



PAPRIKA POWDER **Market Status : January 2010**

Objective & Scope

This report is intended as a guide to market direction for the clients of Champagne Foods. However, it is based on trade sources, it is not definitive and should not be taken as a binding offer to supply.

The report addresses sweet paprika powder. Paprika oleoresin and its raw materials are not considered. It focuses on supply side changes and observed prices rather than on demand for paprika powders.

Agricultural Supply & Price Movements

Until recently, Peru produced the bulk of the world's supply of whole dried sweet paprika pods with Zimbabwe effectively disappearing as a significant source.

However, during 2008 & 2009 China undertook a very big increase in plantings of sweet paprika and has become a real competitor to Peru. Last year, this increase in supply led to significant price reductions at the end of the Chinese crop and beginning of the Peruvian crop. As a result, plantings in Peru for the 2010 crop were reduced by around a third.

The 2009/10 Chinese crop is expected to be around 20,000 mt. Prices started higher than for last crop and have already increased by 20% since harvest commenced in September/October. This increase has been amplified by a lower crop of chillies in China, due to lower prices for chillies last year. Processors in China use low grade sweet paprika pods to boost the quantity of ground chillies they can produce and this has inflated paprika pod prices.

For now, the only crop available from Peru is the smaller one grown in the North. This crop is traditionally of inferior quality with lower colour and higher ochratoxin levels. Therefore, JNG tend to avoid purchasing from this part of Peru.

The next main crop from Peru will start in March 2010 and is expected to reach 28,000 mt., down from around 40,000 mt. seen in recent years. Its high colour level and low aflatoxin and ochratoxin levels make it ideal for the production of high quality paprika powder and for extraction.

Prognosis

Due to the reduced main crop from Peru and additional demand in China for chilli powder extension, we are forecasting steadily increasing prices through 2010 and into early 2011, when the next Chinese crop will arrive in Europe and planting areas in Peru will be known.

Further pressure on supplies could occur if Mexico resumes significant consumption of Peruvian pods, but in its weakened economic state this is thought unlikely at the moment.

Accordingly, we believe that prices will not moderate until early 2011 and therefore would advise going relatively long on paprika powder contracts up to that date.

For further information and offers please call your usual sales contact at Champagne Foods Ltd. or phone the Weybridge office on 01932 820589.