



CHILLI

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

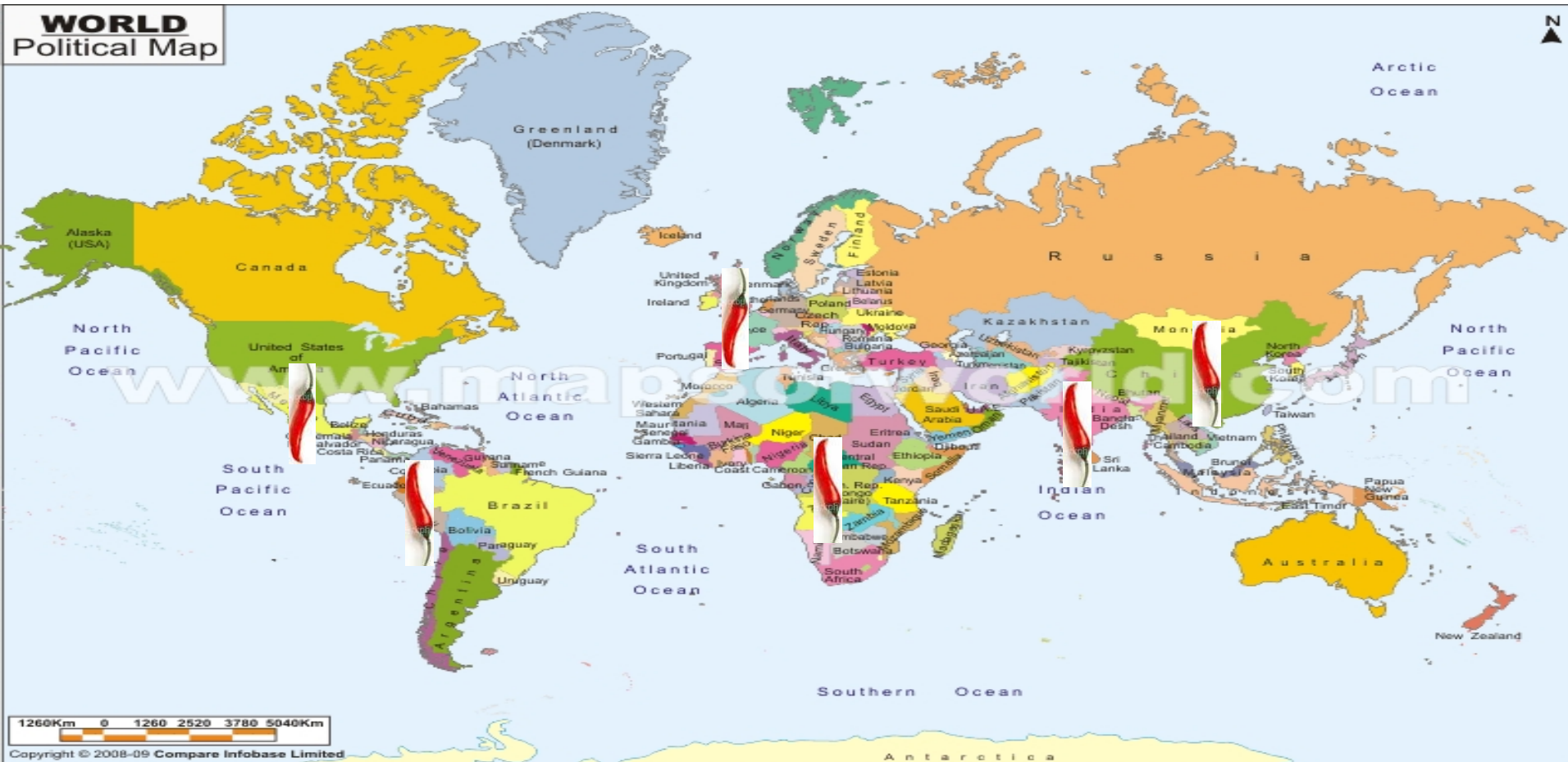


ITC Limited – Agri Business Division-ILTD

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

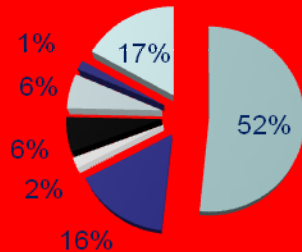
■ New Upcoming Regions

- ◆ Peru – a major force in world trade in < 10 years
- ◆ Vietnam – impact ??

