



Red Pepper (Chillies)–Bleak Crop Outlook revives hopes of Price Recovery...

Andhra Pradesh & Telangana

It is difficult to assay a market that has been non-functional for the past few months. May -June holidays at auction centers were attributed to hot weather conditions and the lull just got extended. Post introduction of GST (Goods & Service Tax) in July, market activities were further subdued. In a market that boasted of 50,000-60,000 bags even during off-season, daily arrivals were reduced to <10,000 bags.

Demand from Bangladesh, China and Pakistan supported prices of high-heat and basic varieties. Price variations were minimal, but a sustained recovery was evident right from the time of market re-opening. The spirited move of Central Government to improve price transparency through a common e-trading platform. **e-Nam** in September was met with stiff resistance from middle-men forcing auction centers to close for nearly a month before trading could resume the traditional way. Cold stores are sufficiently stocked to tide through the off-season months of low demand.



Patchy and delayed rains that marked the start of the new season had delayed sowing activities in all major Chillies growing regions of the twin states where half the region is irrigated using borewells and the other half from Krishna and Godavari rivers. Lower prices and water problems had prompted many farmers to shift to cotton cultivation, considered a less water-intensive crop. Although it is too early to comment on the outcome of the next crop, a 30% drop in area under Chillies production is widely anticipated. Squally winds and intensifying lows in the Bay of Bengal are also being closely monitored for any threat of cyclonic storms to coastal Andhra.

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Karnataka

The story here was no different. Slow sessions had marred trading activities. *Dabbi Byadagi* prices ruled high sighting shortages.

Farmers were left staring at another year of hard-baked dry lands as South-West monsoon remained elusive for long. Many farmers shifted to cotton cultivation in wake of water shortage. August and following months brought heavy rains to some regions alleviating fears of drinking water shortage problems. Storage water levels in dams have improved slowly. It has been a slow start to Chillies sowing. Release of dam water for canal irrigation in Bellary region was delayed. Area under production is expected to be 10-15% lower.

Dabbi Byadagi variety popular for its high colour ruled at ₹ 120-140/Kilo (US\$2/Kg).

Madhya Pradesh

This region has seen it all, the summer drought and the relentless monsoon rains. While no change in area under production is foreseen, quality remains the biggest concern. Immature green Chillies are being plucked and supplied to vegetable markets. With 30% damage being reported due to virus attacks, Madhya Pradesh's produce will remain localized and not in reckoning for exports.

Tamil Nadu

With hardly anything left to trade, traders continue to throng Guntur and near-by markets for meeting their immediate requirements.

Water scarcity is synonymous with this region. South-west monsoon was more significant towards the end. Farmers are awaiting onset of north-east monsoon which is delayed by almost a week to begin sowing. The trend is unlikely to see a major departure from the past. A small crop though, will fetch the premium it deserves, being grown in the rain-fed regions under natural conditions.

Technical - Trading activities at the NCDEX (National Commodity and Derivates Exchange) have been suspended till further notice.

Outlook

Perhaps it is a bleak crop outlook or perhaps a maze of trading uncertainties that have aided a modest price-recovery. Despite uncertainties at the domestic front exporters had something to cheer for. Chillies has made a whopping contribution to the exchequer during the first quarter of the financial year 2017-18. Spice exports during the first quarter have increased 35% in quantitative terms to 3,06,990 tonnes. Chillies became the most exported spice in April-June period with shipment of 133,000 tonnes. The developments however were fraught with challenges. A bumper season meant lower prices. Trading was disrupted as a slew of economic reforms aimed at regulating unregulated markets met with stiff resistance from different segments of trading community. GST Complexities have imposed further limitations on traders' mindsets. Price movements were stifled as uncertainty prevailed.

With rains playing truant, a production drop is widely anticipated. A lower crop year will be adequately compensated by higher carried forward stocks from the current season (estimated at 20-25% of produce). Time will tell if weather anomalies can turn the table around...