

Crop Report Chillies (Red Peppers)

R Ramkumar
AB Mauri India

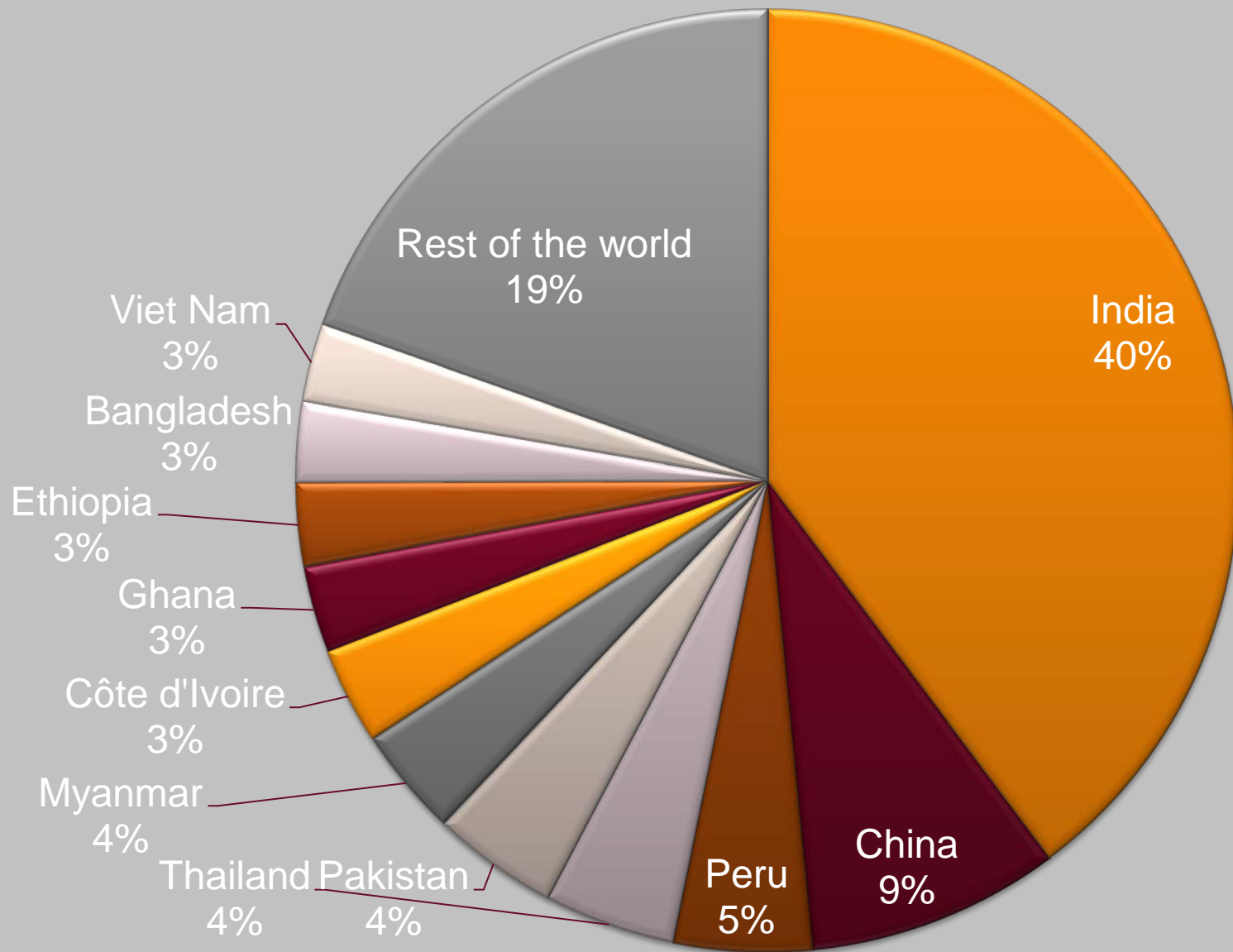


AB | MAURI

Crop Overview

- India is the largest producer, exporter and consumer of Chillies followed by China
- The consumption of these chillies is spread across the world
- The production in India is mainly in the states of Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu & Rajasthan
- The largest market for chillies in the world - at Guntur in Andhra Pradesh, remains the referral market for chillies
- The domestic demand in India along with the Chinese demand and offtake from Asian countries is the major factor affecting demand and thus has a considerable impact on the price

