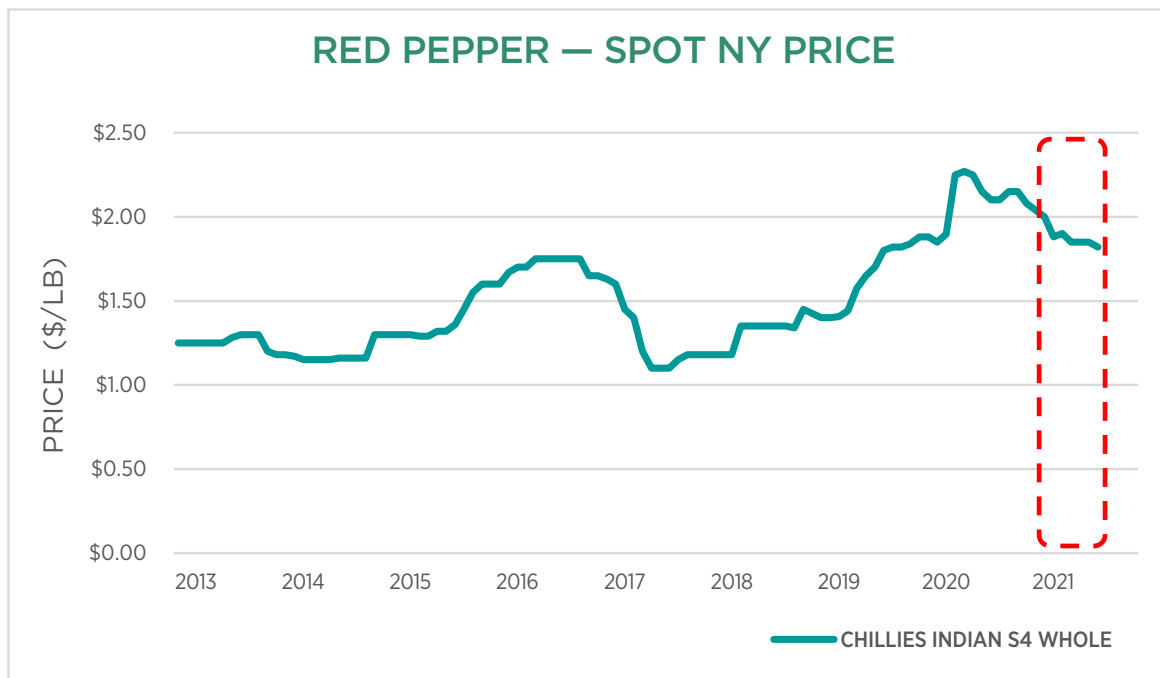


RED PEPPER REPORT

SEPTEMBER 2021

Current Market

INDIA: With lockdown restrictions gradually being removed, primary market arrivals have increased. Current market arrivals are substantially higher than last year's levels due to the high stock levels remaining in cold storages. The restrictions imposed to control the pandemic earlier in the year had hampered commercial operations, and farmers have higher quantities remaining with them. Though good quantities remain, availability of higher quality material, having good color, remains a challenge. Domestic demand has been weak during the past few months due to the restrictions imposed in many states. After gaining against the USD during end-August amid broad weakness in the greenback and a rally in domestic equity markets, the Indian Rupee has slowly lost ground during the past week.

