



**NEWS &
MARKET
REPORT**

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RUSSIA - UKRAINE WAR IMPACT

Russia and Belarus accounted for more than 40% of global exports of potash in 2021, one of three critical nutrients used to boost crop yields and Russia accounted for about 22% of global fertilizer exports. The war has prompted sanctions against Russia and Ukrainian ports remain closed. The repercussions are already being felt as countries grapple with shortage of fertilizers and decide to cut down on fertilizer usage or resort to cultivating less acreage, both of which will hurt yields and force prices to go up.

Additionally, Ukraine and neighboring countries are major supplier of Sunflower oil to all countries around the world. Ukraine caters to about 70% of India's Sunflower oil requirement. With the Ukrainian port all closed, and vessels quickly moving out of the black sea as the war broke, the sellers have invoked the Force Majeure clause for all pending contracts. Within a month of the war, there has already been a 62% increase in the sunflower oil prices which will have a cascading impact on Oleoresin prices.

Russia region also are major buyers of Sri Lankan Tea. Sri Lanka used to export 40% of its tea to Russia. With Sri Lanka unable to export tea to Russia amidst its worst economic crisis, the depletion in forex reserves has already triggered hyperinflation in Sri Lanka and is likely to drive up prices of commodities like black pepper, cinnamon and nutmeg.

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BLACK PEPPER

Vietnam: Harvesting of black pepper is ongoing in all major regions in Vietnam with most of the crop coming from the Central Highlands and Southeast regions with steady arrivals. The prices remained stable in March with Vietnamese bold pepper trading at US\$ 4.2 – 4.5 per kg FAQ Grade. The prices are around 25% higher than last year. Due to unfavorable weather in many regions and covid-related restrictions which prevented farmers from tending to their crop, this year's pepper crop has seen a decrease in supply. Indications are that this year's black pepper harvest will end much sooner, around the 3rd week of April and this may prompt an increase in pepper price in coming months. The current price levels may not hold for long as the cost of fertilizer, fuel and labor cost will drive up the production cost. The prices of black pepper could increase also in short term on account of rising oil prices and holding costs. Shipments delays from Vietnam on account of port congestion and high freight charges continue to be a major concern. We are expecting Vietnam black pepper prices also to keep increasing for next 3 – 4 years.

Impact of Russia – Ukraine War: Sanctions levied on Russia could have negative impact on the Power situation in Vietnam as they source about 10% of coal from Russia for running their coal-powered power plants. Vietnam also depends greatly on Russia for fertilizers and shortages will have wide ranging effects on next season crop and pricing.

25%
↑ price



Sri Lanka: The ongoing season in Sri Lanka's Kandy region is complete and there has been a 30% drop in crop production. Arrivals in Sri Lankan markets have ceased, and we have witnessed a significant price rise due to low material availability, with light berry prices having moved up by almost 40% in a year. Limited or no access to fertilizers and weedicide has resulted in extensive crop damage. The season in Matale region is about to commence by end of April 2022. Low number of fruiting branches, and spikes with less number of berries has been observed across Matale region and farmers are hoping that the production does not drop further. As indicated in our last report, the price of bold pepper in Sri Lanka has seen a surge, with an increase of more than 25% over a year. Shortage of fuel, rising prices of essential food items as well as other economic factors will determine the price levels for pepper in the coming season.

Sri Lanka Economic Crisis: Sri Lanka has been passing through an economic crisis from January 2022 and this has sent prices skyrocketing amidst rising inflation. The LKR has depreciated drastically against US Dollar, by as much as 38% in March 2022. Russia has been amongst the largest importers of Tea from Sri Lanka and the recent Russia-Ukraine war and cargo movement restrictions have put further strain on the nation's economic condition with export revenues taking a big hit. The Colombo Port is becoming increasingly congested, and several cases of containers missing their connections are being reported. If the situation worsens more shipping lines may bypass Colombo to avoid delays. All these factors are likely to translate into higher production costs, holding costs and higher prices in both short term and long term for Pepper.



CAPSICUM CHILLI

India: Farmers who are growing Capsicum Chilli in Telangana and Andhra Pradesh are nearly in the final stages of harvesting. Rains and thrips in these regions had adversely affected the crop, and availability of a 3rd picking opportunity was always in doubt. The arrivals in the market is seeing steady decline. The latter part of March indicated arrivals containing harvest from 3rd picking with Chillies being leaner and smaller in size. Farmers wanting to cash-in on the high prices have brought out their carry-forward and cold storage stocks from last year to the Markets.