Chilly Production Country wise 2013



Source : FAO Stat

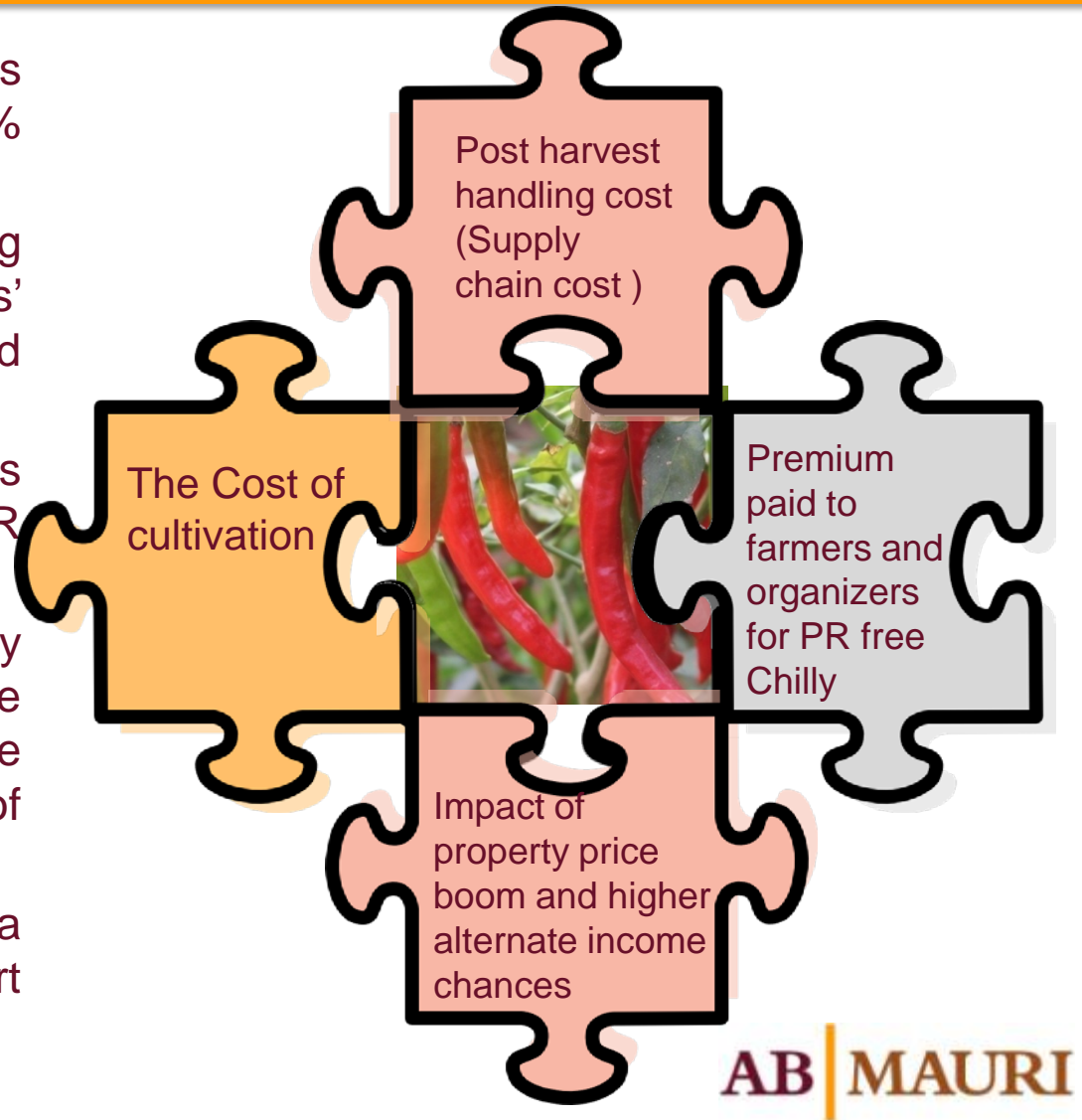
Issues impacting the supply

- Staggered arrivals due to staggered planting – arising from delayed onset of the monsoon
- Domestic consumption as well as Chinese demand continuously increasing
- Availability of labour for maintenance of the farms is becoming a major factor
- The sustainability of a PR compliant chilli supply chain is a long term concern
- Global warming has an impact on the weather – making it impossible to predict



