

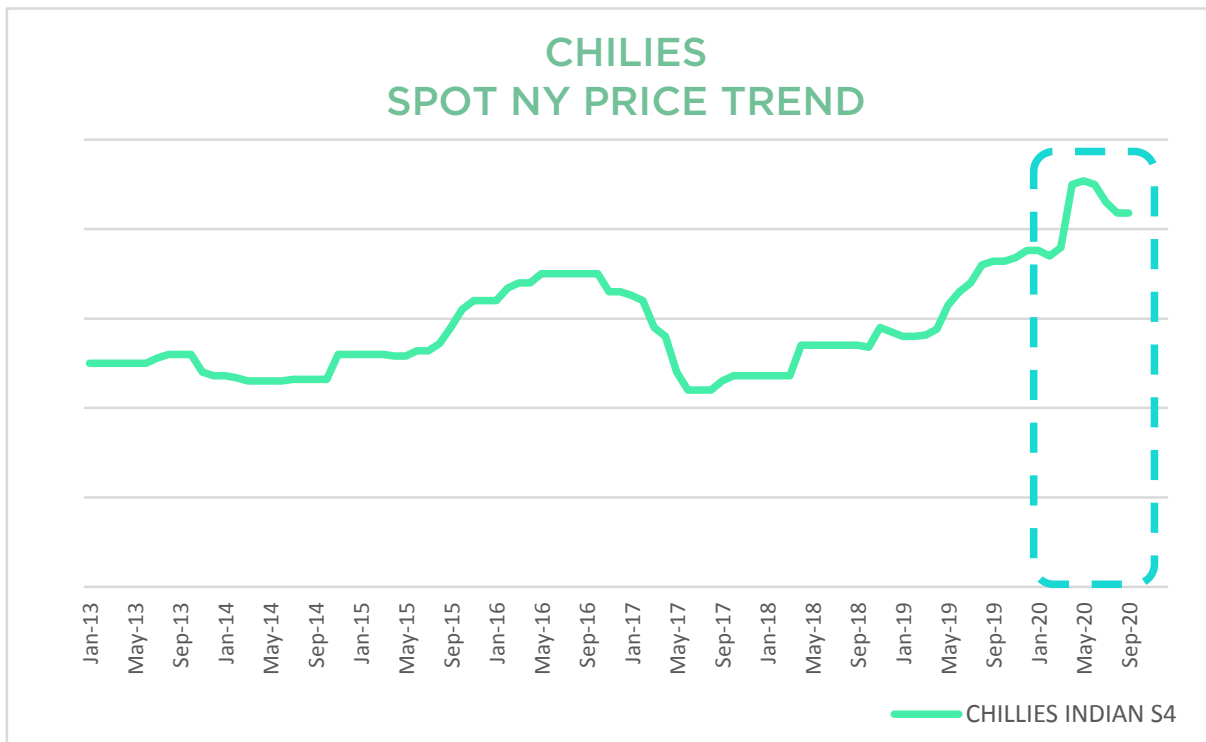
CHILIES REPORT

OCTOBER 2020

Current Market

With COVID-19 related restrictions slowly being removed in India, trading activity has mostly come back to normal levels. There has been good activity during August, with increased export and domestic demand, together with limited availability of good material, having a bullish effect on prices. Prices of good quality material moved up slightly during the past month.

Stocks remaining in China are limited. However, there is sufficient material to meet demand till the new crop material starts arriving next month. Chinese buyers have also started covering high-heat material from India.



Crop Conditions

CHINA

Planting of chilies started in April. There is an increase in acreage of about 25-30% compared to 2019, mainly in Xinjiang province. Weather conditions have been favorable so far, and the crop looks good. The weather conditions during this stage of growth will have a major bearing on final output. Harvesting is expected to start later this month.

INDIA

Almost all the major growing areas received above-normal rainfall during the south-west monsoon season, and good moisture in the soil has led to favorable growing conditions, even though the excess rains caused some damage to nurseries initially. The new crop is in the early vegetative stage in all the major growing areas. After being delayed due to the heavy rains, sowing is complete in all areas. In the northern state of Madhya Pradesh, where harvesting is earlier than the other regions, acreage has increased by about 25-30% this year, and the crop is approaching the flowering stage. In the state of Karnataka, sowing is complete and acreage has increased by about 15-20% this year. In the states of Andhra Pradesh and Telangana, heavy rainfall in August - September had caused some damage to nurseries and had also delayed sowing. However, an increase in acreage is expected in these states also. According to the Indian Meteorological Department, rainfall in the south peninsular region, which includes most of the major chili growing areas, was 23% above normal this year.

Market Scenario

There has been an increase in primary market arrivals during August, with the nation-wide restrictions being slowly removed. Till now, about 60% of the material harvested this year has been marketed, with the rest remaining in cold storages. Even though carry-over inventory levels in cold storages is estimated to be about 60-70% higher than those during the same period last year, stocks are slowly getting depleted due to the increase in demand.

With the domestic festival season in India approaching, local demand is expected to remain strong. While good demand could have a bullish effect on prices, high stock levels, along with conditions favoring an increase in production next season, could together exert a downward push on the market.



Price Forecast

Material availability in the Chinese market is limited. In India, though there is a substantial quantity of material remaining in cold storages, good quality material is limited, keeping prices firm. The domestic festival season is starting in India, and good demand is expected to keep markets firm. With sowing delayed in many states and arrivals from Madhya Pradesh also expected to be delayed, prices could continue strong. However, moving forward, the increase in acreage could have a bearish effect later in the year, if weather conditions remain favorable. High stock levels, together with expectations of good production in the next season, could gradually result in weakening of prices. New crop arrivals in both China and India is expected to commence towards November.

Coverage Recommendation

Considering that demand for good quality material remains firm, adequate coverage for short-term requirements is recommended. Beyond this, a decision can be taken after evaluating the new crop production situation in both India and China.

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