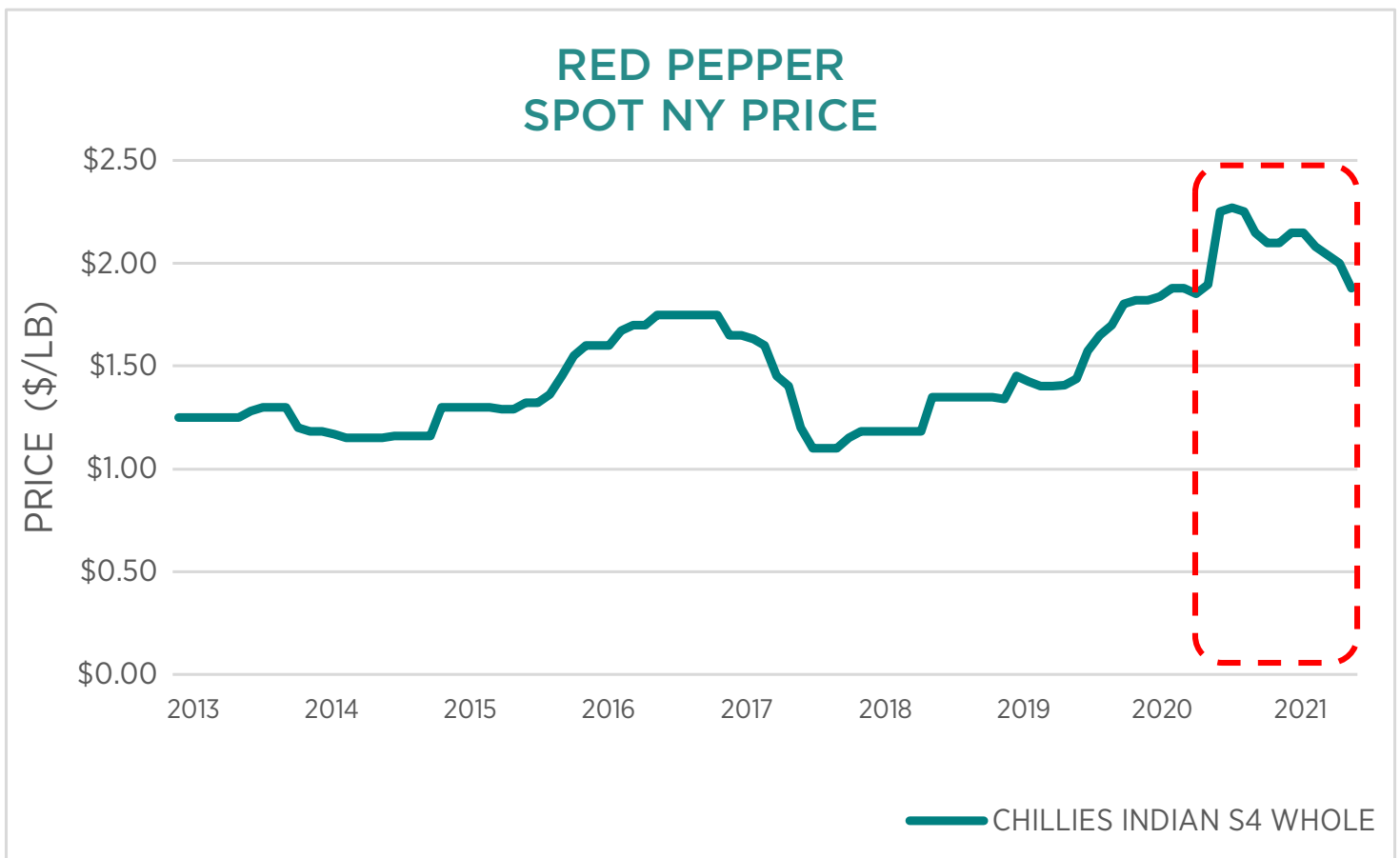


# RED PEPPER REPORT

MARCH 2021

## Current Market

**INDIA:** Current market arrivals are higher by over 20% compared to last year. This is mainly due to the high stock levels currently remaining, significantly higher than normal levels. However, there is limited availability of good quality material due to unseasonal rainfall earlier in the crop season.



**CHINA:** Average production has been reported and arrivals continue. Though there had been an increase in acreage, above-normal rainfall during the later stages has affected yield. Prices remain mostly stable, mainly due to good domestic demand. Carry-over stocks in the country have been very low this year.

## Crop Conditions

**CHINA:** There had been a slight increase in acreage of hot chilies last year. Though weather conditions had been favorable during the sowing and transplanting stages, heavy rainfall in August-September affected yield levels, and final production is estimated to remain at the same level as last season.

**INDIA:** Harvesting has reached its peak in almost all regions.

In the northern state of Madhya Pradesh, where harvesting is earlier than in the other regions, even though there had been a significant increase in acreage of about 25-30%, unseasonal rains last year have affected yields, bringing down production in the state by about 20% compared to the previous year. A substantial quantity was harvested during the green chili stage itself because of the attractive prices prevailing at that time, leading to limited availability of red pepper.

In the major red pepper growing states of Andhra Pradesh and Telangana, harvesting is almost half complete, while in Karnataka, another major red pepper producing state, harvesting is nearly 75% complete. In all these three states, there had been unseasonal rains during mid-February, which has affected the quality of material which is being harvested. The higher moisture levels due to the unexpected rains could also result in Aflatoxin issues. There had been an increase in acreage in all three states of about 15-20%. However, heavy rains and floods earlier in the season had caused replanting in some areas, resulting in staggered planting and a delay in harvesting in some areas. There had also been some crop damage due to heavy rains caused by the tropical cyclonic storm Nivar in the coastal regions during November. The unseasonal rains have affected the quality of material, though total production has increased by about 15-20%.

Further south, in the state of Tamil Nadu, the crop is in the vegetative stage, with planting delayed in some areas.



## Market Scenario

Farmers have been eager to sell off their material, fearful that prices could fall if arrivals increase. Besides, stock levels in cold storages are running at record-high levels. Due to this, current primary market arrivals are about 20% higher than those during last year.

At the same time, there is a shortage of good quality material having good color, as well as IPM material, and this has provided some stability to the market. While supply is low for higher grade material, there is good demand.

## Price Forecast

Considering the increased new crop arrivals in the growing areas, as well as large stock levels remaining in cold storages, there could be some selling pressure for normal grades. However, higher grades as well as IPM quality material is expected to remain limited, keeping prices firm for such grades as demand picks up. Besides, global freight situation uncertainties could continue to plague the transportation industry.

## Coverage Recommendation

There could be increased selling pressure for lower grades as arrivals increase in India. With increased production anticipated, conditions conducive for forward coverage can be expected. However, for higher grade material, the market could remain firm due to limited supply. It is advisable to cover for long-term requirements if prices are attractive.

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