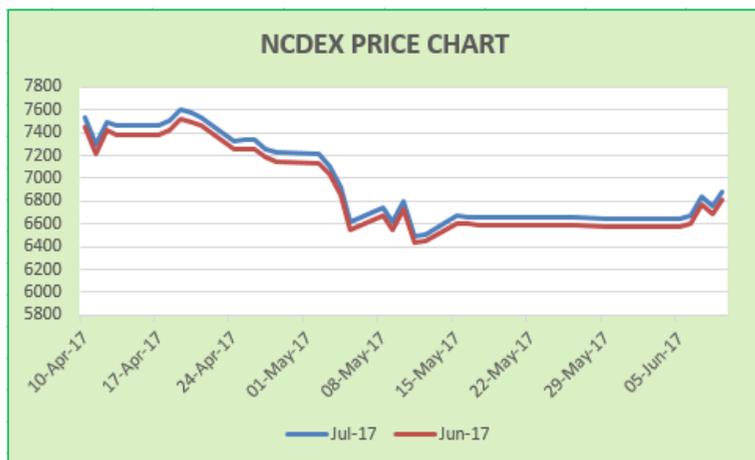


## Red Pepper (Chillies) – Farmers’ agitation peaks as prices tumble...

### Technical



Prices have been consistently declining and have registered a 30% drop since March. Forward contracts are trading at a small premium.

NCDEX Close INR/Quintal	June	July
09-June-2017	6,814	6,886

### Outlook

Can a glut really justify such a volte-face? Prices have dropped to absurdly low levels. The bullish market of the last season has been trampled under its own weight without leaving traces of the past. Farmers are feeling betrayed and seeking answers from Government. The state political machinery has gone into overdrive to announce some quick relief measures raising minimum support prices for chilly farmers. There are still some varieties which have escaped the brunt of lower prices quoting lower production. Cold stores are full, roads leading to market yards are flooded with Red Hot Chillies which is losing its colour under the hot summer sun. Vacations have been cancelled. Attempts are being made to push sales in a market that refuses to offer respite. Will the debt-stricken farmers risk their investments in chillies farming again or will wisdom prevail, is for time to tell. And for the one last word, *future can't be worse than before...*

### Current Market

#### Andhra Pradesh & Telangana

We are seeing a trend reversal. There are apprehensions over the pattern of inflows. Bewildered traders say they have been in business for the past 50 years but never seen this kind of a market onslaught. Higher arrivals are justified by a 45% increase in area under production. Unbelievably high arrivals during off-season have left traders doubting if this could be the outcome of demonetization. Have the sluice gates been thrown open for unaccounted stocks to return to market yards? There are no definite answers but it is providing more fodder for agitation.

Rising **May** temperatures had kept buyers away but farmers who had turned road-side hawkers were unwilling to budge till political parties stepped in to announce Minimum Support Prices. Average daily arrivals during May were around 68-70,000 (42kgs) bags. Sales failed to pick up despite cancellation of annual **Guntur Auction Centre** Holiday. Against a normal production of 1.2 million tonnes, crop this season is anticipated around 1.4-1.5 million tonnes.

Cold store stocks are pegged around 10 million bags. But hardly 50% may meet export quality standards. It is difficult to predict what the future holds. Will it be another year of high stocks and low prices? Or will farmers shift from chillies farming to alternate *Kharif* season crops? Is it just a temporary phase which will fizzle away in quality rows, is for *time to tell...*

#### Karnataka

Weather defies its usual charm as winter has lost its relevance, summer is extending beyond its peak months and water crisis is worsening amidst consecutive years of failed monsoon. Karnataka is facing its worst drought in four decades. Karnataka is the first Indian state to record *Rabi* crop (winter crop) damage. There is no water left for irrigation say sources and little left to drink may not be sufficient if rains remain elusive for some more time. The only option left with farmers is to shift to cotton farming which they are still contemplating.

A lower yield has kept **Byadagi** prices higher. **Dabbi Byadagi** variety popular for its high colour ruled at ₹ 120-140/Kilo (US\$2/Kg). Prices of all other grades have dropped in line with Guntur market and are trading much below US\$ 1/Kg.

#### Madhya Pradesh

It has been another bad year for Chilly farmers of this region with weather playing a spoilsport. Most of the local demand is being met from Guntur market which is coping with burgeoning surplus.

Ground preparations for the next season have started as monsoon sets in. This crop is unlikely to have a major impact on a market that is already saddled with excess inventory.

#### Tamil Nadu

A merciless summer and mounting water problems had left this region with little farming options. Crop size remained miserably low. A drop-in production of **Mundu**, the famed variety to 25% of a normal crop year has raised speculative interest. With Guntur coping with the problem of plenty, this region has been completely side-lined.