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Bullish demand, modern storage facilities set to stabilise chilli prices

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Kochi, Mar 28: Good demand and cold chain facilities developed by affluent farmers are likely to help stabilise the chilli market, which otherwise could ease because of strong arrivals. According to a Spices Board report, chilli production for 2010 is expected to go up by 10%-15% because of increase in acreage, low incidence of diseases and use of high-yielding hybrid varieties.

Production in the Guntur belt, the biggest chilli growing area in the country, is estimated to go up by 17%-20%.

Chilli prices have gained a tad in the last four trading sessions due to lower than expected arrivals at the terminal market.

Nalini Rao of Angel Commodities Broking said that arrivals have not peaked and are likely to take some more time. "The mandis are closed for some days from Monday and this may also help firm up the market in the near-term. The outlook for the short-term is bullish," she said.

"The stocks in the Guntur market is lower by 8 lakh bags as compared to the stocks at the same time year which was around 30 lakh bags," Sudha Acharya of Kotak Commodity Services said.

She is also positive on the short-term outlook based on good demand from both the domestic and exports markets.

Consumption of chilli is increasing substantially with the branded powder sales growing at a compound annual growth rate of 11% while the spices mix category is growing at a CAGR of 7%, according to the Spices Board report.

The growing trend of hot cuisine is expected to lead to an increase in chilli demand, and the country is uniquely positioned to exploit it, the report said. India is a major producer and consumer of chilli in the world. It produces around 12-13 lakh tonne and the crop is

Hot & sweet

Scene in Guntur market (price in Rs/kg)

2004-05	28.71
2005-06	24.57
2006-07	49.48
2007-08	40.60
2008-09	48.11
2009-10	50.75



Source: Spices Board

sown in almost 6-7 lakh hectares.

In the long-term, the market would ease as arrivals increase, felt Nalini Rao. Increased arrivals would lead to more exports, she said. Exports are likely to increase as the Chinese crop is on the lower side, Rao added. Indian chilli exports fell in the first half of the current financial year with China displacing it in the Pakistan market.

In the first half of 2009-10, exports to Pakistan were nil as against 22,000 tonne during the year-ago period. Chilli exports picked up from October and during January 2010, India exported around 17,500 tonne valued Rs 120 crore as against 11,500 tonne valued at Rs 69 crore in January 2009, a 52% increase in volume.

Following good returns from chilli farming in the past few years, farmers are now holding stocks and selling the crop as and when it suits them. "They are now better equipped with money, infrastructure and information to deal with the market fluctuations," traders said.