Issues impacting the price

- The cost of cultivation of chillies has increased considerably (31% since 2010)
- The cost of post harvest handling at farm, markets and processors' level has also increased considerably
- The premium being paid to farmers for growing and supplying PR compliant chillies is increasing
- With development, the property prices are booming and the chances of higher alternate income is bringing up the expectation of each link in the supply chain
- The movement of the Rupee vis a vis the US Dollar impacts export prices



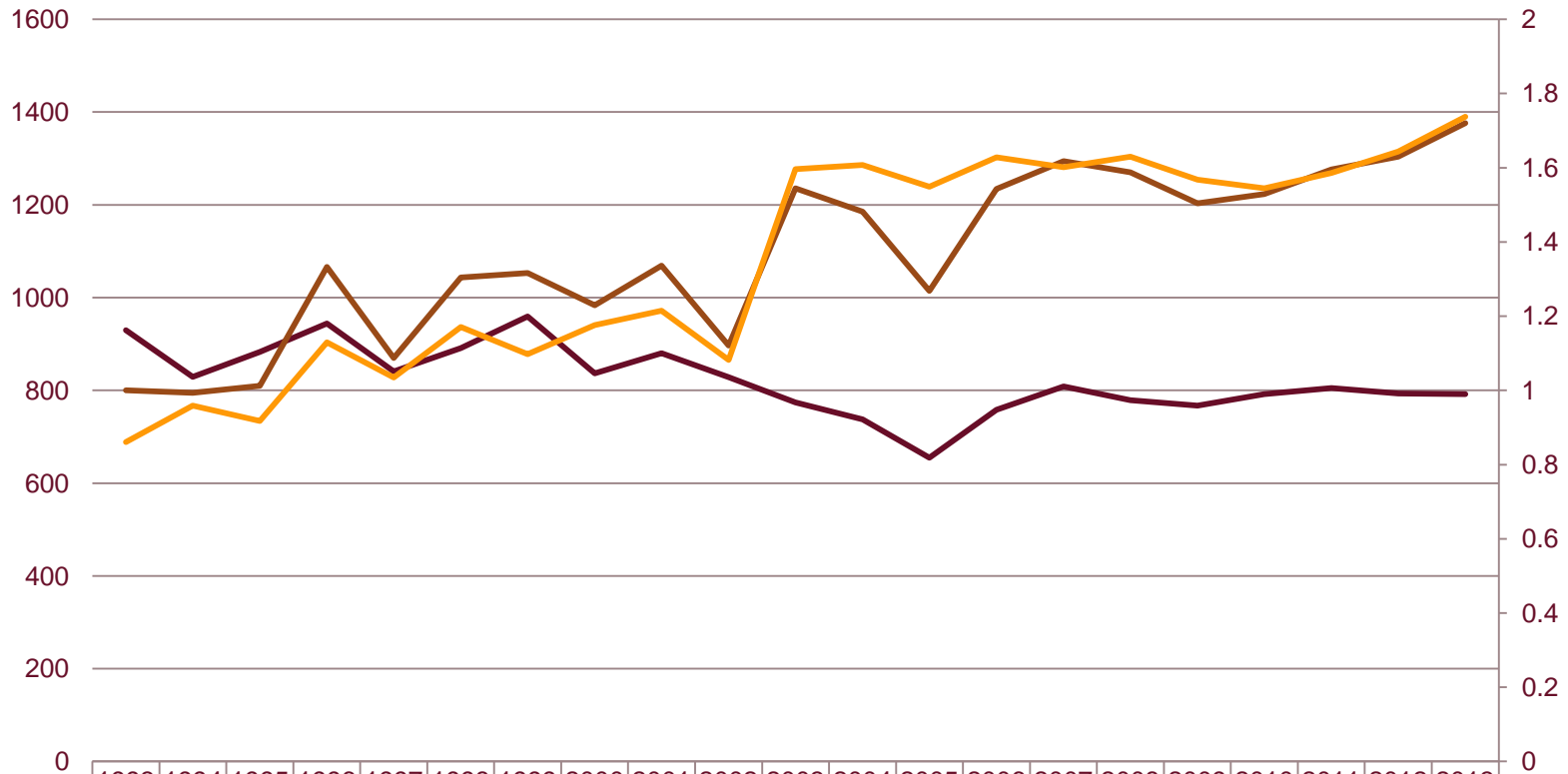
Major Growing areas of India



STATE	%
ANDHRA PRADESH	49.13
KARNATAKA	9.91
MADHYA PRADESH	9.81
WEST BENGAL	7.41
MAHARASHTRA	5.52
ORISSA	5.42
GUJARAT	3.70
TAMIL NADU	1.67
PUNJAB	1.38
RAJASTHAN	1.11
ASSAM	0.94
OTHERS	4.00

Area, Production and productivity trend in India

(Source FAOSTAT)

