

RED PEPPER REPORT

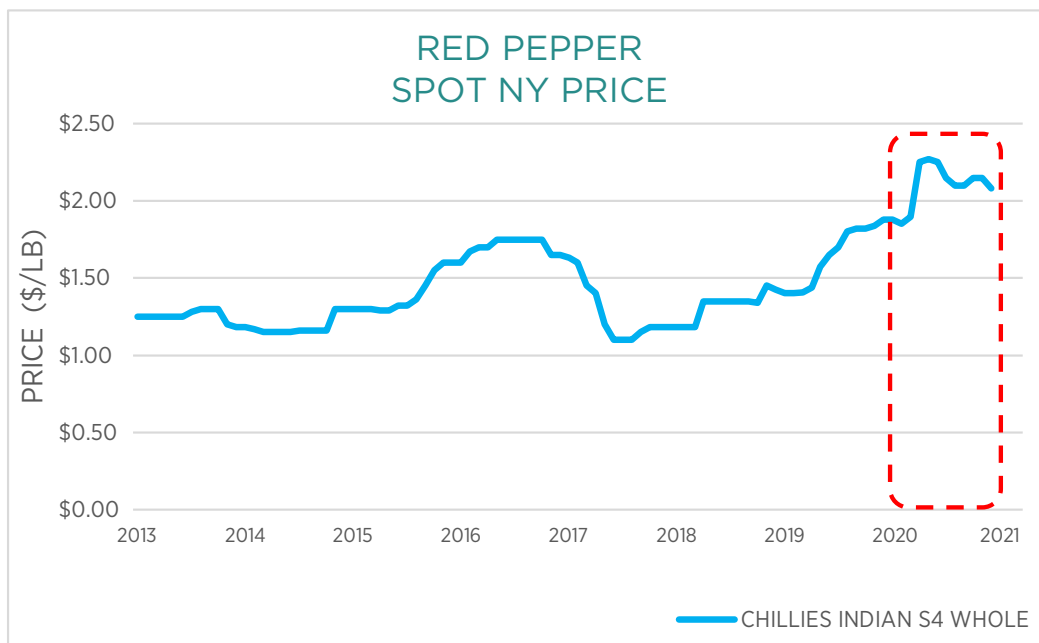
DECEMBER 2020

Current Market

INDIA: After the sluggishness created by the COVID-19 restrictions earlier in the year, the year-end festival demand has created some recovery in local markets. Market activity is slowly moving back to normal levels, with restrictions mostly removed. However, festive demand is lower than expected, and export and domestic demand has decreased over the last one month.

At the same time, quantity remaining in cold storages is rapidly dwindling, and there is limited availability of good quality material.

CHINA: New crop arrivals continue in China. 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 has been a slight increase in acreage of hot chilies this year. Weather conditions had been favorable during the growing season, and good production has been reported. Harvesting started in end-October.

INDIA: In the northern state of Madhya Pradesh, where the crop is earlier than the other regions, acreage has increased by about 25-30% this year. Harvesting has started, but market arrivals have been slow and quantities limited. In spite of the increase in acreage, production is not as high as initially expected since a substantial quantity has been harvested during the green chili stage itself because of the high prices prevailing at that time.

Moving south to the major red pepper producing states of Andhra Pradesh, Telangana and Karnataka, the crop has reached the fruit formation stage. Good prices earlier in the year have attracted farmers, and acreage has increased by about 20% in Karnataka, and by about 15% in Andhra Pradesh and Telangana. With some areas having to be replanted due to heavy rains and floods earlier in the season, there has been staggered planting and a delay in the crop in some areas. Apart from sporadic virus incidence, there are not many reports of pests and diseases. There has been some crop damage due to the cyclones and subsequent heavy rains that affected Andhra Pradesh and Karnataka during the past month.

Further south, in the state of Tamil Nadu, the current crop is in the initial vegetative stage, with planting delayed by almost a month in some areas.

Market Scenario

There has been a steady decline in demand from export and domestic trade. Unseasonal heavy rains recorded during the fag end of the monsoon season have raised concerns about crop damage in the littoral states. At the same time, there is a shortage of good quality material having good color, as well as IPM material, providing some stability to the market.



Price Forecast

New arrivals have been slowly increasing in the Chinese market. In India also, new crop arrivals are slowly picking up. Moving forward, expectations of good production next season due to an increase in acreage could result in a gradual weakening of prices. Economic activity on the consumption side could be affected by the emergence of the new variant of the pandemic SARS-CoV-2 coronavirus. Shipping uncertainties continue to plague the transportation industry. Uncertainties in the global freight situation continue to affect availability of cargo space, pushing up freight rates. There could be increased pressure to get cargo out, leading to an increase in CNF prices to most destinations, even if material is available.

Coverage Recommendation

There could be increased selling pressure as arrivals increase in India. With increased production anticipated, conditions conducive for forward coverage can be expected. It is advisable to cover for long-term requirements if prices are attractive.

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