With production and yields being much lower as compared to last year, some of the progressive farmers and suppliers are diverting a portion of their stock to surrounding cold storages in anticipation of price surges during off season. Cold storages in the growing and surrounding regions are 50% full across Andhra Pradesh and Telangana.

Prices are expected to rise in short term and long term.



PAPRIKA CHILLI

India: Paprika chilli, mainly grown in the Karnataka region has completed its season. Farmers have completed harvesting and ripe chillies are in the final stages of drying. Current arrivals are low. The Paprika chilli season had earlier held high promises with expectation of a very good crop and stable prices. However, intermittent rains when the plants were in their flowering stage and thrips attack damaged a sizeable portion of the crop. There was a marked deterioration in quality compared to last year. With low production, the price of Paprika Chilli saw a 15-20% increase over last year's prices.

During the thrips attack, many farmers who were part of organic chilli and IPM/Pesticide-Compliant chilli program had to finally resort to pesticides to save their remaining crops. Therefore, the availability of pesticide residue compliant crop has decreased this year.

China: The season and harvesting of Paprika chilli grown in China stands completed. The quality is consistent with expectations. China has recently rolled out a Food Safety Program to counter long term fallout of Russia-Ukraine war. Under this program, wheat, paddy, and corn are being given special status and the focus is on increasing their production and acreage under cultivation. This may result in China's next season Paprika production numbers to remain the same.



DRY GINGER

India: It is estimated that there has been a 20% increase in the crop area as compared to last season. Material arrivals have been good throughout the season. Material availability is expected to remain consistent throughout March and April. The prices of green ginger have increased by 20% on account of increasing domestic demand. This will directly impact the prices of dry ginger in coming months.

It is to also be noted that farmers have slowed down their harvest and have retained 30% of the crop in their farm as they are expecting higher prices for their product. Currently, Indian ginger price is cheaper than Nigeria origin ginger.

Nigeria: Ginger harvest is still continuing in some parts of Nigeria and volatile oil content is around 2% levels. The carry forward stocks remain low. The commodity price remains stable. However, with recent hike in diesel prices, the logistic expenses have increased, which directly affects inland transportation costs within Nigeria. The recent increases in crude oil prices and freight rates may drive up the prices in coming months. We may see prices to increase in short term.

20% ↑ crop area



TURMERIC

India: There has been a 5% increase in farm output. Currently, about 60-70% of the harvest has been completed in majority of growing regions. The weather conditions in major growing and drying areas have been conducive for the drying process. With further harvest expected to arrive in the market in coming days, the prices are expected to remain stable at current levels in short term. The current market price Indian Turmeric (FAQ Grade) is US\$ 1.07 per kg.

Vietnam: Turmeric harvest during this year has been delayed by a month, contrary to its usual arrival in the months of December-January. There is reportedly 20% less yield in comparison to 2021. Current market price of Vietnam Turmeric (FAQ Grade) is in US\$ 1.55 to 1.65 per kg range. Prices are expected to remain stable and the season may continue till end of May 2022.

NUTMEG

India: There has been a steady increase in nutmeg price on account of late crop arrival and availability issues. The production of Nutmeg in India is 40% lower than expected. Carry forward stocks are limited. The new crop will arrive in the early weeks of April. The price of Nutmeg is expected to be around US\$ 3 per kg subject to dry weather conditions prevailing.

Sri Lanka: Sri Lanka season for Nutmeg started in February 2022 and will see arrivals continuing until May 2022. The crop is reported to be short. Last year's production was 2000 MT and this year's expectations are around 1500 MT. Lockdown restrictions and current economic crisis have made it difficult for farmers to bring in labour for collection. Growers weren't able to tend to their plantations and this is another reason for lower crop output.



CUMIN SEED

India: Gujarat and Rajasthan, the largest growing regions for Cumin are likely to produce 30-35% lower crop as compared to 2021. The area under cumin crop cultivation decreased by almost 35% as farmers in the region turned to other crops like mustard and grams. New crops have just started arriving to the market and the quality is consistent with last year's produce. The price of the commodity is likely to remain high. The price of pesticide complaint Cumin is expected to steadily increase as demand for pesticide free cumin climbs.

FENUGREEK SEED

India: As mentioned in our previous report, crop sowing has improved in the major growing regions as in Madhya Pradesh, Rajasthan and Gujarat. Currently, the weather is favorable and the crop is expected to be good. The new crop arrival has started with good quality material reaching the markets. Export demand for fenugreek has been reported to be modest. It is observed that, there has been a 9% decrease in price from the start of the year. Currently, we are witnessing a downward trend in pricing. At present, the market price of fenugreek seed (Sortex Clean) is US\$ 1.06 per kg.

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