

## SPICES

April 03 - April 08, 2006

### Overview:

- Gujarat: Govt. Removes VAT on Jeera, Other Export Oriented Agri Products
- Pepper Expands Share in UK Market
- IndianPepper Prices Lacks Competitiveness
- Pepper Market Eyes on India Srilanka CEPA Talk
- Vanilla: Caught in the Vicious Circle
- Pepper Market Expected to Revive on Extension of Export Subsidy
- Cardamom Prices Falls on Higher Production

### News Highlights

#### Gujarat: Govt. Removes VAT on Jeera, Other Export Oriented Agri Products

In Gujarat the Minister of state for finance has recently announced that no VAT will be levied on export oriented agricultural products. This will include farm produce like Jeera, groundnut, sesame and castor etc. This announcement was made as a result of protest of several traders against levy of 4% Value added tax on their commodities. The government was forced to revoke this tax policy as most of the markets were closed by traders across the state since the announcement of implementation of VAT in the state. The news is in favor of these commodities and according to the Minister a notification for the removal might be issued later

#### Pepper Expands Share in UK Market

The government of UK in order to encourage healthy eating has decided to promote sale of pepper in its domestic markets. The consumption of pepper across the globe is increasing with a rate of 3.46 percent per annum. The country this year expects sales to increase by around 55 percent as against previous year. The pepper sector in UK witnessed a 5 percent YOY growth. The market is anticipating this year sales to be worth pounds 31 million. This increase in consumption might bring in opportunities for pepper growing and exporting nations like Vietnam, India, Srilanka, Brazil, to cash in some handsome profits.

#### IndianPepper Prices Lacks Competitiveness

The exports of jeera in the first half of this fiscal year declined. During this time period exports worth 4300 tonnes of cumin with a value of around Rs. 33.44 crores were recorded. This was against 8500 tonnes

with a value of Rs. 62 crore in the previous year. The exports are declining on higher prices offered by India as against its major competitors Syria and Turkey. The crop this year is good and climate so far has remained favourable for it.

#### Pepper Market Eyes on India Srilanka CEPA Talk

Colombo, Srilanka will be hosting a four day's trade talk on comprehensive economic partnership Agreement (CEPA) from April 24, 2006. The talk has been delayed for about a month and will cover certain controversial issues, of which shipments of pepper will be an important matter of discussion. India imports pepper from Srilanka at low rates and Indian market holds a wide area in total exports of pepper to India.

#### Vanilla: Caught in the Vicious Circle

Vanilla production in the country is decreasing these days due to lower interest of farmers. India produces around 150-200 tonnes of vanilla every year and most of them are exported to other countries after value addition. According to the market sources, this year production of vanilla is expected to be around 130 tonnes. Further due to lower acreage, the production in the next year is expected to come down to 120 tonnes. This fall in the production of vanilla is mainly due to fading interest of the farmers in this crop, as they are fetching lower prices. According to the Spice Board sources, Vanilla is not a regular crop and farmers produce it off and on depending upon the price situation in the domestic and international markets. As vanilla production cost is high and the farmers are getting only around Rs. 240 to 260 per kg, they are no longer much

interested in vanilla production. As vanilla production is irregular, the exporters pay lower prices to the farmers, as they risk themselves of not collecting a marketable lot. Thus, this is becoming a vicious circle of production and prices of vanilla. However, in the international markets, the prices are in the comfortable range and demand is also good. As the demand for Vanilla is good in the international market, efforts are needed from Spice Board and Indian Government to promote the farming of vanilla in the country. The Spice Board has set a export target of 75 tonnes during the current year. But due to low availability it is difficult to achieve this target. Last year after lots of efforts, India could able to export mere 38 tonnes against a set target of 50 tonnes. At present only 60000 hectares is being covered under vanilla crop. If spices Board provides some incentive to vanilla farmers and exporters its acreage can be increased. Vanilla has great potential in the international markets. But the decreasing production is not a good sign for its future.

