# CHILLI

**World Spice Congress,**
**February 4, 2010, New Delhi**

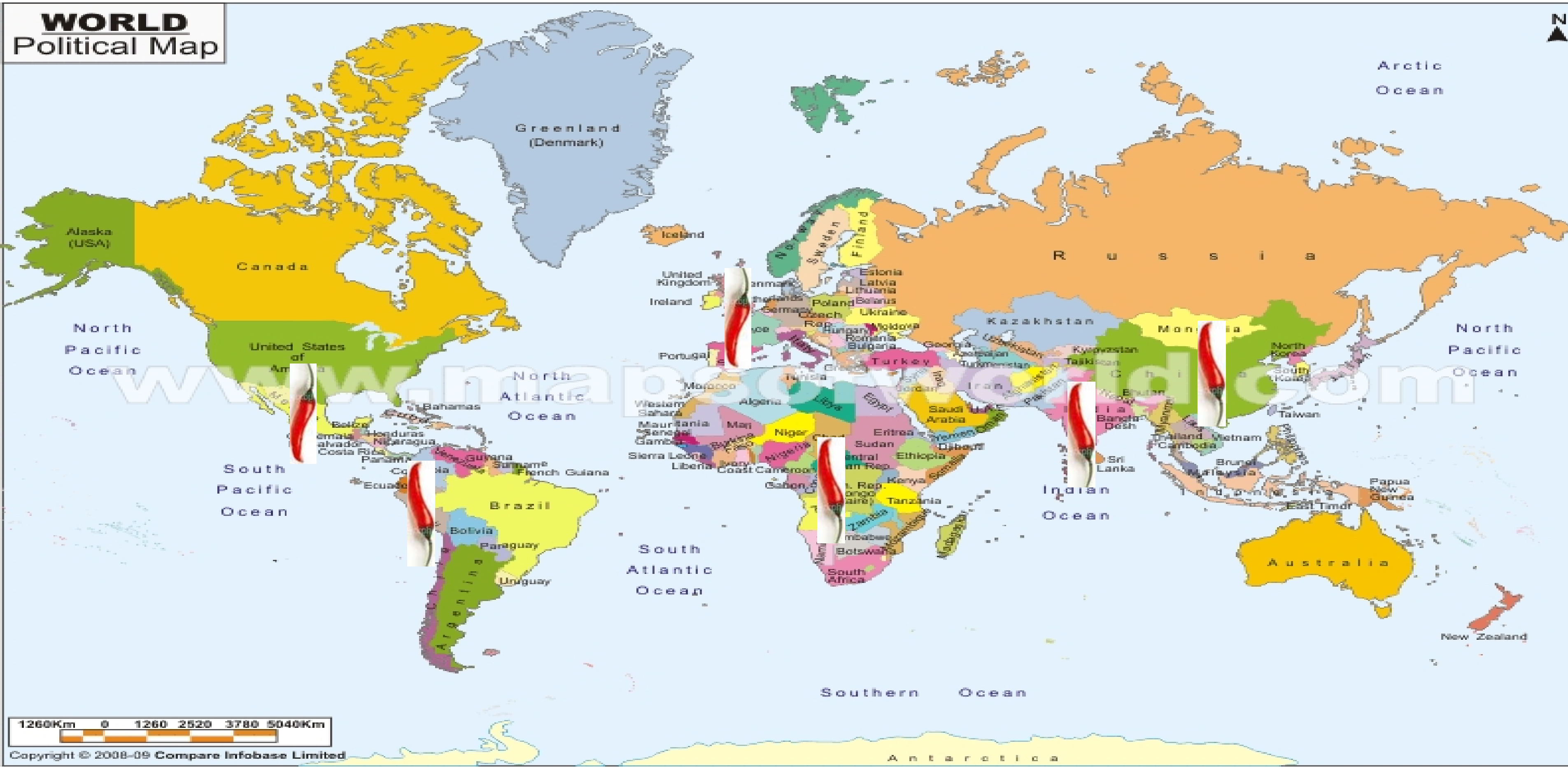
ITC Limited

**ITC Limited – Agri Business Division-ILTD**

# THE CHILLI REPORT

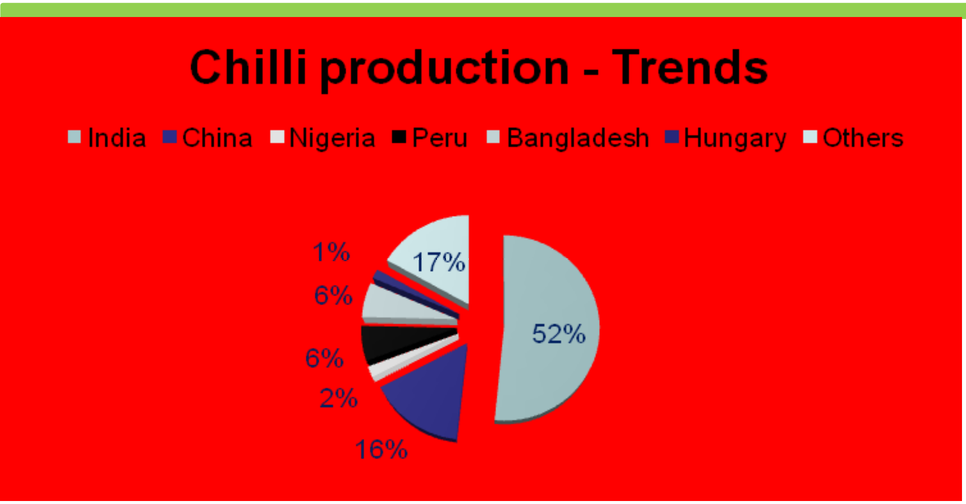
- Global and Indian scenario
- Global concerns…Indian response
- Future focus
- Conclusion

# GLOBAL SUPPLY SCENARIO

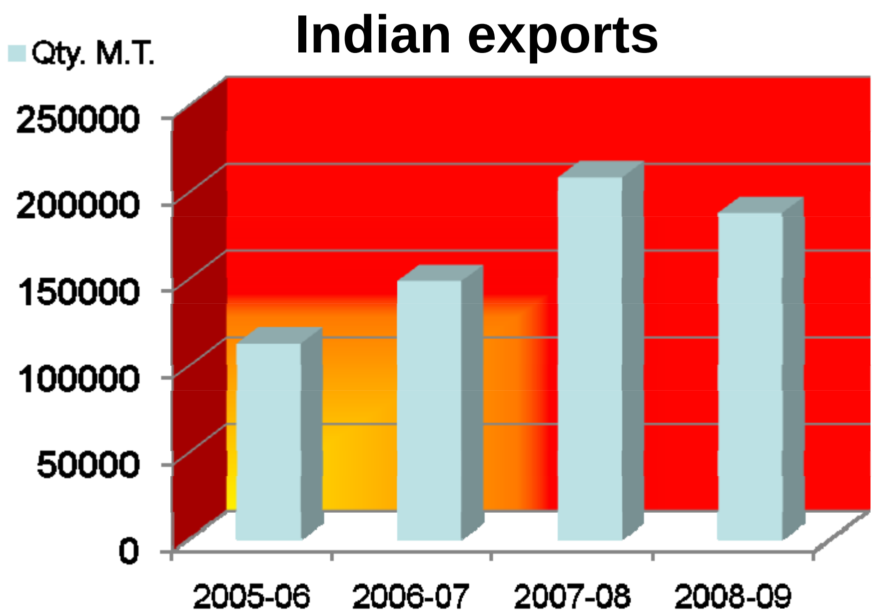



- The geographical spread
  - Traditional zones – India and China
    - Stability of supplies – Indian supplies double in the last 5 years
  - New Upcoming Regions
    - Peru – a major force in world trade in < 10 years
    - Vietnam – impact ??

# GLOBAL SUPPLY SCENARIO




- Major countries growing @ CAGR 5.2%
- Indian share ranging from 50% - 60%
- China and Peru – fastest growing
- De-growth in Hungary