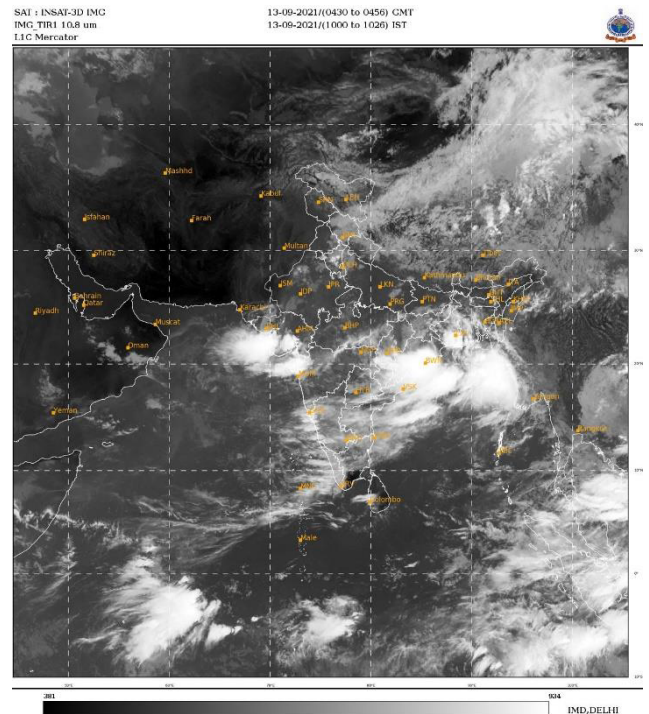


CHINA: Prices have remained mostly stable with market arrivals remaining slow. With good quality material limited in availability, prices of higher-grade material have increased slightly during the past months. The market has also been supported by demand from oleoresin producers.

Crop Conditions

INDIA: In the central Indian state of Madhya Pradesh, where the red pepper season is earlier than other regions, the new crop is coming up well. There has been an increase in sowing area this year, but the recent heavy rains have caused some crop damage. Harvesting in this state is expected to start in October.

In the southern states, sowing started in July and will continue till the end of September. In some regions, there has been a slight delay in sowing due to unseasonal rains. Sowing is mostly over in the major producing states of Andhra Pradesh and Telangana. Red pepper has commanded remunerative prices during the past two year, turning profitable for farmers, and according to initial estimates, acreage is expected to increase by about 25-30% during the current season. A cyclonic circulation on the eastern coast has resulted in widespread rain across the Deccan Plateau, bring heavy showers to most of the red pepper areas during the past week.



Satellite image of India on 13 Sept 2021, with heavy cloud cover over the red pepper regions of South India.

[Source: India Meteorological Department]

CHINA: Acreage is estimated to have declined by about 20% in Inner Mongolia. However, yield is estimated to have increased by about 20-30% in this region, and this could result in total output similar to last year.

A decline in acreage of about 30% is estimated in Shanxi. However, here also, yields are expected to increase. A significant portion of the fresh output from this region is directly sold to the domestic market.



In the north-western province of Xinjiang where paprika is mostly grown, there is a further decrease in acreage of traditional varieties this year also, but there is not much change in acreage under hybrid varieties. South Xinjiang reports an increase in acreage and expected output.

Harvesting in most areas will commence by October, and weather conditions during the coming weeks will be very important.

Market Scenario

Cold storage stock levels are higher than those during the previous year. However, good quality material as well as IPM material remains limited. With the local festival season approaching in India, domestic demand is expected to increase. Besides, demand will be supported by the removal of many restrictions that had been in place due to the Covid-19 pandemic. Export demand is also expected to slowly recover. Though supply is limited, there is good demand for higher grade material.

Price Forecast

INDIA: Demand due to the local festival season later in the year could provide support to prices. Besides, once lockdown restrictions are eased, prices are expected to strengthen due to limited availability of higher grades as well as IPM quality material. Global freight uncertainties could also continue to plague the transportation industry, having a bullish impact.

CHINA: There are adequate stocks currently available to meet demand. The new season crop is developing, and harvesting will start in October. A decline in crop acreage is reported in many regions, however, if weather conditions are favorable, an increase in yield could compensate for the shortfall in acreage, thereby providing some stability to prices.

Coverage Recommendation

Increased demand during the coming months, coupled with limited availability of higher quality grades, especially IPM material, could create a tight supply-demand situation. Though there could be some selling pressure in the short term as farmers try to sell off remaining stocks, there will be a shortage for new material till current season arrivals start later in the year. It is advisable to cover for long-term requirements at least till early-2022 if prices are attractive.

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