



**NEWS &
MARKET
REPORT**

**MAY
2022**

RUSSIA - UKRAINE WAR IMPACT

As the war in Ukraine rages on, additional sanctions and decisions taken by major shipping companies have further impacted the global food industry. Russia and Ukraine are two key producers of agricultural commodities. Being two of the largest producers of wheat, fertilizers, and fuels, the ongoing war has had a catastrophic effect on the global food supply chain, causing an inevitable spike in prices. With the current crisis and sanctions placed on Russia, fertilizer prices have shot up higher. Prices for ammonia, nitrogen, nitrates, phosphates, potash, and sulphates, which constitute the global fertilizer market, have been up 30 percent since January and are expected to climb further. This could result in farmers reducing the use of fertilizers, resulting in less yield. They might also resort to growing crops that require less fertilizer. This could further increase prices, which are already soaring due to the fear of impending food shortages.

Furthermore, high prices of energy can contribute to price hikes in agricultural commodities as natural gas is essential for the production of nitrogenous fertilizers and fuel is needed for on-farm productivity and food transportation.

Russia and Ukraine are also two major producers of sunflower oil in the world. The prices were historically high in the previous month due to war and the consequential logistics challenges.

INTENSE HEATWAVES IMPACTING INDIAN AGRICULTURE

India has been stricken by intense heatwaves for the past few days, witnessing temperatures soaring more than 40 degrees Celsius. This heatwave can severely affect standing crops and their yield. Since a majority of the spice crops are annual crops, none of them are affected as the harvest is already completed. An exception to this would be cardamom, black pepper, and celery seeds, which are the only standing crops right now. It has been reported that the yield of celery seed has dropped by at least 30% due to the heatwave. This can result in a shortage and consequent increase in the prices of celery seeds. However, no instances of the effect of heatwaves on cardamom and black pepper have been reported yet.

Nevertheless, the heatwave has hit India's biggest wheat-producing states including, Haryana, Uttar Pradesh, and Punjab. This has impacted the production as high temperature affects the wheat during its growth phase, resulting in shriveled grains and low yield. The crop output may decline sharply this year consequently affecting India's wheat export potential, which can aggravate the already existing food shortage caused by Russia- Ukraine War. With the onset of war, the global food chain was already severely affected. Intense heatwaves in addition to war can further increase global food inflation.

Upcoming Exhibitions



Africa Food Manufacturing



 Egypt International Exhibition Center

29 - 31 May, 2022

Stall #H2.A01

We will be showcasing a diverse range of products including Condiments, Oleoresins, F&F, Natural Colours, Spice blends, and Seasonings.

SIMPPAR



Espace Champerret
6, rue Jean Oestreicher - 75017 PARIS

June 1 - 2, 2022

Stall #A10

We will be exhibiting a range of products including Botanical Extracts, Essential oils, Resinoids, and Absolutes. Our product range also includes CO₂ extracts, manufactured through green, clean label, and eco-friendly processes.



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Black Pepper	6
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Capsicum Chilli	8
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BLACK PEPPER

Vietnam : Currently, the active season is going on in Vietnam and there has been an increase in incoming material in comparison with the previous month. Around 85% of the harvest is completed. There has been a 30% decrease in production. We have seen a sufficient number of decent arrivals in the market. In comparison to the previous month, the commodity's pricing has remained consistent.

Impact of lockdown in China due to COVID 19

Paradoxically, regardless of the decrease in output, it has been observed that the domestic price of Vietnam black pepper has dropped by 2%. The major reason for the decrease in price is the resurgence of COVID-19 infections in Shanghai and the subsequent stringent measures adopted by the Chinese government to curb the escalating cases. China being Vietnam's major pepper export market, these measures have directly impacted the pepper trade between both countries. The ongoing Russia - Ukraine conflict has also disrupted the food supply chain forcing countries to restrict imports.

30%
↓
Vietnam
Production



Sri Lanka: The new season in Sri Lanka has just begun and is reported to be short. There has been a 30-40% drop in crop production which can be attributed to poor yield and the markets have opened on a high price. With demand being constant and steady depreciation of local currency, price of green pepper is climbing. Farmers perceive that by the time bold peppers start arriving, prices would have surged further. The rising price of crude oil as well as other economic factors will keep the price in the new season volatile.

