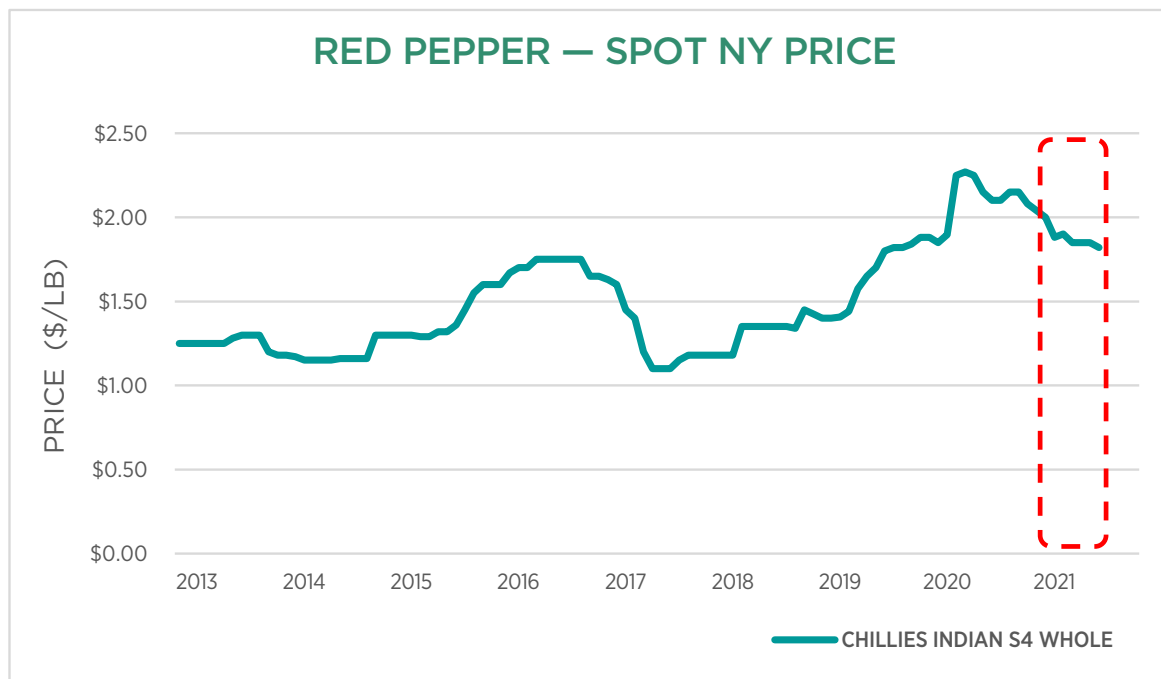


RED PEPPER REPORT

AUGUST 2021

Current Market

INDIA: After the break earlier in the year due to the Covid-19 lockdown, trading activity is gradually picking up. Trading had been affected by restrictions imposed due to the rapid increase in coronavirus cases, and this had coincided with the regular annual summer break. With restrictions mostly eased, commercial operations have gradually moved back to normal. After weakening against the USD during June-July, increasing export competitiveness, the Indian Rupee has remained mostly range-bound since the beginning of this month.



CHINA: Market arrivals have been slow, and prices have remained mostly range-bound. Prices of higher-grade material has increased slightly during the past

months, with good quality material remaining limited in availability. Demand from oleoresin producers has also provided support to the market.

Crop Conditions

CHINA: Planting has started for the new season. Reports indicate that there could be a 5-10% reduction in acreage compared to 2020 due to competition from other crops, and also due to adequate availability of carry-over stocks. Travel and transportation are affected by the restrictions which are currently in place.

INDIA: During the 2020—'21 crop season, production is estimated to have increased by about 10%. The high carry-forward stock levels currently remaining have ensured adequate availability of material. However, yields and quality have been affected by the unseasonal rains received in February 2021.

During the past few months, domestic demand has been weak due to the imposition of lockdowns and other restrictions in many parts of the country, and farmers have moved their left-over stocks to cold storages. Due to this, stock levels in the cold storages have been about 10% higher than the quantity last year. Almost all the material currently available is from cold storages.

Most of the red pepper growing areas in peninsular south India have received good rainfall during the south-west monsoon period. The monsoon rains arrived about two weeks earlier than normal in most growing areas. Sowing for the new season started in July, and will continue until September. Considering the attractive prices that have prevailed during the past few years, an increase in acreage is expected during the coming season.

Market Scenario

Export and domestic demand have been affected by the restrictions imposed due to the pandemic. Compared to last year's levels, stock levels are higher in cold storages due to weak demand. Harvesting is over and new material arrivals are negligible. Current arrivals are from cold storages, providing support to market prices. The shortage of high-quality material and IPM material has aided the increase in prices. Drying of harvested material had been affected by the unseasonal rains in February, leading to deterioration of quality. Though supply is limited, there is good demand for higher grade material.



Price Forecast

INDIA: With harvesting complete, market arrivals are almost completely from cold storages. Prices of material from cold storages will be higher. Once lockdown restrictions are eased and demand picks up, prices are expected to strengthen due to limited availability of higher grades as well as IPM quality material. Besides, global freight uncertainties could continue to plague the transportation industry, having a bullish impact.

CHINA: Reports indicate availability of sufficient stocks to meet demand. Existing stocks have been moved to cold storages, and storage costs will have a bullish impact on prices.

New season planting is starting. A 5-10% decline in crop planting area is estimated due to competition from alternate crops as well as large carry-over stocks remaining from the last season.

Coverage Recommendation

As lockdown restrictions are eased and farmers try to sell off material from the cold storages, there could be some selling pressure in the medium term. However, due to limited supply and high demand anticipated during the post-lockdown period, prices are expected to be bullish for higher quality grades, especially IPM material. It is advisable to cover for long-term requirements at least till early-2022 if prices are attractive.

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