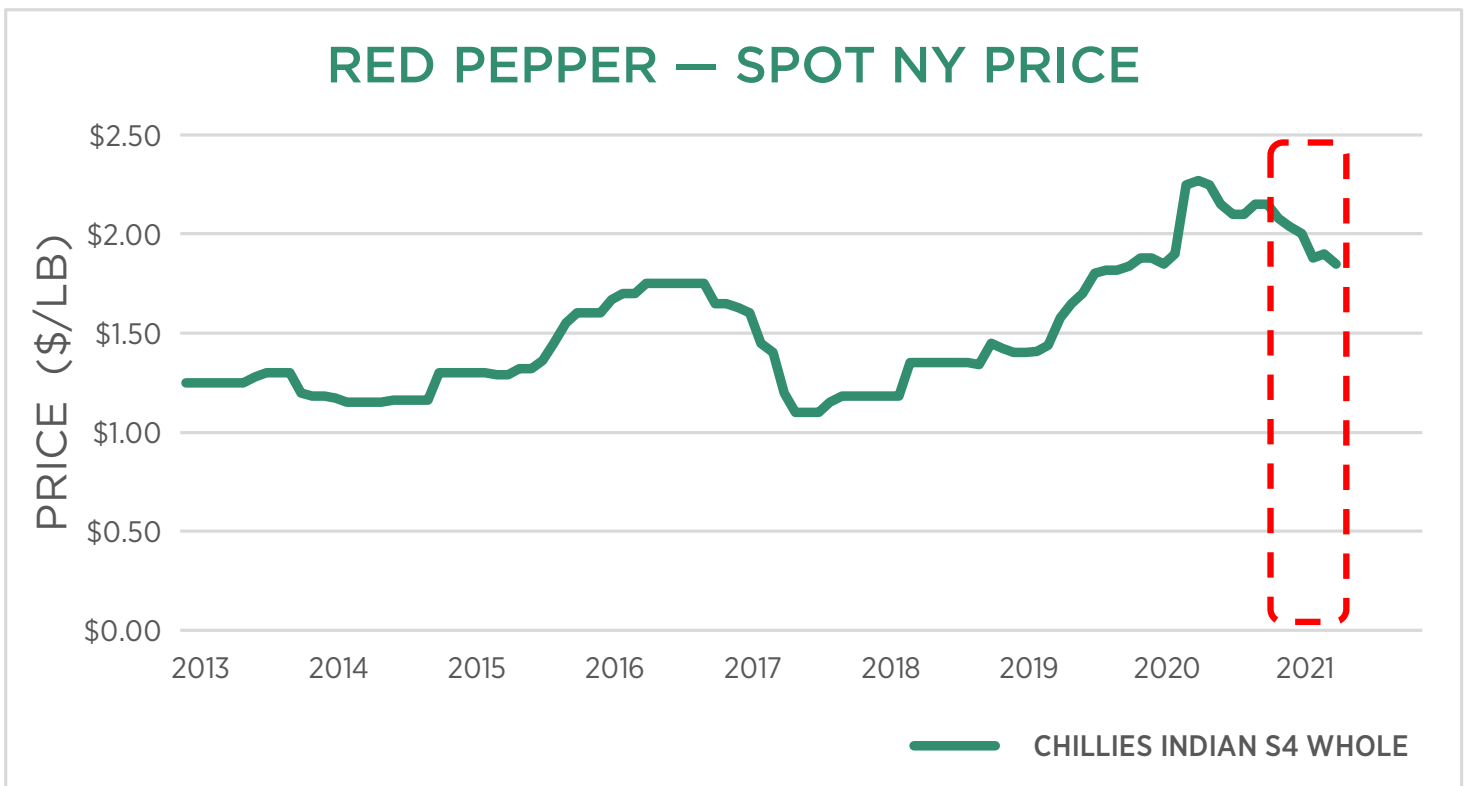


# RED PEPPER REPORT

MAY 2021

## Current Market

**INDIA:** Market activity has been affected by the surge in Covid-19 cases recently. Partial lockdowns and other restrictions in India have affected demand. Though there are high stocks still remaining, good quality material is limited due to untimely rainfall received during the growing season. The Indian Rupees has gained slightly over the past fortnight after dropping in April as the coronavirus pandemic continues to batter the country. The surge in Covid-19 cases, recently crossing over 400,000 new cases per day, has affected commercial activities across the country.



