

# Peanut Blog

An ounce of information



## Higher crops fail to dampen chilli prices

**Retail prices, in the Rs 250–Rs 500 per kg range in November, are 150–200 percent higher, YoY. Low inventory in cold storages is not helping either. High prices have already hit exports.**

Arrival of fresh crops has not stopped the upsurge in red chilli prices, which are at a historic high.

Though sowing was higher, the new crop from Madhya Pradesh is said to be below the industry's expectation. This, at a time when the low inventory in cold storages is already keeping chilli prices at a higher level.

Prices are ruling in the Rs 250–Rs 500 per kg range for different varieties, up 15–200 percent from 2020–21. The low- heat Bydagi chilli from Karnataka is going at Rs 500–550 per kg. High prices have hit exports and domestic demand is also subdued.

"The wholesale rate of Bydagi chilli is around Rs 560 per kg, which will make retail prices nearer to Rs 600 per kg. Other varieties are selling at Rs 340 per kg while the retail rate will be around Rs 400 per kg. As a result, retailers have cut down purchases by half," said Shiyaz, a wholesale chilli merchant in Kochi.

Fall in production

Right from the middle of the year, chilli prices have been rising as production last year was over 20 percent short, according to the industry. Official figures say it is 9 percent short at 18.66 lakh tonnes. Cold storages in Andhra Pradesh and Telangana are staring at shrinking stock. With prices shooting up, the farmers went for sowing more area for the new crop.

"The harvest of the new crop from the main producing states of Andhra Pradesh and Telangana will go into full swing by January. So, till that time, prices are expected to hold at the current level. If there is intense rain in the next two months, harvest will be affected and prices may not come down. If the climate is good, prices could fall early next year," said Ravipati Peraiah, MD of Vijayakrishna Spice Farms.

The harvest season usually starts in November with arrivals from Madhya Pradesh, the third-largest chilli-producing state in the country. Andhra Pradesh and Telangana are the top two.

Production in the state during FY20–21 was just above 3 lakh tonnes. This year, both adverse climate and virus attacks have weakened output, say the industry sources.

Exports also hit

Escalating prices have also affected exports. The first few months of the fiscal year saw a good trend in export. This petered out later as prices began to rise.

"China is not active and only small quantities are going to Bangladesh and Malaysia. At the current level of prices, buyers do not seem to be interested," said A P Murugan, director of Paprika Oleos (India) Ltd.

The export figures for April–August 2022 at 1,77,422 tonnes is 20 percent short, year on year. But the value at Rs 3,449.15 crore is only 2 percent less from the same period of the previous year. Export volumes are expected to be lower this year as shipments have slowed. High prices are keeping the value high.

In 2021–22, India exported red chillies worth Rs 8,582 crore. China accounts for the largest share in the export market, with over 40 percent.

"As shipments have slowed down, liquidity in the industry has been affected. Speculators are holding stock and they may release it only early next year. We will have to wait and see how the crop in Andhra Pradesh pans out," said Shailesh Shah, director, Jabs International Pvt. Ltd.

The makers of oleoresin from the spice extracts are also feeling the pinch of high prices. The global oleoresin demand has eased a bit after a high pent-up demand, following supply disruptions at the height of the pandemic.

Since importers are holding good inventory, oleoresin companies are hesitant to risk purchasing chilli at high prices. "The trend will become clearer by February," said B Adityan, purchase manager at Plant Lipids Ltd.

**Source:** [Higher crops fail to dampen chilli prices \(moneycontrol.com\)](https://www.moneycontrol.com/news/business/agriculture/higher-crops-fail-to-dampen-chilli-prices-10878877.html)