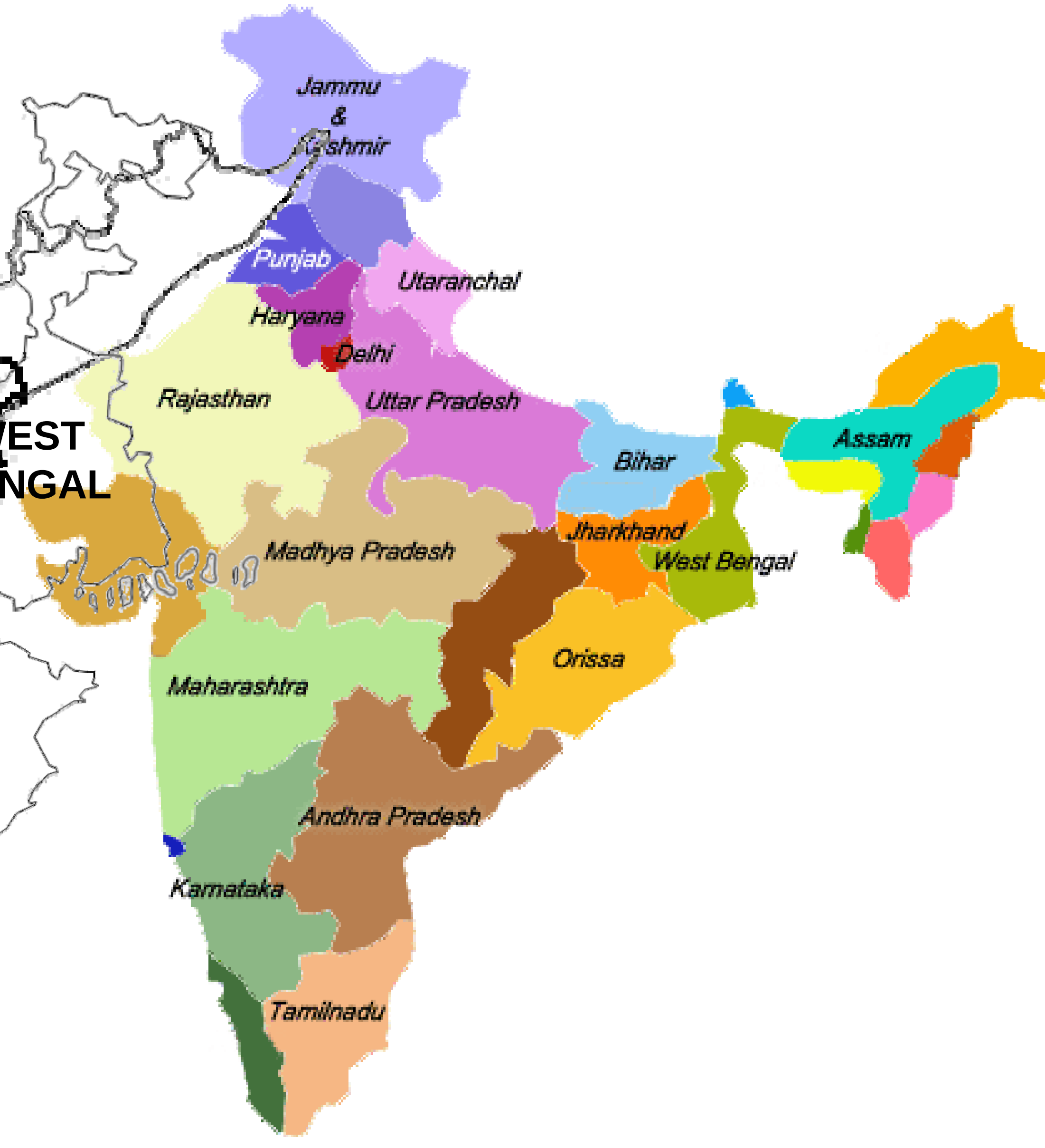

- India : Dominant share in world trade
  - World Trade @ 400,000 MT
  - 5 Years CAGR : 11%
- China : fluctuations due to weather related losses
- Peru & China – dominate Paprika trade
- India – the only viable 'heat" source

# Indian Scenario

# INDIAN SCENARIO

- Emerging growth zones


- Fluctuating supplies
- Home stead to commercial farming
  - ➢ Naga Chillies
  - ➢ Cherry Pepper
  - ➢ Birds eye chilli
- Weather disturbances in core growing areas
- Alternate growing zones – accelerating growth



# INDIA – THE 5 YEAR TRENDS

| Year | Acreage ( '000 Ha) | Volume ('000 Tons) | Productivity (Kg/Ha) |
|---|---|---|---|
| 2005 | 737 | 1185 | 1544 |
| 2006 | 654 | 1014 | 1550 |
| 2007 | 737 | 1242 | 1685 |
| 2008 | 805 | 1297 | 1611 |
| 2009 | 750 | 1167 | 1550 |

*Min. of Agriculture, GOI*

- India – a steady supply base with potential for enhanced scale and scope
  - Steady increase in productivity - growing share of hybrids
    - 2010 crop anticipated to be a normal crop
  - Acreage fluctuations
    - Shortage of labour and inclement weather major influences (rather than price) during 2007 – 2009

# CHILLI BALANCE SHEET

| Particulars '000 Tons | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|
| C/F Stocks | 100 | - | 30 | 20 |
| Production | 680 | 1100 | 950 | 1000 |
| **Supply** | **780** | **1100** | **970** | **1020** |
| Domestic | 632 | 871 | 762 | 830 |
| Export | 148 | 209 | 188 | 160 |
| Ending stock | - | 30 | 20 | 30 |

- Increasing export off-take during last 3 years – dwindling end stocks
- Production response to pricing not apparent in the last 4 years – unfavourable weather conditions