30-40%
↓ Sri Lanka production

Sri Lankan Economic Crisis

Sri Lanka has been grappling with one of the worst economic crises it has ever faced. A severe shortage of foreign currency has left the government unable to pay for essential imports, including fuel, food, and medicines. As a result, the supply chain for commodities is deeply affected by the scarcity of petroleum and crude oil. In addition to that, several international shipping lines have begun skipping Colombo Port owing to port congestion, creating logistical challenges. All of this indicates a further increase in the price of the commodities.

GARLIC

Major garlic-growing regions are in Madhya Pradesh. The crop area has increased as the farmers shifted from coriander crops to garlic and ajwain owing to better prize realization. There has been a 30% increase in the production area. We can expect a downward trend in prices. Already the prices have dropped by 40%.

30% ↑ Production area
40% ↓ Price



PAPRIKA CHILLI

India: The production of paprika chilli was severely affected due to unseasonal rain and Black thrips attack. In spite of the higher acreage of Chilli, pest infestation and rains adversely impacted the yield, pushing the prices up. Currently, carry forward stocks are low, markets are on the verge of closing and arrivals have reduced considerably. In the coming months, as buyers would depend on material kept in cold storages, prices would increase due to material scarcity.

China: With attention being diverted to essential food crops, no change is seen in the acreage for Chilli farming. Stringent measures adopted by China to counter COVID outbreaks have been hurting the global supply chains. Some of the major seaports and airports have been under lockdown. Although harvesting of Paprika chilli stands completed, there could be logistical challenges including port delays and high freight rates, that would critically affect the trade resulting in price fluctuation.

CAPSICUM CHILLI

The crop output from Telangana, Andhra, and Madhya Pradesh has reached the markets. The production was acutely affected by Western thrips attack and untimely rain. The prices started rising steadily post December 2021 due to the same. The unanticipated decline in production had forced the farmers to bring materials stocked in cold storage early to the market. In addition to that, most of the farmers were forced to use non-recommended fertilizers to counter thrips attacks which led to a shortage of pesticide-compliant varieties. This would inevitably lead to a surge in the prices for pesticide compliant raw material.



CUMIN SEED

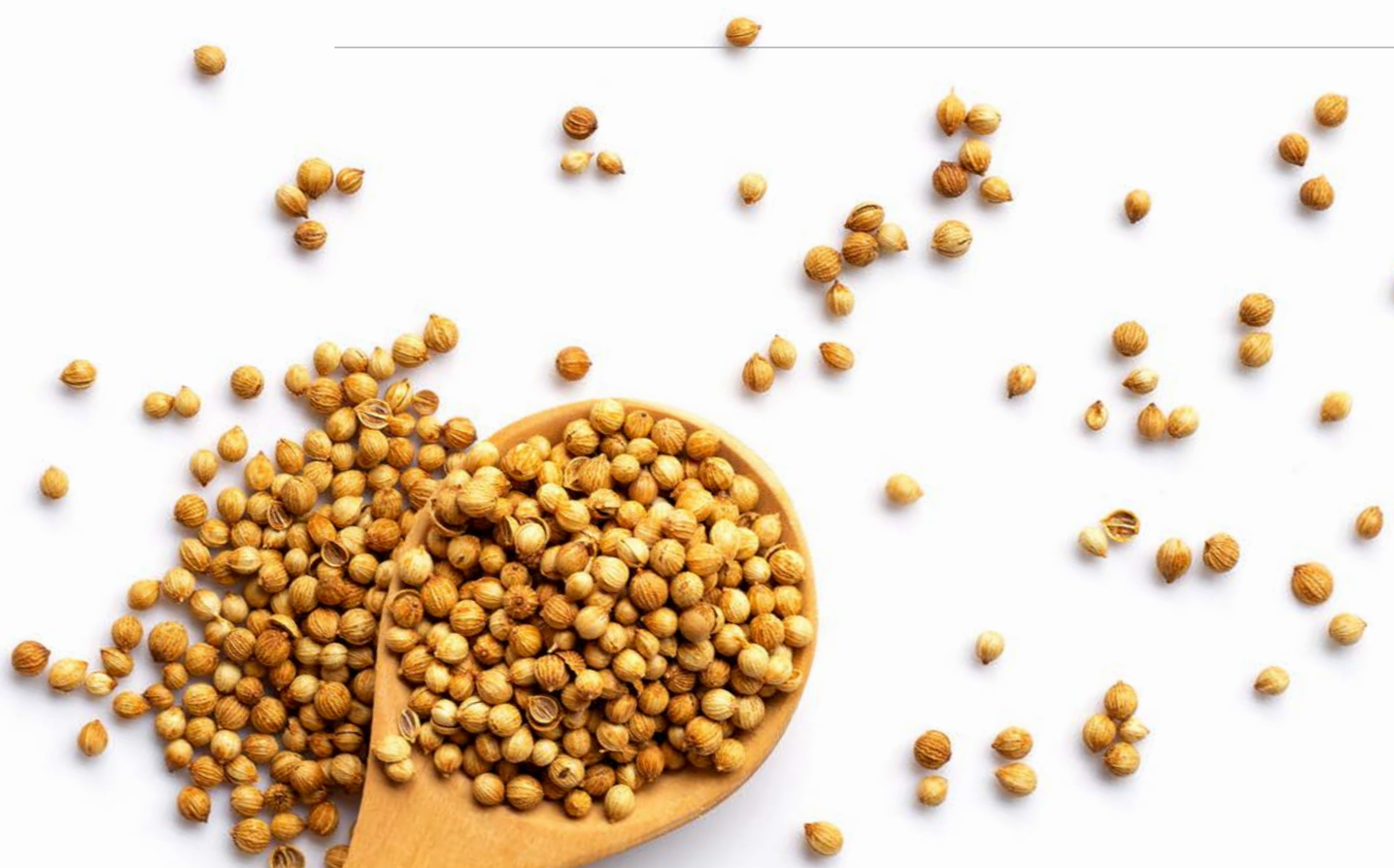
Indian Cumin harvest season is from March to May. Crop production is expected to be 30% lower than the previous year. As indicated in our previous report, price of the commodity has remained stable with high rates. Currently, Indian Cumin is priced at US\$ 3.2 - 3.3/Kg. On comparison with the previous year, the number of lots coming to the market has decreased significantly, owing to low crop. The crop area has also decreased, as more farmers have shifted to mustard production. The carry forward stock is low and the prices are expected to increase.

