

## Paprika, Red & Green Chile



Our recent acquisition of the US-based chile pepper business of Mizkan America, formerly known as Border Foods, offers customers increased access to green chiles and specialty chile varieties, such as the renowned Hatch chile. With an expanded grower network in Southwestern United States, a strong newly combined team of crop supervisors and increased processing capabilities, Olam Spices is prepared to service your need for authentic and traceable chile pepper ingredients.

Since the release of the July 2020 business advisory against the import of raw material from Xinjiang, China, as well as the recent ban on cotton and tomato-based products imported from Xinjiang, there has been increased scrutiny of all supply chains originating from the region. With the majority of the paprika and low heat chiles from China originating from Xinjiang, many US buyers have decided to move away from those supply chains. The Southwestern US has emerged as a strong alternative for customers who are looking for an authentic, reliable and traceable source of paprika and low heat chiles.

With the current market being driven by the pandemic, the chile industry has seen increased demand for retail and ingredient production, while food service has dropped off significantly. We have seen high growth in our green chile, jalapeno and red chile powder products. Along with origin identity, the industry is adopting the concept of true chilies and paprika that represent the true fruit and moving away from the path of blending chile products with cheaper ingredients, as a way to reduce cost.



## US Paprika/Red Chiles

US harvest and processing was delayed until late-January due to weather issues in the Southwest. However, the yields remained strong – mainly as a function of the different varieties and diversified growing regions. Overall, the crop was about 10% above plan. The 2020 organic crop also yielded higher than planned, helping to establish the Southwestern US as the largest producer of organic paprika and low heat chiles in the world. In Mexico, however, yields were below plan due to weather issues in September '20 and October '20, followed by the struggle for harvest labor. Overall, the crop finished 20% below plan.

CY2021 finalization with growers has wrapped up and we expect the overall crop to be significantly higher, considering the demand for US grown products. We continue to develop positive, long-term relationships with our growers to ensure transparency. Planting is expected to start early March '21. Buyers should note, Mexico has been challenged with a labor shortage, which may impact costs.



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## US Green Chiles/Jalapeños

Our green chile supply is steady, as the Winter 2020 crop in Southern Mexico transitions into the Spring 2021 crop in South Central and Central Mexico. Normal crop yields are being experienced and we see no indication of yield losses. There have been some minor delays due to adverse weather conditions that have impacted harvest.

Jalapeño harvest is mirroring the green chile harvest with normal yields and slight delays due to cold weather. There are no foreseen issues as the crop transitions from the winter growing regions to the spring harvest areas. The summer green chile and jalapeño crops in the Southwest US and Northern Mexico will be planted beginning March 1st and will continue until early May.

Currently transplants are being grown in the greenhouses and they will be planted in the field starting in early April. Favorable planting conditions are being experienced, as winter rains and snowstorms have provided ground moisture.

## China

Chinese processors struggle with Xinjiang origin challenges and the inability to prove traceability to key US buyers. Higher transportation costs to the EU and US, along with stronger exchange rates have kept pricing high. Efforts to route Xinjiang paprika through other origins in China and international processing locations, seem to continue. Lower procurement by Oleoresin extractors has kept pricing to farmers subdued. This could result in a lack of interest among farmers to grow paprika and chiles in the coming season.

## Peru

Low planting in the north has created a tightness in the market. Table or Mesa paprika is at record high prices, due to the lack of availability. Southern crop harvest is starting soon, but quantities are limited or sold out. Pricing will continue to be strong.

## Other Origins

Spain had a very poor organic paprika crop, increasing the cost substantially. Israel continues to produce normal quantities of product both organic and conventional. Industry players have tried to move into other origins to compensate for the challenges in Xinjiang but with travel restrictions due to Covid-19, those efforts have been limited.

## FUTURE OUTLOOK

- Conventional paprika and low heat chiles from traceable origins, such as the US, will remain very tight through 2021 as the business advisory and ban on Xinjiang origin raw material continue. Early booking and contracting will remain critical to lock in your requirements
- Customers should review the true origin of the raw material and all ingredients used for blending down color of paprika. Xinjiang paprika, chiles and other ingredients continue to be blended in other processing locations and given new origin locations to mask the source identity of raw materials
- Organic paprika and chiles are very limited in supply globally through 2021. Availability of “tested and cleared material” is prevalent and authenticity of organic should be verified during tight availability situations
- Since we are starting with very tight inventory of green chiles and jalapeños, due to a truncated 2020 season, placing orders early will be key to uninterrupted finished goods in 2021

Olam Spices will continue to be your most reliable, primary supplier of traceable and sustainable, true paprika, chile peppers, chile powders and green chile ingredients. Please reach out to an account manager to discuss your requirements through 2021.