

Spices Market Update

December 2021



Chiles

US

Paprika/Red Chiles: Paprika and low heat chile varieties are trending towards a tight availability situation due to restricted crop availability from all large growing regions. The regions in the northern hemisphere have gone through their 2021 harvest season with smaller growing regions left from the southern hemisphere with contra-cyclical season.

The crop went through a very challenging phase in 2021 with unfavorable weather patterns leading to lower yields (around 10-15%) and potentially an early end to the harvest season.

In the western Texas and New Mexico regions, the crop was truly tested with hailstorms, a hot summer, and delayed freeze. These challenges were further exacerbated by rising input costs, transportation costs and utilities, all leading to high inflationary costs.



Green Chiles/Jalapenos: As planned, the harvest season was completed at the end of October. Despite labor shortages, growers were still able to harvest their expected volumes.

Spotlight on Chiles



Overall yields were good, insect and disease pressure were low, and crop stands were excellent across the board. Delayed freeze and overall higher yields enabled efficient processing this season.

Planning for the 2022 crop is underway and we expect inflationary cost impact on farm input costs, labor and transportation to be a key criteria in determining the cost increases.

Mexico

Red Chiles: New crop harvesting continues to progress but is delayed as no frost has arrived. As reported earlier, volume continues to be less than anticipated due to the unexpected rain and a lack of water during planting.

With the frost delay, color is setting in and mesa market chiles will be more available than chiles for dehydration. Mexico is also experiencing large domestic consumption and higher demand from the US due to the lack of availability of product and higher prices from China and Peru.

China

Paprika: As reported, the yields and total output have been lower by about 10% this year. Harvest of new crop continues to arrive and prices for low moisture raw material used for grinding continues to be high due to Oleoresin factory purchases and speculators. High moisture continues to be a problem for powder processors, and many are drying in their yards as needed. Freight delays and costs continue to be a challenge.



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Peru

The crop estimate from Peru is still 30-40% less yield than expected due to less farmers planting this year for many reasons from higher input costs to political uncertainty. Available crop is being sold quickly and at higher prices. Lack of container availability is making shipping unpredictable and delayed.

Other regions

Processors have tried to venture into African regions (Zimbabwe, Zambia, Malawi and South Africa) for growing and sourcing paprika. With the advent of Omicron and travel bans, it is going to be difficult for international processors to advance these initiatives in the near term.

 **Indian Spices**

Chilli:

Majority of the crop is at peak vegetative to flowering initiation stage. Recent heavy rains have led to an increase in pests (Thrips) and other diseases like wilt and virus infection, which could lead to a drop in yields. Even with the slight increase in planted acreage, the impact of climate conditions, pests and diseases will be crucial in determining CY22 production. Arrivals were down across markets due to farmers and stockist holding stocks. Prices moved up recently due to the impact of rains and lesser arrivals. Arrivals will begin February and peak March to April.

Turmeric:

While CY22 acreage is better than last year, recent unseasonal rains led to plant diseases in some of the growing regions which could potentially drop yields. The impact of climate conditions and diseases on standing crop will be crucial to determine CY22 production. Prices moved up recently due to the impact of rains and increased demand.

 **Vietnam Spices**

Pepper:

Vietnam: YTD 2021 pepper exports from Vietnam were ~9% lower than YTD 2020. Chinese buying continues to be slower than 2020. Vietnamese farmers are currently focused on coffee harvest which is grown as an intercrop with pepper. They are seeing unseasonal rains in the growing areas and that may have an effect on pepper yields for next year. Harvest is expected to begin in 4 to 6 weeks, followed shortly by Cambodia.

All origins: India's harvest is expected to begin shortly. Brazil is at the end of their harvest. Vietnam harvest is expected to begin in 4 to 6

Q Future outlook

- Since large processing regions have concluded harvest, we expect tight global availability of paprika and low heat chile during 2022.
- International prices are increasing to levels we haven't seen for many years and are expected to continue to climb.
- Higher volume production can now be expected only towards the end of 2022 with demand expected to far outweigh supply.
- Green chile and jalapeno ingredient supply will be available and can be supplemented through shoulder spring season production.
- Continued inflation on farm inputs, labor and canning will lead to much higher costs for finished retail products.

Cumin & Coriander:

Preliminary surveys of growers and sowing data as of November end, indicate a drop in acreage of cumin and coriander as growers switch to more profitable crops. We expect CY22 acreage and production to be lower compared to last year for both crops. Prices moved up recently due to concerns of lower CY22 production despite weak export demand.

Q Future outlook

- Chilli: Prices are expected to remain firm in the short term.
- Cumin: Prices are likely to move up from current levels in the short term.
- Turmeric & Coriander: Prices are expected to remain firm in the short term.

weeks followed shortly by Cambodia. Prices have mostly been stable in all origins over the past month, mainly due to low demand.

Q Future outlook

- Expect 2022 crop to be similar to the 2021 crop if weather conditions remain stable for the next 4-5 weeks.
- Exports came in strong despite steep price increases and transportation challenges. Expect this to continue into 1H 2022.