

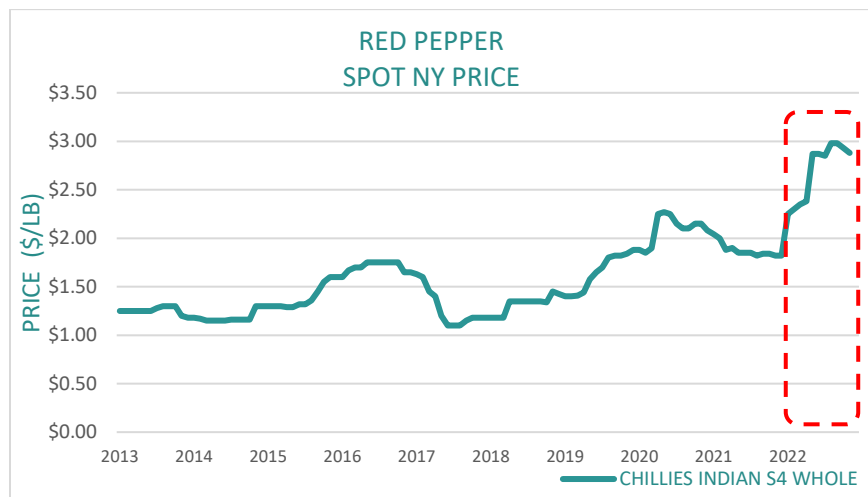
# RED PEPPER REPORT

DECEMBER 2022

## Current Market

INDIA: Availability of material is limited and market arrivals are gradually decreasing. With domestic demand remaining high due to the domestic festival season, cold storage stock levels have been plunging. Availability of higher-quality material, having good color, as well as IPM grade material, remains limited. There has been good domestic demand, especially for higher grade material. Good domestic demand from processors as well as export demand from Asian countries, especially Bangladesh, Indonesia and Malaysia, has provided support to prices.

Soaring crude oil prices and the strong dollar have continued to hold back the Indian Rupee against the USD, making exports more competitive. Besides, the decline in freight rates has also increased competitiveness of exports.



CHINA: New season harvesting is in progress. Reports indicate a marginal fall in acreage for red chilies, however yields are good, which will compensate for the decline in area. With carry-over stocks limited and harvesting operations affected by the lockdowns in various areas, availability of material continues to be limited.

## Crop Conditions

### INDIA:

In the central Indian state of Madhya Pradesh, where the crop season is earlier than in other regions, harvesting has started. Market arrivals are expected to gradually increase during the coming months. There is a marginal decline in acreage this year in this state. There are reports of virus infestation in some areas, but this may not impact production seriously.

In the peninsular states of Telangana and Andhra Pradesh, fruit setting has started. Acreage is estimated to have increased by about 10-20% this season. Black thrips attack has been reported in some areas, and farmers have resorted to spraying pesticides, which could affect the quality of output. In Karnataka state also, thrips attack has been widely reported, which could affect yields and quality of material produced. Acreage sown this season is estimated to have declined by about 20% in Karnataka compared to last year.

Further south, in Tamil Nadu, transplantation of seedlings is complete. Conditions have been favorable so far and good production can be expected.

Most of the growing areas have received extended rains this year, and with the north-east monsoon expected to remain active over coastal peninsular India during the coming weeks, increased rainfall could have an impact on field operations and incidence of pests and diseases.



### CHINA:

**Red chilies:** Harvesting has started. Due to the Covid lockdowns and restrictions, there is considerable shortage of workers in the growing areas. This has resulted in late harvesting as well as increased harvesting costs. Besides, this has also affected the quality of material. The current season red chili acreage is estimated to be slightly lower than last year's levels. However, yield in almost all areas is quite good, and this is expected to result in fairly stable production this year. Only in Shandong province, unusual rainfall this year has resulted in a slight reduction in yield.

**Paprika:** More hybrid varieties, especially Honglong 23 variety which is suitable for extraction compared to the traditional Papriqueen variety which is more suitable for paprika powder, have been planted this season and there are less traditional varieties. Acreage is mostly stable and yield levels are average. In Gansu, Henan and Inner Mongolia, there is a 20-30% increase in acreage this season, but the quality is poor. Harvesting has been affected by the shortage of workers, and there are reports of more stones and foreign matter in the raw material due to use of mechanical harvesting. It is estimated that the total production this season will be almost the same as that recorded last year, but there will be about 20% reduction in production of good quality material.

**Bell pepper:** There has been a decrease in acreage this season, with farmers moving to other crops like maize due to the unattractive prices last year. Due to the good production last year, there are adequate stocks remaining. Production has been good this season due to favorable weather conditions.

#### PERU:

In the southern areas of Arequipa, Pisco and Ica, paprika production has been very low due to increased disease incidence. Besides, color and taste has been adversely affected due to the low quality of material. Available quantity is limited due to good demand from Mexico, keeping prices firm.

In the central and northern areas viz. Chiclayo, Trujillo and Piura, the paprika raw material quality is similarly low due to increased aflatoxin incidence and high pesticide residue levels.



### Market Scenario

**INDIA:** Stock levels in cold storages have dropped drastically and are at about 50% of last year's December levels. Continued rains and pest attacks have affected availability of good quality material. Though arrivals have started in Madhya Pradesh, availability of IPM material has been affected due to excessive rains and black thrips attack. Prices have moved up and there is good demand for higher quality material.

**CHINA:** Many parts of western China are still closed due to Covid restrictions, affecting the movement of labor. Prices in the local Shangdong market are high due to low stock availability. Besides, there has been a significant increase in production expenses due to the rise in cost of labor, fertilizers, energy and water transport. Coupled with the tight supply situation, these could keep prices firm.

### Price Forecast

**INDIA:** Cold storage stock levels are falling sharply as traders and speculators try to liquidate more material at higher prices. With limited availability of good quality material and increased usage of agrochemicals to control pest infestations, IPM material prices are expected to remain bullish. Domestic consumption is bound to remain strong due to the current festival season, and reports of delay in new crop arrivals and limited availability in the pipeline will continue to lend support to prices. The rapid increase in fertilizer prices could also have a bullish impact on prices in the long term.

### Coverage Recommendation

The supply side is expected to remain tight, especially for IPM and low-pesticide compliant material. At the same time, good demand continues from both export and domestic buyers. Considering the tight supply-demand situation and the strong upside possibility, it is advisable to cover early during the forthcoming harvest season for requirements at least till the end of 2023.

### SALES CONTACT

North America, Central America, South America:

spicesales@harrisspice.com • Phone: +1 714 507 1915

Asia & Middle East:

spicesales@harrisspicevn.com • Phone: +91 968180 4868

China:

wendy.yu@harrisfreemania.com • Phone: +86 139 1032 3801

Europe:

European Spice Services: joni@spices.be • liesbeth@spices.be • Phone: +32 474 66 34 63

spicesales@harrisspicevn.com • Phone: +91 968180 4868