



**SENSIENT<sup>®</sup>**

**NATURAL INGREDIENTS**

**MARKET REPORT**

**CAPSICUMS & CHILI VARIETALS**

**March 2023**

Tel: 209-667-2777

Email: [sni.sales@sensient.com](mailto:sni.sales@sensient.com)

[sensientnaturalingredients.com](https://sensientnaturalingredients.com)



## USA/SOUTHWEST

2022's New Mexico and Arizona chili harvest was completed in December following a season of severe weather conditions starting with a cold snap early on, intermittent hail storms and flooding from heavy rains in August and September. Despite the severity of weather, only 20-25% of the crop was lost with the remaining harvest meeting quality expectations.

Planting acreage, while increased versus prior year, was sufficient to ensure ample supplies needed to meet 2023 demand. Grower costs continue to remain elevated, driven by higher fuel, fertilizer and labor expense, adding further pressure on growers to turn to more lucrative crops. Yields on organic chili were also impacted by weather, and while supplies are tight, all contracted volumes will be covered.

### Green Chili

Despite difficult weather conditions, the US crop of green chilies, harvested in the Fall, came in as planned. Quality and yield are sufficient to satisfy recent increases in customer demand for green chilies.

## MEXICO

Unseasonal rains, heavy flooding and hailstorms impacted the Northern region of Mexico significantly. Crop damage resulted in shortfalls of all varieties grown in the region including paprika and red chili.



## PERU

2022 Peruvian paprika crop produced as planned for both volume and quality, however, shipping disruptions impacted by global political unrest, a shortage of truck drivers, port congestion and an imbalance of shipping containers caused major delays.

Planting for 2023 was completed in mid-October with no known growing issues at this time, but with elevated grower costs primarily driven by fuel, fertilizer labor and other operating expenses. The total Peruvian paprika planting area has declined over recent years, cannibalized by higher value crops such as blueberries, grapes and avocados.

Sensient has expanded its planting footprint in Peru in an effort to mitigate regional supply risks, meet all regulatory requirements - including pesticide and Defect Action Limits - and ensure continuity of supply for clean label, legally-compliant capsicums. Sensient expects to produce all volumes necessary to supply contracted volumes without interruption.

## ASIA

### China

COVID-19 outbreak constraints in the supply chain continue to affect availability in the market. Demand from oleoresin producers has not subsided, keeping prices high. China, as a whole, has experienced a reduction in ground capsicums destined for the U.S. market due to duties on Chinese imports and U.S. State Department advisory on supply chains with origins to the Xinjiang province, from which a majority of Chinese paprika originates.

### India

Indian harvest suffered heavy rains and infestation causing wide-spread crop damage and a shortfall in supply. New crop red pepper will remain limited, especially the component that meets all US regulatory requirements for light filth and pesticide MRL's (Maximum Residue Limits).



## SPECIALTY & VARIETAL CHILIES

Consumer demand for global cuisines and hot, spicy tastes derived from natural ingredients is on the rise. Trends in food and beverage NPD reveal mainstream varieties such as cayenne, jalapeño and chipotle, being used in “mocktails”, functional beverages and desserts more for their sensory attributes than their ethnic profiles. Social media, restaurant callouts and menu mentions of New Mexico Hatch™, Ancho, Guajillo, Habanero have popularized these emerging varieties making them highly sought after for NPD. SNI continues to contract with its approved growers to satisfy increased demand for specialty chilies and ensure continuity of supply.

## OUTLOOK

The U.S. capsicum market is currently experiencing tightness and will continue to do so for all ASTA specifications through Fall 2023. Increased demand for domestically-grown capsicums, coupled with supply chain challenges from foreign sources, have driven prices up commensurate with higher growing costs and decreased availability.

Last year’s supply chain issues regarding clogged shipping lanes, port congestion and labor shortages have eased, although some shipping lanes costs remain elevated.

With its expanded global footprint, Sensient has secured ample inventories of chili, paprika and specialty varieties to satisfy demand. Customers are encouraged to communicate volume requirements for all capsicums and varieties as soon as possible to ensure availability within specification.