# ISSUES IMPACTING PRICE

- The dynamics
  - Consumption & Convenience – on the rise
    - Value addition driving growth
      - Branded Powder sales growing @  CAGR 11%
      - Spice Mixes growing @ CAGR 7%
    - Increasing share in Indian spice exports – from about 8% to 15% in the last 4 years
  - The rise of e-commerce
    - Alternate price discovery mechanisms – NCDEX…….
    - Volatility to persist – "THE INFORMATION BULL-WHIP"
  - Farm Cost of cultivation
    - Labour and farm costs accelerating
      - 25% increase in overall costs ; **50% increase in labour related costs in the last 3 years**
      - Cost – benefit ratios declining – land lease and crop inputs escalating rapidly
      - **Farmer interest to sustain only if remunerative prices prevail (vis-à-vis competing crops)**

# 2010 CHILLI CROP - FEATURES

- Crop status
  - 10 - 15% increase in planted area and production estimated in 2010
    - Guntur – increase of 17-20%
    - Good quality – no major disease incidence
  - Crop arrival delayed by a month (Peak arrivals : March)

- Hybrids replacing O.P. varieties
  - Declining trend of S4 variety
  - Range of varieties : > 40000 - 125000 SHU
  - 40000+ SHU and 100+ ASTA varieties on the increase

Prices during peak season expected to be lower by 10 – 15% subject to estimated supply and normal demand conditions

# Addressing Global concerns

# INDIA - ADDRESSING GLOBAL CONCERNS

- Government and regulatory bodies
  - New Food law replaces PFA Act
    - Norms for microbiology, PR, Aflatoxin
    - Encourages grinding units to obtain HACCP; Traceability
  - Spices Board initiatives
    - Mandatory testing for Aflatoxin and Sudan – exports
    - Task force for IPM implementation in  major growing areas
    - Assistance for Organic and IPM programmes
    - Support infrastructure
      - Spices Parks – end-to-end capability
      - Augmented Spices Lab facilities

# INDIA - ADDRESSING GLOBAL CONCERNS

- Initiatives across the value chain - Pro-active measures by Industry
- Customized growing programmes
  - IPM
    - 6000 – 8000 MT under contract/contact programmes
    - Potential to scale up 5 times in the next 5 years
  - Organic
  - Post harvest management

# INDIA - ADDRESSING GLOBAL CONCERNS

- Enabling infrastructure in place with few industry majors
  - World class processing infrastructure
    - Best in class processing plants
    - FSMS programme : all major manufacturers
      - BRC/AIB/ HACCP facilities
    - Sterilization
      - ETO, Steam and Irradiation facilities

# INDIA – FUTURE FOCUS

- Enhancing Productivity – sustaining competitiveness
  - Range from 1500 kg/Ha to 5000 kg/ Ha. – to reach benchmark levels
  - Coordinated farm extension activities

- Crop Technology
  - High yielding varities
    - Seed – purity and integrity
  - Harvesting
    - Labour –the foremost challenge
    - Mechanization + New harvesting methods
  - Post harvest technology
    - Adoption by the entire chain (farmer – trader – processor)

- Climate disturbances
  - New growth zones – to sustain overall production targets

# INDIA – FUTURE FOCUS

- Infrastructure
  - Continuous upgradation of processes
    - Mechanization of  intermediate processes
    - Investment in latest technologies by all serious players
  - Logistics value chain
    - Agile  and responsive processes
    - Port and warehouse chains
- Growing international trade and NTBs
  - Address global concerns on Aflatoxins, PRs, contaminants
  - Harmonization of Global and Indian standards

# CONCLUSION

- The growing “ Hot” cuisine trend will drive Chilli consumption and demand
  - India uniquely positioned – current and future focus measures will help consolidate
- Coordinated effort by the Government and Industry - relevant infrastructure required to unlock true potential
  - Sustain and strengthen farmer interest
  - Balanced pricing strategy – driven by productivity & innovation
  - Seamless supply chain
- Upgradation of technology across the entire supply chain – a key driver of growth

# Thank you!

ITC Limited

K.Devender Reddy
ITC Limited – Agri Business Division-ILTD

# GLOBAL SUPPLY SCENARIO

- Supply dynamics
  - Paprika - source drift from EU and Africa
    - China and Peru dominate world supplies
    - India : untapped potential ??
  - Issues impacting supply
    - Weather
      - Unseasonal rains and weather impact Karnataka crop twice in the last 2 years
      - China – floods a recurring issue
    - SPS norms and quality; contaminants
      - Aflatoxin and PR norms
    - Trade agreements and duties