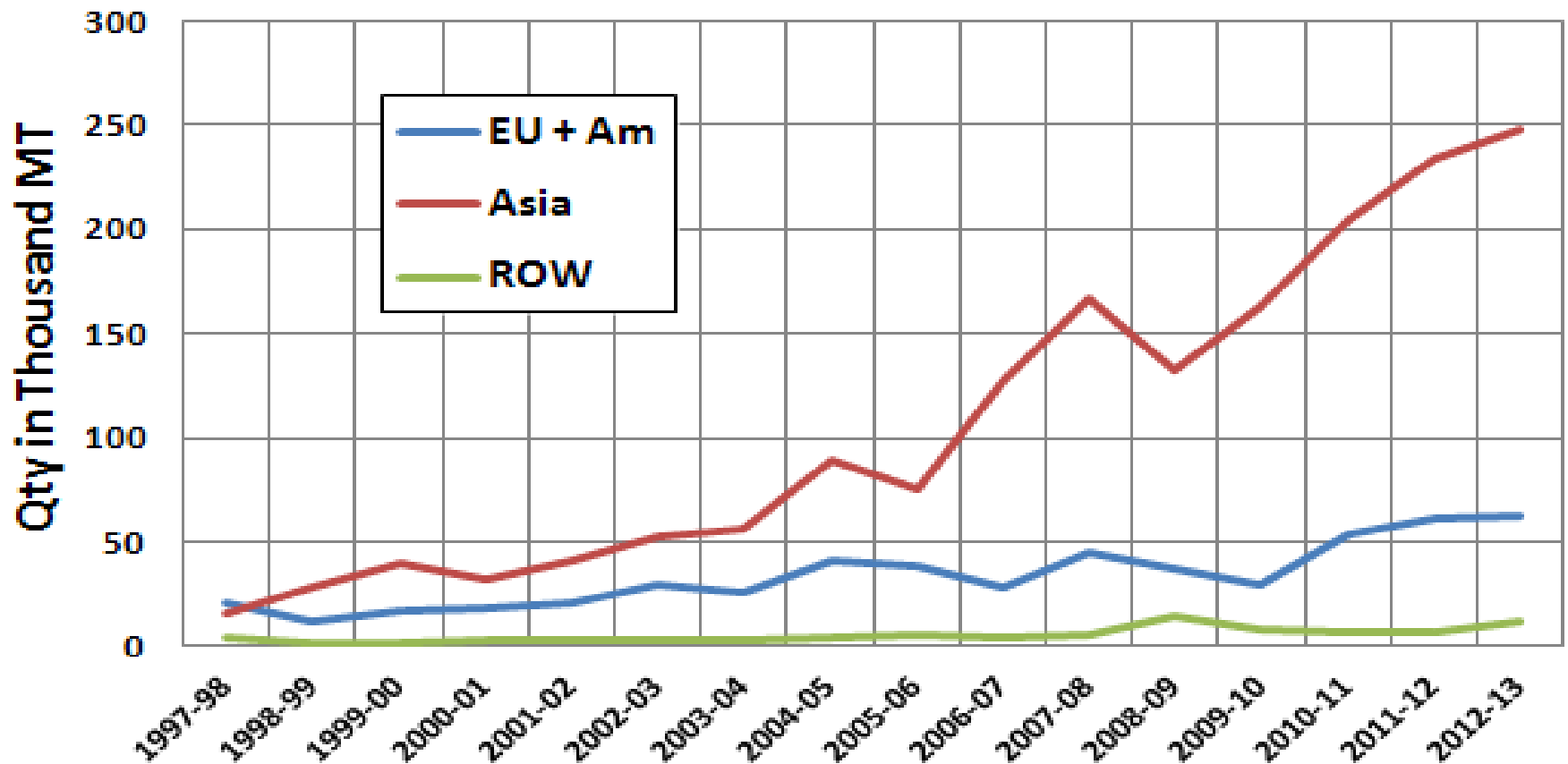


	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Area harvested in 1000 Ha	930	829.1	883	944	840.6	891.2	959.2	836.5	880	828.6	774.3	737.5	654.9	758	808.2	779.1	767.2	792.1	804.8	793.6	792
Production in 1000 MT	800.1	794.7	810	1066	870.1	1043	1053	983.7	1069	896.9	1236	1186	1015	1234	1294	1270	1203	1223	1276	1304	1376
Productivity in MT/ha	0.86	0.95	0.91	1.12	1.03	1.17	1.09	1.17	1.21	1.08	1.59	1.60	1.54	1.62	1.60	1.63	1.56	1.54	1.58	1.64	1.73

— Area harvested in 1000 Ha — Production in 1000 MT — Productivity in MT/ha

China and Asian countries are becoming a major market for Indian chillies

Sector Wise Exports of Chilli from India



Crop Situation in Andhra Pradesh

- Planting has been delayed in rain-fed areas, as the rains were not sufficient at the time of planting
- The delay in the monsoons has led to a larger spread in the planting time – resulting in a staggered harvest in different growing tracts
- Once the monsoons had fully set in, all of the areas that were demarcated for chilli planting were covered – so there is no shortfall in the area under cultivation
- In the current season, arrivals have not peaked enough to bring down prices - with good demand and staggered arrivals, prices are being supported
- The crop situation is in general good
- The carry over stock is very low, and the cold storages are mostly empty
- Farmer financing by banks has reduced considerably - draining a sizeable portion of the money from the market
- The Chinese as well as other Asian countries are picking up good volumes and this provides a support price especially for the high heat varieties
- Any price dip could see stockists stepping in and/or farmers moving stocks into the cold stores

