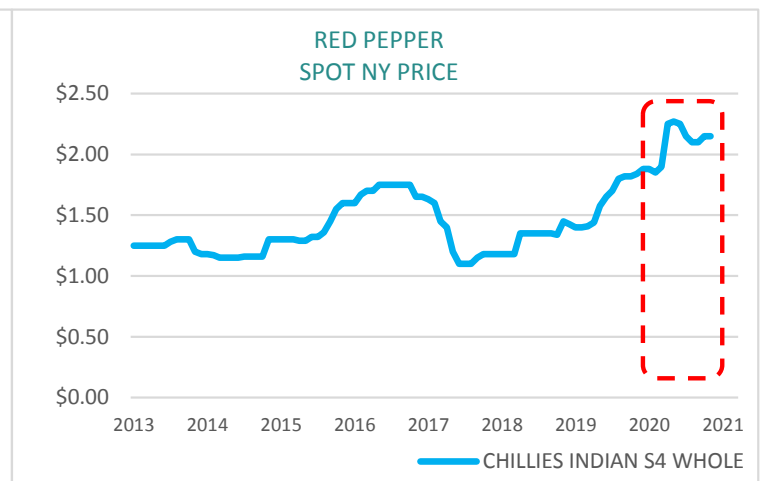
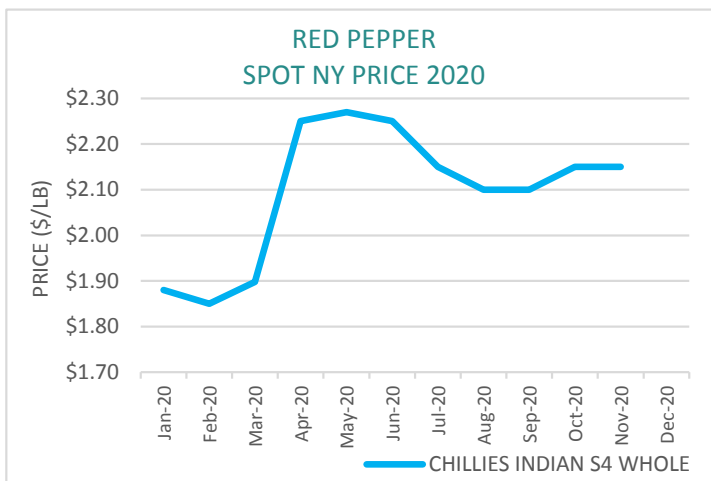


# RED PEPPER REPORT

# NOVEMBER 2020

## Current Market

Moving towards the end of a year when the red pepper market was on a roller coaster ride, the price chart is starting to look, unsurprisingly, somewhat like a gnarled red chili pepper.



**INDIA:** Market activity in India is slowly moving back to normal levels, with COVID-19 restrictions mostly removed. Good domestic and export demand has resulted in a marginal increase in prices during the past month. Quantity remaining in cold storages is rapidly dwindling, and limited availability of good quality material is also having a bullish effect on prices.

**CHINA:** New crop arrivals have started in China. Good domestic demand, resulting from very low carry-over stock levels, has contributed to propping up prices in spite of good production. Stocks remaining in the country are limited. Chinese buyers are also covering high-heat material from India.

## Crop Conditions

**CHINA:** New season arrivals started about a month ago. Reports indicate that there is a slight increase in acreage of hot chilies. Weather conditions had been favorable during the growing season.

**INDIA:** Even though excess rainfall caused some damage to nurseries initially, 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. Transplanting is complete in all areas, and in some regions, the new crop has even reached the 4-month growth stage. 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 in the fruit-formation stage. Acreage has increased by about 20% in Karnataka, and by about 15% in Andhra Pradesh and Telangana, all major chili growing states. Excessive rain in the early stages had affected growth in the early stages, but the crop has developed well now. Favorable weather conditions prevail in all growing areas now. The north-east monsoon is currently active in India, bringing heavy rain to many parts of peninsular India.

## Market Scenario

Even though carry-over inventory levels in cold storages is currently much higher than those during the same period last year, stocks in cold storages are gradually getting depleted due to the increase in demand. Local demand has been strong due to the domestic festival season. There is a shortage of good quality material, especially high color variants. 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 keep markets range-bound.

## Price Forecast

New arrivals are slowly increasing in the Chinese market. Shipping uncertainties continue to plague the transportation industry. In India, good quality material is limited, even though there is sufficient quantity of material remaining in storage, keeping prices firm. With the domestic festival season starting, strong demand is keeping markets firm. However, moving forward, increase in acreage, together with high stock levels remaining and expectations of good production next season, could gradually result in weakening of prices. Besides, new crop arrivals in both China and India will slowly gather steam later this year.



## Coverage Recommendation

Prices this year have remained at quite attractive levels compared to those during the past few years. Considering the possibility of an increase in demand during the coming months, along with a decline in production next season, it is advisable to have adequate forward coverage.

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