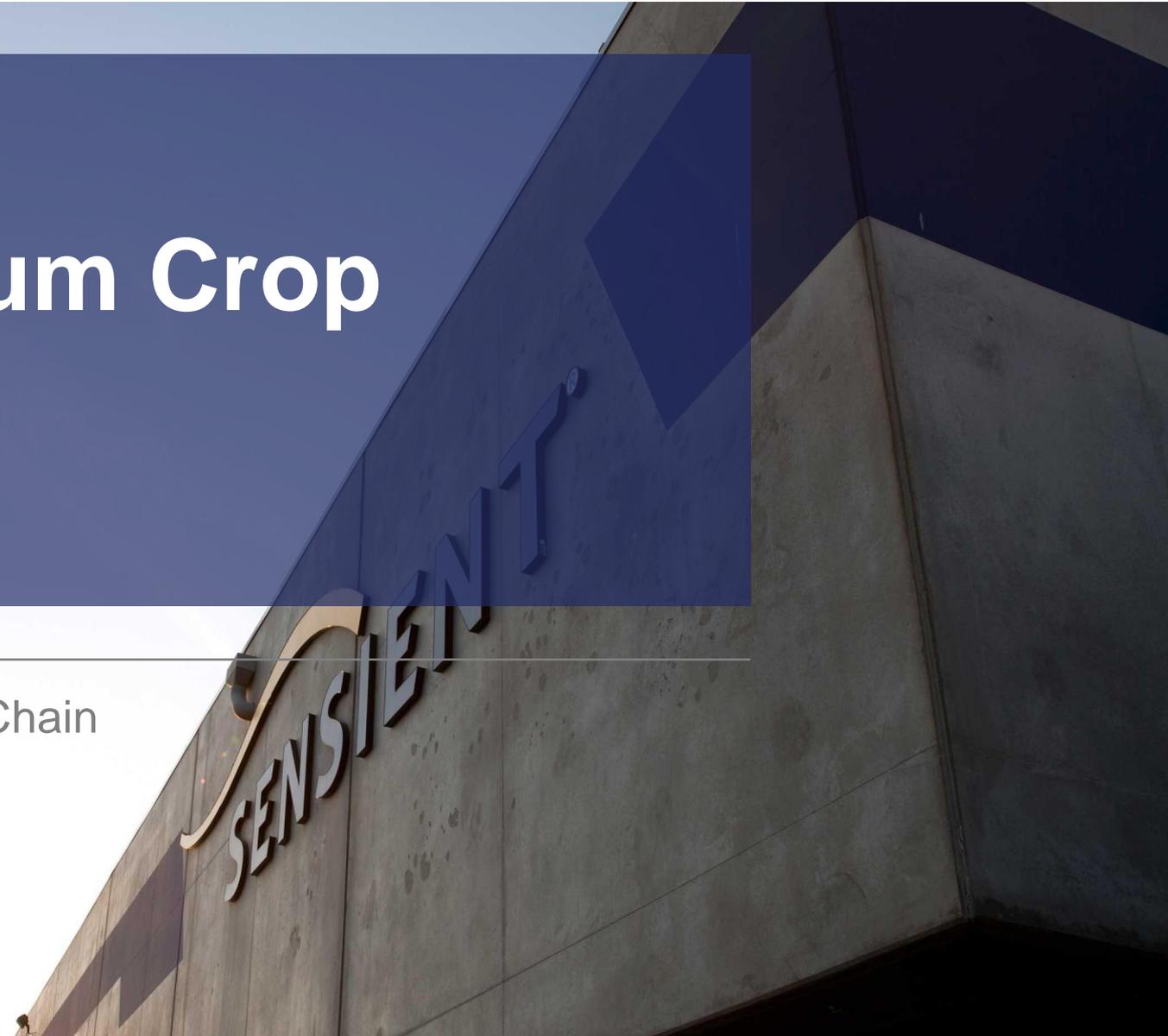


Capsicum Crop Report

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Topics

1. Global Growing Regions
2. Area Specific Production Summary
3. Challenges in Navigating US Market
4. Capsicum Summary & Outlook
5. Organic Capsicum Review

Global Growing Regions



Red Pepper:
India, China

Chili Pepper:
China, Mexico,
USA

Varietals:
Mexico, USA, Peru



Area Summary

- ▶ India and China account for 60-70% of global capsicum production (2.75MM MT)
- ▶ Primary consumers of their own production
- ▶ India - 50% of global production
 - ▶ Low carryover stocks
 - ▶ Large increase in current CY plantings for both seasons/ good prices
 - ▶ Quality coming in at/above average
 - ▶ CY 14 = 1.2MM MT, 2015 = 1.25MM MT, CY 16 = 1.1MM MT
 - ▶ CY 17 Forecast = 1.35 – 1.40MM MT
- ▶ China – 15% of global production
 - ▶ Low carryover stocks
 - ▶ Flat to slight increase in planted area for chili (non-paprika)
 - ▶ Highest quality stocks in limited availability
 - ▶ CY 14 = 265k MT, 2015 = 285k MT, 2016 = 275k MT
 - ▶ CY 17 Forecast = 275 - 285k MT



Area Summary (cont'd)

- ▶ Mexico
 - ▶ Large plantings beyond contracted volume
 - ▶ Speculative crop in excess of processor capacity/demand
- ▶ USA
 - ▶ All volume contracted with processors (forced air)
 - ▶ Stable volumes and quality
 - ▶ CY 14 = 27k MT, CY 15 = 26k MT, 2016 = 28k MT
 - ▶ CY 17 = 28k MT
- ▶ Peru
 - ▶ Torrential rains created havoc in Northern areas
 - ▶ Majority of capsicum production focused on paprika (ground & whole pod)
 - ▶ Chili peppers growing in area but currently insignificant
 - ▶ Chili pepper quality similar to paprika



Economic Outlook

- ▶ India
 - ▶ Yields/arrivals higher than market demand
 - ▶ Soft pricing expected for near and medium term
- ▶ China
 - ▶ Yields higher than overall demand
 - ▶ Soft pricing for all items: ground, whole pods
- ▶ USA/Mexico
 - ▶ Yields higher than average
 - ▶ Crop costs and alternatives unchanged = flat pricing
- ▶ Peru
 - ▶ Pricing driven by world market = soft/flat



US Market Challenges

- ▶ Regulatory requirements
 - ▶ Micro/Macro Filth
 - ▶ Pesticides
 - ▶ Aflatoxins
 - ▶ Ochratoxin
- ▶ Traceability
 - ▶ Majority of global production not focused on US standards
 - ▶ Increased consumer awareness
- ▶ Economic Adulteration (unlabeled)
 - ▶ Oleoresin bi-products
 - ▶ Tomato bi-products
 - ▶ Illegal Dyes?



Organic Capsicums

- ▶ Sources
 - ▶ USA, Israel, India, China, Mexico
- ▶ US Consumption
 - ▶ 2,000 to 2,500 tons
- ▶ Challenges
 - ▶ Authenticity – Can I rely on what I am being told?
 - ▶ Fragmentation – How many suppliers/geographies supply my program?
 - ▶ Reliability – How much should I forecast?
 - ▶ Arable Land – Can my needs even be supported?
 - ▶ Risk!
- ▶ Outlook
 - ▶ Growth in all categories – Paprika, Chili Peppers, Red Peppers and Varietals
 - ▶ Improvements in all challenged areas



Thank You!



Sensient Natural Ingredients

