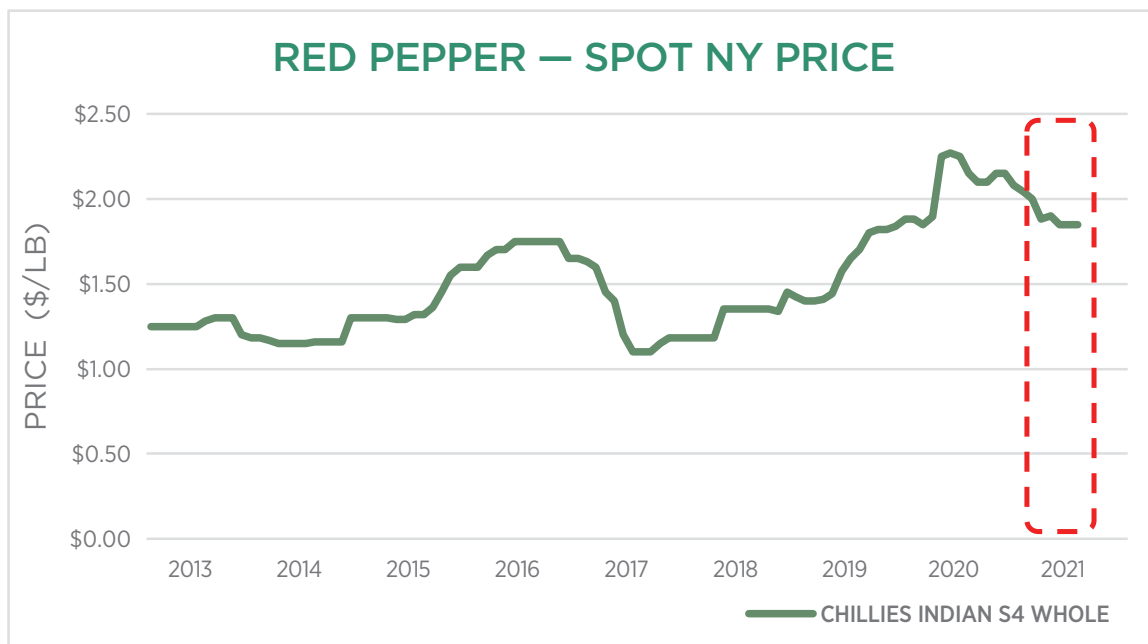


RED PEPPER REPORT

JULY 2021

Current Market

INDIA: Markets are slowly reopening after the break due to the Covid-19 lockdown, and trading activity is gradually picking up. Trading in the primary markets had been suspended during April-May due to the customary annual summer break, and also due to restrictions imposed due to the surge in coronavirus cases. The Indian Rupee has been following a steadily weakening trend against the USD since early June, increasing export competitiveness.



CHINA: Since the beginning of the year, crop arrivals have been slow, and prices have remained mostly range-bound. Availability of good quality EU compliant material is limited, and prices of higher-grade material has moved up slightly during the past months. Demand from oleoresin producers has also supported the market.

Crop Conditions

CHINA: The new season crop planting has started. As per initial reports, there could be a 5-10% decrease in acreage compared to 2020 due to competition from other crops, and also due to adequate availability of carry-over stocks. Weather conditions during the early stages of the new season will be important.

INDIA: Harvesting of the 2020-'21 crop is complete. Production is estimated to have increased by about 10%. Material availability remains high due to the high carry-forward stock levels currently remaining. However, the unseasonal rains received in February 2021 in the peninsular states have affected yields and quality.

With the imposition of lockdowns and other restrictions in many parts of the country in April, demand has dropped and farmers have moved their remaining stocks to cold storages. As a result, stock levels in the cold storages have been about 10% higher than the quantity last year. With harvesting complete, fresh material is not available, and all the material available is from cold storages. With the arrival of the south-west monsoon, most of the red pepper growing areas in peninsular south India have received good rainfall. Field preparation activities have started, and sowing of seeds will commence after the initial rains are over. An increase in acreage is expected during the coming season, considering the attractive prices that have prevailed during the past few years.

Market Scenario

Both export and domestic demand have been low due to the pandemic and restrictions imposed. Weak demand has resulted in higher stock levels in cold storages compared to last year's levels. Harvesting is complete and new material arrivals are dwindling. Arrivals are from cold storages, providing support to market prices.

The increase in prices has been supported by the shortage of high-quality material having good color, as well as IPM material. Drying of harvested material had been affected by the rains in February, leading to deterioration of quality. There is good demand for higher grade material, though supply is limited.

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Price Forecast

INDIA: New arrivals are diminishing rapidly with harvesting complete. Prices of material from cold storages will be higher. As demand picks up once lockdown restrictions are eased, prices are expected to strengthen due to limited availability of higher grades as well as IPM quality material. Besides, global freight uncertainties could continue to plague the transportation industry, having a bullish impact.

CHINA: Reports indicate availability of sufficient stocks to meet demand. New season planting is starting. A 5-10% decline in crop planting area is estimated due to competition from alternate crops as well as large carry-over stocks remaining from the last season. Existing stocks have been moved to cold storages, and cold storage costs will have a bullish impact on prices.

Coverage Recommendation

There could be some selling pressure in the medium term as farmers try to sell off stocks from the cold storages. However, due to limited supply and high demand during the post-lockdown period, prices are expected to be bullish for higher quality grades, especially IPM material. If attractive prices are present, it is advisable to cover for long-term requirements at least till the first quarter of 2022.

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