GLOBAL SUPPLY SCENARIO

Chilli production - Trends

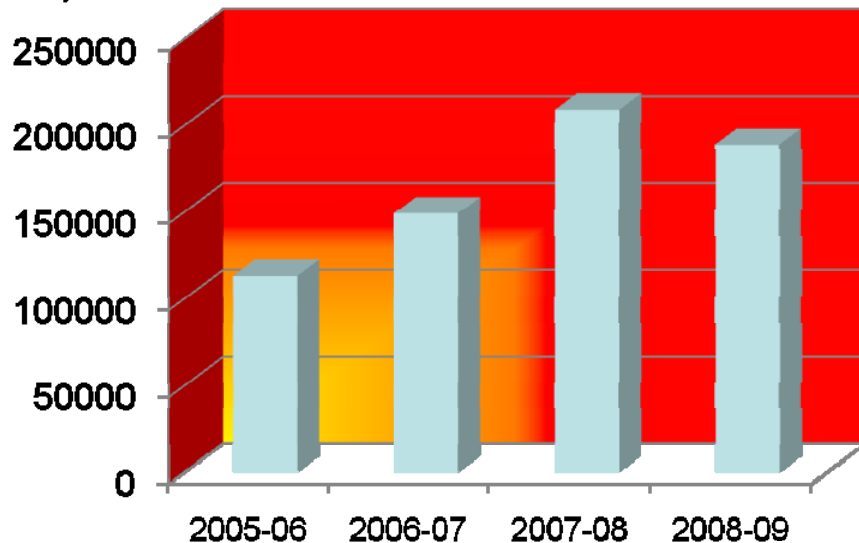
■ India ■ China ■ Nigeria ■ Peru ■ Bangladesh ■ Hungary ■ Others



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

Indian exports

■ Qty. M.T.

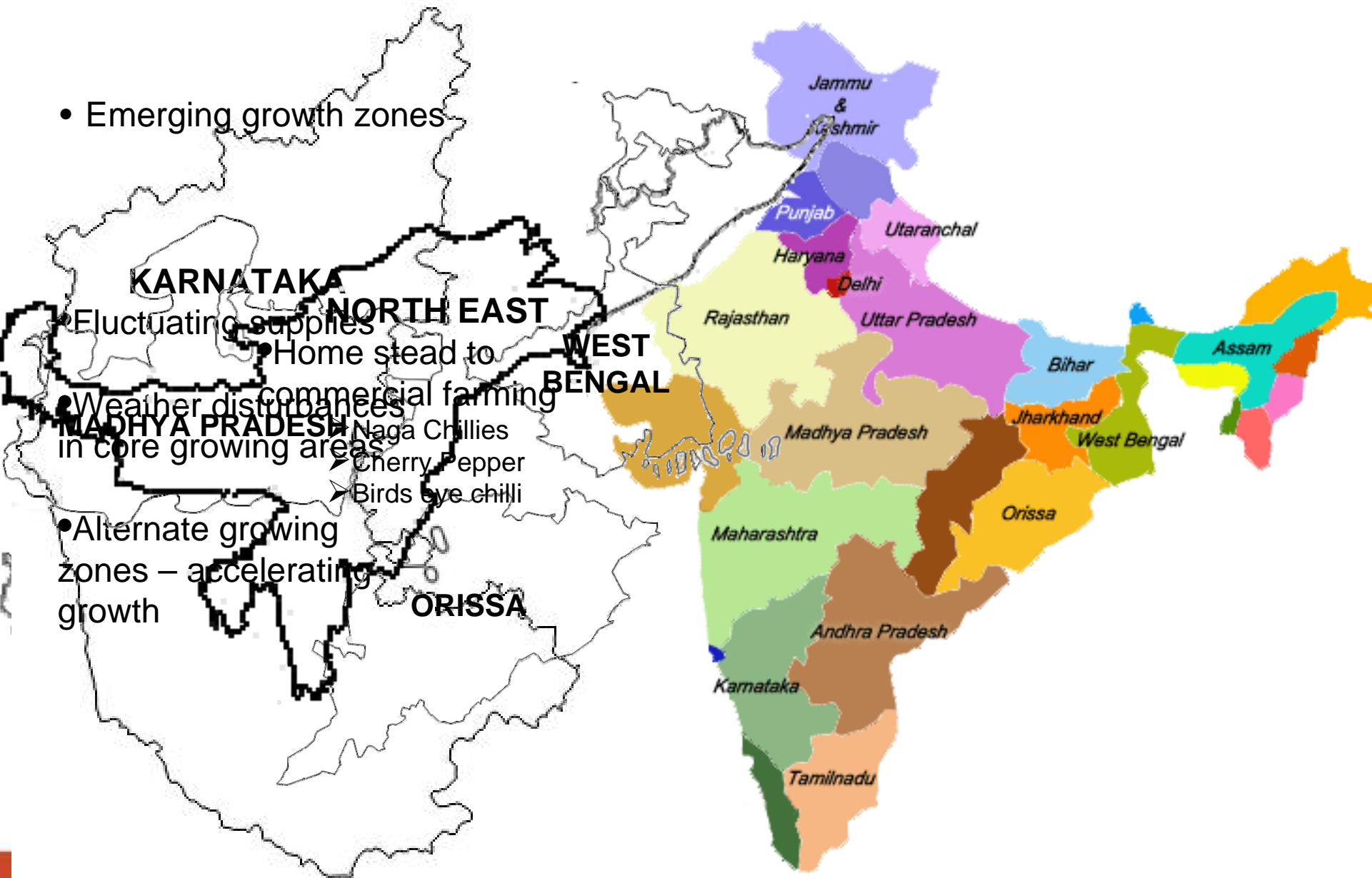


- India : Dominant share in world trade
 - World Trade @ 400,000 MT
 - 5 Years CAGR : 11%
- China : fluctuations due to weather related losses
- Peru & China – dominate Paprika trade
- India – the only viable ‘heat’ source

Indian Scenario

INDIAN SCENARIO

- Emerging growth zones



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 varieties
 - ✿ 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!



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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