

Paprika, Red & Green Chiles



Demand for North American grown and processed chile ingredients has increased with pandemic-driven market trends. Unsurprisingly, Olam Spices chile and jalapeño products and ingredient lines have seen large growth. We have completed the onboarding of the Green Chile Business acquired earlier this year. Our portfolio of paprika, chile powder and chile pepper now includes premium green chiles, jalapeños and Mexican sauces, allowing us to expand our ingredient solutions and scalability, helping to satisfy the rising consumer demand for authentic Mexican flavors and ingredients.

The US Senate passed the Xinjiang bill in mid-July, placing the responsibility on US importers to prove that products originating from Xinjiang are made without forced labor, increasing the importance for US-based processors and manufacturers to verify and audit origination. Not only are raw paprika chiles sourced from China, but component ingredients for blending paprika powder also originate from Xinjiang as well, creating a complex situation.

Freight rates from Asia to Europe and the US, and from Europe to the US have skyrocketed in previous months reflecting decreased container availability, delays in ports and overall supply chain challenges.

These challenges highlight the importance for US-based manufacturers to ensure supply security by having on-time ingredient availability and traceability information. Olam Spices' new capabilities allow us to offer Xinjiang origin-free paprika and red chile ingredients in full compliance with the business advisory against Xinjiang-originating raw materials as required by the US government.

US Paprika/Red Chiles

US paprika and red chile harvest began the second week of September. Labor shortages and increased costs for crop inputs, wages and freight continue to create challenges for growers and processors.

Due to hot weather, intermittent rain and hailstorms during the past few months, this season's crop and yields have been negatively impacted. There are also reports of hailstorm damage to chile crops in Mexico in recent weeks. Additionally, initial forecasts are predicting an early cooling and freeze this season. Preliminary estimates on yields are about 10% lower than expected, however, due to the increase in acreage the crop is still larger than in previous years as a result of the increasing demand for raw materials originating in this region.



US Green Chiles/Jalapeños

The green chile harvest in Southern New Mexico has progressed well despite weather events and labor challenges. The harvest has reached its peak and is expected to wind down over the next month before the first freeze. The jalapeño harvest in Mexico mirrored the Southern New Mexico conditions both in yield and quality of the crop. Overall, after a very difficult 2020 crop, we are on track with a normal processing season and inventory.



China

China is showing a 10-20% decrease in crop acreage in the Xinjiang region for paprika and hybrid varieties with competition from heavily subsidized alternative crops. The crop harvest will begin at the end of September with product available from mid-October onwards. Traceability to farm continues to be a challenge for most processors as product is bought either in drying yards or in trading markets in Eastern China. Freight rates from China to major processing destinations continue to increase. With low Oleoresin inventory, carry-in inventory and crop acreage, we expect to see strong demand in the initial phase.

Peru

Peru faces a sold-out situation, likely due to a lack of travel to growing regions for proper crop estimates, in addition to Peru's political situation. This is leading to higher grower prices and rampant contract defaults. Table or Mesa paprika continues to be at record high prices, however, this could shift depending on how the northern crop harvest progresses. Peru farmers are seeing signs of greater interest from overseas buyers due to the China situation.

Other Origins

Unable to increase their domestic acreage due to high farm-level costs and limited acreage, Spain continues to import large amounts of paprika from China and Peru for processing. There is increased access to product from Africa, but not sufficient enough to meet the demand. To address the Xinjiang origin challenges, industry players have tried to expand into other origins, but Covid travel restrictions have limited their ability to do so.

FUTURE OUTLOOK

- Conventional and organic paprika, as well as low heat chiles from traceable origins like the Southwestern US, will remain very tight through 2022. Ensure that your requirements are covered through 2022.
- Continue reviewing the true origin of paprika and chile products in addition to all ingredients used for blending down the color of paprika products.
- In response to origin concerns, Olam has significantly increased crop acreage in the Southwestern US and Mexico to meet customer demand for "true origin" products and to ensure supply security.
- Inventory tightness for green chiles and jalapeños has begun to improve with the arrival of the summer crop. Booking retail and ingredient orders early will be key to uninterrupted finished goods supply for the rest of 2021 and 2022.