay could have a slight impact on harvesting also.

MARKET SCENARIO

The market situation in India remains very fluid with almost all operations severely affected by the coronavirus pandemic. With primary markets closed, trading activities are limited. Market arrivals should have been at a peak now, but the unexpected shutdown has turned the situation upside down. Harvesting has not been completed due to shortage of workers, and restrictions on transportation have affected the movement of material. Instead, a significant amount has now been moved to cold storages which could affect the quality of material.

With local stock levels very low, demand for new material could provide support to prices once trading activities resume. Good domestic and export demand can be expected once processing operations pick up pace. Shortage of good quality material could be another factor contributing to firmness in the market.

It is likely that Chinese demand could pick up once the virus outbreak is contained, considering the high demand for chilli extract in China.

PRICE FORECAST

With the nationwide lockdown further extended, limited availability of stocks is expected to keep prices firm. Even after the current restrictions are removed, domestic and export demand is expected to keep prices steady though new arrivals may increase. With the quality of material expected to decline this year, there could be good prices for higher quality material. However, with more COVID cases being reported daily from Andhra Pradesh and Telangana, it is likely that the current restrictions could remain in place for an extended period.

COVERAGE RECOMMENDATION

As trading activity continues to be muted, the lack of demand could keep prices down. However, problems associated with processing and transportation have added to the misgivings already prevailing regarding the availability of good quality material. It is advised to cover forward if attractive offers are available, considering that current market uncertainty could extend further.

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