**CHINA:** The red chili market in China has been fairly stable from November till now. New crop arrivals are slowing down after the Chinese New Year. There has been a slight increase in price of higher quality material after the New Year, since higher quality EU compliant material has been already bought up and is limited in quantity, while the lower grades still remain in the market. It is also likely that the lockdown and subsequent restrictions imposed in India could have resulted in some demand shifting to China.

## Crop Conditions

**CHINA:** The remaining material is being stored in cold storages for the summer months. High humidity and high temperature could have an impact on the quality of material. Weather conditions will be important during the coming weeks as new season planting starts.

**INDIA:** Harvesting is almost over in all regions, and only a very small quantity remains to be picked.

In the northern state of Madhya Pradesh, though acreage increased by about 30% this year, unseasonal heavy rainfall in the initial stages affected yield, and total production in the state fell by about 20% compared to the previous year.

In the southern state of Karnataka, acreage increased by over 30%, and production has increased by about 20% this year.

In the major red pepper growing states of Andhra Pradesh and Telangana where acreage increased by about 15-20% this year, weather conditions were favorable during the initial growth stages, and total production is estimated to have increased by about 15%.

Overall production in India is estimated to increase by about 10% this year. Besides, with high carry-forward stock levels currently remaining, material availability is high.

However, the peninsular states of Andhra Pradesh, Telangana and Karnataka received unseasonal rains in February 2021, which has affected yields and also reduced the crop quality, increasing the possibility of aflatoxin issues.

Scattered to fairly widespread rainfall and thunderstorms have been reported during the past fortnight in the coastal regions of peninsular India, including the states of Karnataka, Tamil Nadu and Telangana, due to the tropical cyclonic



storm Tauktae, the biggest to hit the region in decades, which became active in the south-east Arabian Sea last week and moved northwards along the west coast of India before making landfall on the Gujarat coast. These rains could affect farm operations, including harvesting & drying, in some areas.

## Market Scenario

Market arrivals continue to be higher than normal. As the second wave of coronavirus infections continues to batter India and market activities get hampered, farmers are eager to sell off material. There are also good stock levels in cold storages.

At the same time, there is a shortage of high-quality material having good color, as well as IPM material, and this has provided some stability to the market. Rainfall during the harvesting period in February has affected drying process, leading to deterioration of quality. The high moisture levels due to the rains could also lead to aflatoxin issues. While supply is low for higher grade material, there is good demand.

## Price Forecast

**INDIA:** There could be some selling pressure for normal grades, since arrivals are continuing in the growing regions and there is a good quantity remaining in cold storages. However, availability of higher grades as well as IPM quality material is expected to remain limited, keeping prices firm for such categories as demand picks up. Besides, global freight uncertainties could continue to plague the transportation industry. Above-normal rains in the growing areas will also affect availability of good-quality material, having a bullish effect.

More restrictions are being imposed to control the spread of the pandemic as COVID-19 cases have risen rapidly in India during the past few weeks. While these measures are not likely to affect farm operations, there could be some impact on market activities, transportation and processing operations.

**CHINA:** Prices have remained mostly stable during the past month. There are sufficient stocks currently available to meet demand. The direction of the market will depend to some extent on the new season acreage. Sowing and transplantation activities will start during the coming months. At the same time,



existing stocks have been moved to cold storages for the summer months. Cold storage costs are expected to have a bullish effect on prices.

## Coverage Recommendation

Domestic and export demand will play an important role even though increased selling pressure is expected for lower grades during the coming weeks. Conditions conducive for forward coverage can be expected as farmers try to sell off the new-season material. However, due to limited supply and high demand, prices are expected to be bullish for higher quality material.

It is advisable to cover for long-term requirements if prices are attractive.

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