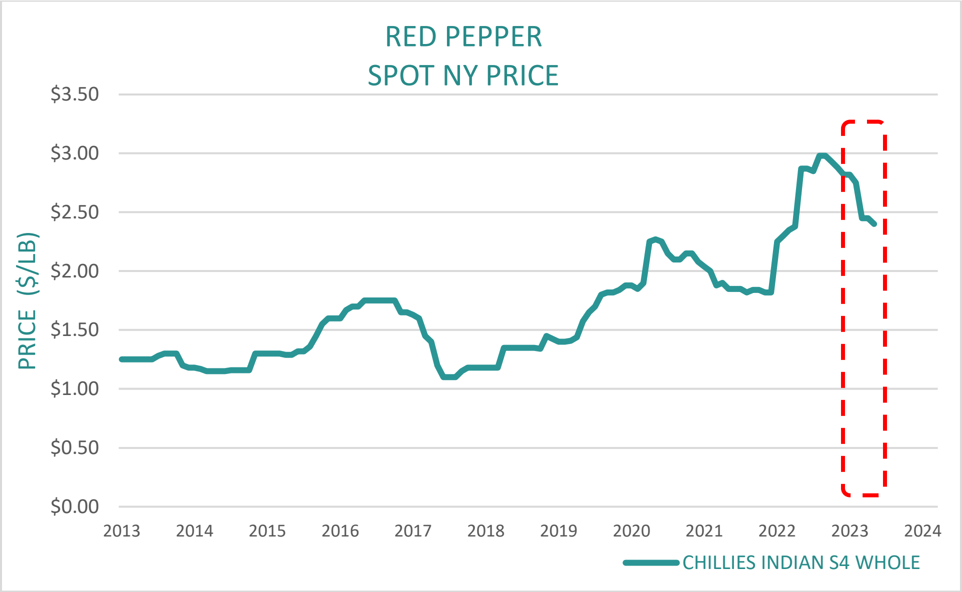
RED PEPPER REPORT MAY 2023

Current Market

INDIA: Primary market arrivals continue to be high, as harvesting gets over in many areas. Nearly 80% of the current season material has been harvested. Some of this has already been sold, while the rest is being stored in cold storages. Increased demand had pushed up prices in early-March. There was demand from domestic processors as well as from Bangladesh, Thailand and China. Carry-forward stock levels are low. As supply increased, non-IPM prices have weakened In April, with farmers selling material fearing further correction in prices.



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Crop Conditions

INDIA:

Harvesting is getting over in most of the growing areas. Though there had been a slight decline in acreage this season, supply remains high due to the higher yields due to favorable weather during the crop development stages. Crop development has been good in all the peninsular regions due to good rainfall conditions.

In the peninsular states of Telangana and Andhra Pradesh, acreage is estimated to have increased by about 10-20%. Compared to last year, crop arrivals in primary markets have increased by about 30-35%.

In Karnataka, acreage is estimated to have decreased by about 20%. Extended rains In October had delayed sowing by nearly a month, which in turn has delayed commencement of harvesting.

There are more low-grade white chilies produced as a result of unseasonal rains in mid-March, followed by high summer temperatures.

The fear of recurrence of black thrips attack had resulted in usage of heavy pesticides in many areas, mainly Andhra Pradesh and Telangana, limiting the availability of low-pesticide residue material, even though there has not been much pest incidence.

Further south, the state of Tamil Nadu has received extended rains from the north-east monsoon, and good production is expected.

CHINA:

Many parts of north-western China, including the major red pepper growing region of Xinjiang, experienced a recent unusual round of snowfall. Raising concern over the extreme weather conditions caused by climate change, abnormal activity of cold air from Siberia has caused the snowy weather around the second solar term of summer, causing a sudden drop in temperatures in northern China. The impact on the current season red pepper production is still not clear.

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Market Scenario

INDIA:

Current stock levels in cold storages are about 5-10% higher than last year's levels. Primary market arrivals will slowly start decreasing as harvesting gets completed. The availability of IPM material is limited even though there is good arrival of new season material, as farmers had undertaken crop protection measures, including use of pesticides, due to fear of recurrence of black thrips attack which had caused heavy damage during the previous season. With scattered rains reported from many parts of peninsular India, the quality of incoming material is expected to slowly fall in the late picking stages as the crop approaches the last rounds of harvesting.

Price Forecast

INDIA:

In the peninsular states, which are major producing regions, harvesting is mostly complete. Arrivals continue in the primary markets. With farmers selling off material, fearing further correction in prices due to the Increased production, prices are expected to remain mostly stable in the short term while new arrivals continue and may strengthen once harvesting Is complete. Prices are expected to remain firm for low-pesticide residue material. The possibility of reduced rainfall during the June-Sept south-west monsoon period, caused by an El Nino expected later in the year, could have a disruptive effect on production during the coming season, in turn having a bullish effect on prices in the long term.

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Coverage Recommendation

Availability of good quality and low-pesticide material is limited. Prices usually move up during the off-season, once harvesting is over, due to the increased storage costs. Domestic and export demand could increase later in the year, providing support to prices. The current harvesting period should be seen as an opportunity for coverage for requirements at least till the end of the year.

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