



CHILLIES REPORT

JUNE 2020

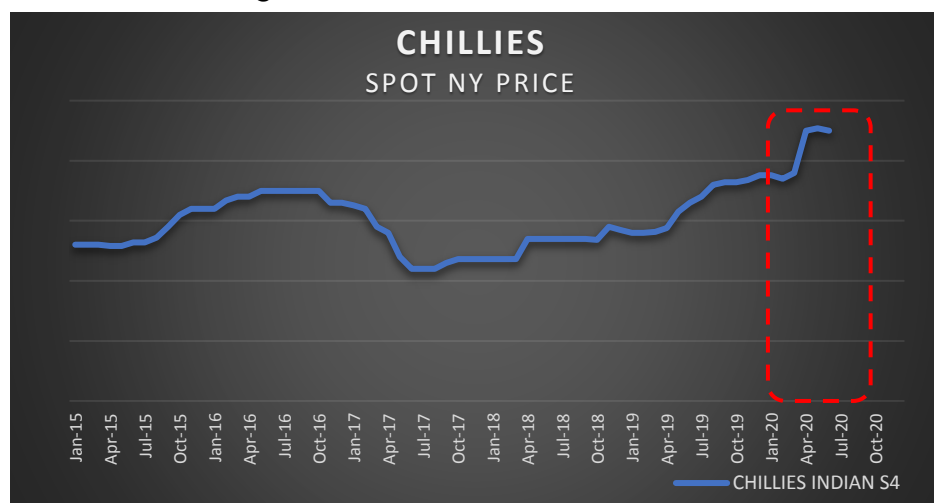
CURRENT MARKET

Markets continue to slowly recover from the effects of the COVID-19 pandemic. Though restrictions imposed to control the outbreak continue to have a dampening effect, market activity is slowly picking up.

Low stock levels remaining in China have pushed prices up slightly. After a break of nearly two months, Chinese buyers have started purchasing from India, having a bullish effect on prices, especially for high-heat material.

In India, primary trading markets have started reopening. The chilli wholesale trading yard in Guntur, one of the largest in the country, started functioning from the last week of May. Limited demand has led to a weakening of prices, especially for lower quality material.

Bhoot Jolokia, or Ghost Pepper, a chili variety cultivated in north-east India, is the first pepper to record over one million Scoville Heat Units. It was once considered the world's hottest pepper, before it was superseded by other pepper varieties. In north-eastern India, the *Bhoot Jolokia* pepper is smeared on fences or incorporated in smoke bombs to keep wild elephants away from farmlands. It has also been used by the Indian Army to make chili grenades, a non-lethal weapon akin to tear gas.



CROP CONDITIONS

CHINA:

Planting of chillies and paprika started in April and is complete now. The planting operations have not been affected much by the lockdown.

Planting of bell peppers started in end-March and is slowly getting over now. Though the lockdown has not affected the planting period, initial estimates indicate that there is a decline in acreage of about 10% compared to last year.

INDIA:

Harvesting is mostly over in all growing areas. The nationwide lockdown has severely affected the harvesting activities. With most migrant workers returning to their home states, shortage of labour has hampered harvesting, and this could have an effect on total production. With all the major wholesale markets closed during the peak harvest period, farmers had moved their harvested material to cold storages. There is apprehension that some of the material that has gone into cold storages might not have been dried properly due to the lack of farm workers, which will affect quality of material.

Production is estimated to have increased by about 10% in the South Indian states of Andhra Pradesh and Telangana due to favourable growing conditions during the crop season. At the same time, a decline in output is expected in the state of Karnataka due to excess rainfall earlier in the season.

The north-western states of India have faced a severe attack by desert locusts during the past month. The chilli growing state of Madhya Pradesh has also been affected by the pest attack, but there is no effect on chilli production since harvesting is complete. In the worst attack during the past 26 years, the locust swarms have wrecked damage in many parts of Gujarat, Rajasthan, Madhya Pradesh, Uttar Pradesh and Maharashtra. It is expected that the attack will be under control before the next season cultivation starts later in the year.

MARKET SCENARIO

During the past few months, trading activities have been hampered by the COVID pandemic. Closure of markets along with restrictions on movement of people and material has affected market operations. Farmers have been forced to pay more for both labour and transportation, with both in short supply due to the lockdown. Unable to sell their material, farmers have hastily moved the harvested produce to cold storages. This has affected the quality of material, leading to increased production of low grade material. Prices could move

higher, with good quality material expected to be in short supply. Usually, with material available only from cold storages, prices start moving up during the latter half of the year. Increased demand from both domestic and international buyers is expected to provide support to the market. Chinese demand is also picking up slowly, especially for high heat varieties, pushing up prices.

PRICE FORECAST

There is only limited quantity of material left over in the Chinese market. Similarly in India, availability of good quality material is limited, which is expected to keep prices firm. Domestic and export demand is expected to support prices though arrivals will increase as restrictions are removed. The general decline in quality of material this year is expected to fetch good prices for higher quality material.

COVERAGE RECOMMENDATION

Prices are expected to move up as demand strengthens. The shortage of good quality material is also expected to have a bullish effect. Considering that the current bullish movement is expected to persist, forward coverage is advisable.



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