30%
↓ Crop production

FENUGREEK SEED

Crop sowing has improved in all the major growing regions in Madhya Pradesh, Rajasthan, and Gujarat as the crop fetched good prices at the beginning of the year for the farmers. Production area has increased by 20%. With favorable weather, we expect good crop this year. The material arrival to the market is good. Hence, we can expect a downward trend in prices. There has already been a 15% decrease in fenugreek price from the start of the year.

15%
↓ price



CORIANDER

Russia and Ukraine are two major producers of coriander. With the ongoing conflict, there have been logistical difficulties due to which the supply chain has been impacted. Sanctions from countries and ban from SWIFT have further complicated the trade. The sellers have invoked the Force Majeure clause for the pending contracts to ship the commodity out of the country. This has led to a shortage of the commodity and a resultant price increase. If the war continues, prices could shoot up due to shortage and Coriander from other regions could find favour.

TURMERIC

Indian Turmeric harvest season in Karnataka, Telangana, and Andhra is from February to May. In the last season, farmers benefitted from good prices and this prompted a 10% increase in the growing regions. Currently, 95% of the harvest is completed in the majority of the growing regions and the produce is kept for drying. One of the major challenges that could affect production is unseasonal rain. Prices are expected to be stable.



GINGER

In India, the area of ginger cultivation has increased by 20% this season, but the yield has been poor which resulted in a 10-15% drop in crop production. As prices fell significantly during the close of last season, farmers' spending on crop inputs reduced which affected the yield. This season, material arrivals are good and are expected to remain in good supply this season. The carry forward stock is low and the prices are expected to remain stable in the short term.

15%
↓ Production

CARDAMOM

We have reached the end of the current season for Indian cardamom. Most of the harvesting is over and we have low yield material arriving in the market. New season will commence in the month of August with fresh arrivals hitting the market right from the first week. No major crop damage has been reported as yet. We expect a good crop ahead.



CELERY

The arrival of new crops has begun in the first week of May, though arrivals started slow. The sowing for this season was 30% lower than last season. This was attributed to the low price realization farmers received for celery during the last season. Farmers had switched to growing wheat in areas that were earlier planned for celery. Early onset of summer and very high temperatures may lead to lower yield. For this reason, farmers are expecting 25% less yield this time. Carry forward stocks are low.

25%
↓ Crop production

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