

## Paprika, Red & Green Chile



Olam Spices is progressing with the integration of our newly acquired green chile business. The addition of this premium line of green chiles, jalapeños and Mexican sauces to our existing chile portfolio has allowed us to provide customers with an even wider array of solutions, as well as scalability, to help satisfy the rising consumer demand for authentic Mexican spices and chile ingredients.

As always, our customers can trust that we are following the business advisory set by the US government and all our paprika and red chile ingredients are free of raw material or blending ingredients originating from the Xinjiang region of China.

Customers should note, increasing sea freight costs and shipping delays from international origins have created major supply chain challenges, adding to the rise in demand for US grown organic paprika and chile peppers. We are also happy to announce our organic paprika is now AtSource Plus verified.



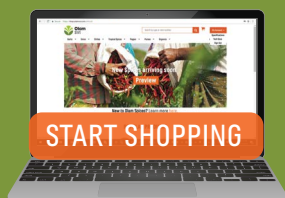
## US Paprika/Red Chilies

The US crop is moving into the 3rd month of the growing season and has been progressing well. The slightly cooler weather has helped the crop overall with no reports of crop damage. While farmers in Mexico have been facing challenges finding crop acres due to an increase in competition from other crops and water availability. Overall, the US Southwest and Mexico are preparing for a large crop to meet the increasing demand for raw materials originating from the Southwest region.

The increase in organic acreage, further solidifies the Southwest as the largest producer of organic paprika and low heat chiles in the world. However, our growers have been challenged with inflationary cost increases of ag inputs, freight, labor shortages and the increasing minimum wage.

## US Green Chiles/Jalapeños

Currently, our green chile supply lines are flowing freely as harvest draws to a close in Southern Mexico and the focus on Central Mexico intensifies. Above average crop yields are still being experienced and we see no indications of any supply shortages.



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Looking toward the June and July harvest in South Central Mexico, there are no current indications of supply interruptions. Supplies of agricultural product remain strong, despite a national shortage of carrier operators.

Our contracted organic season has ended, as harvest moves up into the interior of Mexico. Contracted jalapeños and tomatillos are slightly delayed due to the lack of water availability in that region. Current crop estimates indicate normal yields with slight delivery delays.

The summer green chile and jalapeño crops in the southwest US and Northern Mexico are in full production. The early transplanted acres are showing indications of bloom set, with fruit set beginning in the coming weeks. The early direct seed fields are at the thinning stages. With low numbers of replanted acres and better than normal stands indicate that the summer crop will mimic the Winter and Spring pattern of strong harvest potential.

## China

Initial estimates of new crop planting show a 5 - 10% decrease, with heavy competition from subsidized alternative crops. Chinese processors have been struggling with Xinjiang-origin challenges and the inability to prove traceability to key buyers in US.

Transportation costs to Europe and the US continue to rise, keeping raw material costs to these locations high. The routing of Xinjiang origin paprika through other origins in China and international processing locations seems to continue.

## Peru

Overall crop yields turned out to be much lower than anticipated. No proper crop estimates, a difficult political situation and the inability to travel to growing regions to estimate crops, have been cited as reasons. This is leading to a situation of high prices at farm gate and rampant contract default. Table, or Mesa, paprika continues to be at record high prices. Delayed and lower planting in the northern region is being reported and could lead to a challenging 12 months.

## Other Origins

Limited land availability and farm level costs have restricted Spain's ability to increase domestic acres and import large amounts of raw material from China and Peru for processing. However, they do have normal acreage for organic paprika. Israel continues to produce normal quantities of organic and conventional product. Industry players have tried to expand into other origins to compensate for the challenges in Xinjiang, but with travel restrictions due to COVID-19, those efforts continue to be limited.

## 🔍 FUTURE OUTLOOK

- Conventional paprika and low heat chiles from traceable origins like the US will remain very tight through 2021 as the business advisory/ban on Xinjiang grown raw material continues. Ensuring that your requirements are covered will be critical
- Customers should continue to review not just the true origin of the paprika and chile but all the ingredients used to blend down the color of paprika products as well
- Organic paprika and chile is very limited in supply globally. Customers should review the origin as well as the authenticity of the organic source, as well. The availability of "tested and cleared material" is prevalent
- Olam will continue to support its customer with true Southwest grown conventional and organic chiles and paprika. We are increasing crop coverage significantly on to meet customer demand for "true origin" products
- Improving arrival of green chile and jalapeños in Spring 2021 has eased up inventory tightness. Booking retail and ingredient orders early will be key to uninterrupted finished goods supply for rest of the year

Olam Spices will continue to be your most reliable primary supplier of traceable and sustainable, true paprika, chili peppers, chili powders and green chile ingredients. We are happy to discuss your requirements for rest of 2021 and 2022, whenever you're ready.