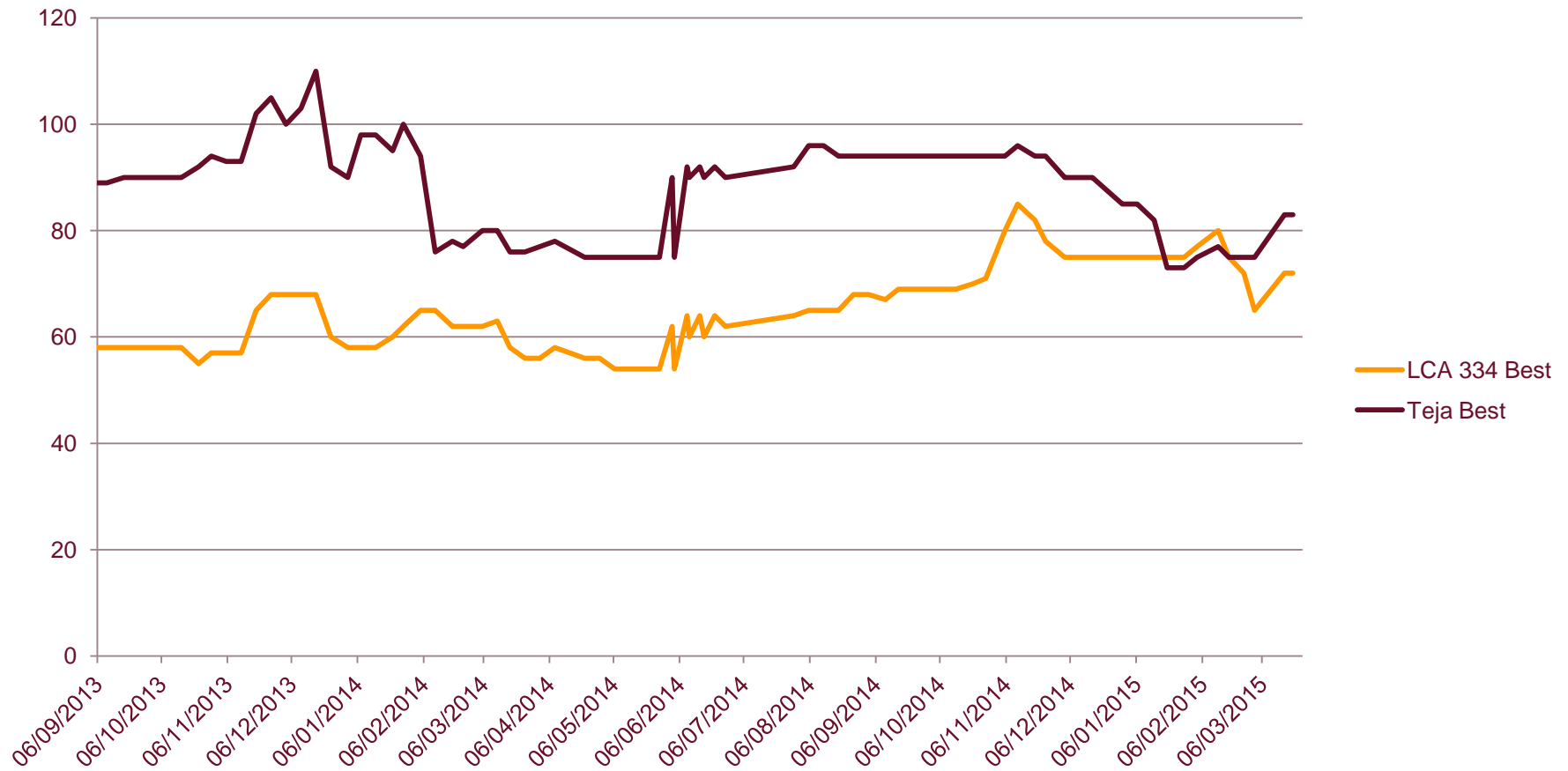
Crop Situation in Madhya Pradesh

- The area under cultivation is steadily increasing
- The quantum of chillies coming into the markets is much lower than anticipated:
 - This year yields are affected due to wide spread viral diseases
 - Good prices for raw (green) chillies, is taking out a major portion of the harvest (for dried red chillies)
- The compliance in terms of pesticide residue and GAP is comparatively lower
- The post harvest processing at farm levels is yet to evolve completely – this is work in progress
- The expertise levels for farmers, field organizers and traders are comparatively lower to that of Andhra Pradesh
- The arrivals this year did not make much of an impact on the market and has largely been absorbed due to North Indian domestic demand

Crop Situation in Karnataka

- The rains have been good, and in time during the planting season
- The area under cultivation has increased compared to the last year
- There has been some water shortage during the end of the crop cycle - this may have affected the yields slightly (the additional picking will not happen)
- There was not much pest or disease problems being reported
- The harvesting is pretty much over in most districts across the state

Price movement month wise in last year



Summary of factors affecting the market

Bullish Factors

- The arrivals are staggered without creating any selling pressure
- The Chinese, Asian Countries and Domestic Demand is good
- The carry over stock is low
- The financial capabilities of the farmers have increased
- Arrivals will extend up to May – June in Andhra Pradesh
- The next arrivals are expected from Madhya Pradesh in Nov- Dec 2015
- If the monsoons are poor and the crop is affected adversely in Madhya Pradesh, demand could shift to Andhra Pradesh
- The stockists may be active this year, and many of the cold storage owners themselves are expected to take long positions this year

Bearish Factors

- The Chinese may exit from the market by the end of the season, thus taking out a chunk of the additional demand from the market
- The total production is higher than last year
- Once the empty pipeline in the domestic market gets filled up, there may be a reduced off-take from the market

Conclusion

- The chances of the market dropping from current levels is fairly low - except for slight dips on days when the arrivals tend to peak
- The market is expected to trade in a narrow range until June/July
- The chances for an uptrend can not be ruled out – especially if the Chinese demand increases or the Madhya Pradesh crop fails/reduces
- The market may enter in to a bullish phase after July and if the Madhya Pradesh crop fails, prices could see strong support
- The availability of PR compliant, farm level traceability material will be pretty much limited to during the season
- It is better to remain covered this year especially for PR compliant chillies

THANK YOU

AB | MAURI