#### Pepper Market Expected to Revive on Extension of Export Subsidy

The luster of pepper is market is now expected to come back as the Commerce Ministry has decided to extend export subsidy for pepper till the exports touched the targeted 20,000 tonnes. Earlier the Centre had announced a subsidy of Rs 7 a kg and of which, Rs 5 would be for exports and Rs. 2 for transporting the commodity to the domestic market. The subsidy was available for exports of 20,000 tonnes of exportable quality Indian black pepper till March 31, 2006. As there were only 4,000 tonnes of black pepper exported so far, the exporters had demanded from the Government to extend it till the export target set by the Commerce ministry is achieved. This news is likely to give some boost to the pepper market, which is passing through a dull

patch now days. As the exporters are caught in the financial crunch due to non-refund of sales tax by Kerala government, the export activity is drowsy these days in pepper. Adding to this, India's major rival in pepper export, Vietnam has entered the international market with an added advantage of competitive. Vietnam is offering ASTA grade at \$1575-\$1600 C&F while Indonesia at \$1,650, Brazil at \$1,700 as against Indian parity of \$1,725 a tonne. As the India pepper is known for its quality, this extension of subsidy will give an extra weapon to the Indian exporters to combat in the International market in the price front too. Demand is coming certain pockets in the world market and we will see the desired lustre coming back in the pepper market in days to come.

#### Cardamom Prices Falls on Higher Production

The prices of cardamom declined on bumper production this year. The prices declined to an average Rs. 200 per Kg as against Rs. 622 per Kg in the year 2001 – 2002. The producers are expecting the prices might fall further and in the next season this decline might continue on increased production. The average arrivals this month was of around 100 tonnes. The trading sources are expecting total production to be of around 15000 tonnes as against 12000 tonnes estimated by spices board. In Delhi market yesterday Cardamom color Panwali and Color robin traded at Rs. 180 – 185 per Kg., color bold 6.5 mm traded at Rs. 200 – 210 per Kg and extra bold 7 mm at Rs. 220 – 240 per Kg. Super extra bold 7.5 mm traded at around 320 – 340 per Kg. Cardamom hand picked traded range bound at Rs. 425 – 465 per Kg.

#### Domestic Prices For the week ending 01.04.2006:

Spice	Grade/Variety	Market	Price (RS/KG) For The Week (01.04..06)	Price (RS/KG) For The Week (25.03.06 )	Last Month (RS/KG)Same Week (01.03.06)	Last Year Same Week (RS/KG) (02.04.05)
Black pepper*	Malabar garbled (mg-1)	Cochin	71.17	70.80	73.50	68.05
Cardamom	(Small) Ungraded	Vandanmettu	195.58	196.71	186.94	290.58
Cardamom	Cardamom (large)	Gangtok	100.00	95.00	95.63	68.13
Chilli	Non -cold storage Cold storage	Guntur	35.00 NIL	35.40 33.60	33.00 32.50	23.75 NIL
Ginger	Best	Cochin	47.00	48.50	52.50	110.00
	Medium	Cochin	37.00	38.80	42.50	37.00
Turmeric	Alleppey finger (AFT)	Cochin	47.50	47.50	47.50	50.00
	Rajapuri	Mumbai	51.50	51.50	53.50	49.25
	Duggirala	Mumbai	26.75	26.75	25.75	25.00

Coriander	Indori 5%	Mumbai	28.75	28.75	22.75	19.00
	Kanpuri M/C	Mumbai	29.00	29.00	25.50	21.25
Cumin	1%	Mumbai	60.00	60.00	61.25	73.75
	4%	Mumbai	53.75	53.75	56.25	68.13
Clove	Grade 1	Cochin, Nagarcoil	285.00	285.00	285.00	230.00
			280.00	275.00	270.00	225.00
Cinnamon		Delhi	50.00	50.00	51.00	52.50

International Spot Prices for the week ending 24.03.2006:

Spice	Origin/Grade	Market	Price For The Week (24.03.06) (US\$/TON)	Price For The Week (17.03. 06) (US\$/TON)	Last Month Same Week (24.02.06) (US\$/TON)	Last Year Same Week (24.03.05) (US\$/TON)
Black pepper	Malabar garbled (mg-1)	New York	1720	1720	1720	1676
Cardamom (small)	Guatemala Fancy green	New York	7950	8820	8820	8820
	Indian 7mm bold	Saudi Arabia	7720	7720	8000	10830
Chillies	Indian sannm-4 (stem less)	New York	1654	1610	1477	1257
Ginger	India cochin	New York	2381	2536	3197	3528
	Chinese peeled	New York	1985	2072	2456	3197
Turmeric	Indian ground India Alleppey finger	New York	NIL	1213	1213	1213
			1852	NIL	2051	1985
Garlic	Chinese	New York	2845	2756	2756	1610
Coriander	Canada	New York	772	772	772	772
Cumin	Syrian	New York	1764	1764	1808	1940
	India		1808	1808	2021	2073
Fennel	Indian (Asta) Egyptian	New York	1698	1742	1521	1300
			1610	1610	1477	1300
Fenugreek	India/turkey	New York	750	750	750	750
Clove	Mad/zanz/com/ Indo Sri Lanka (hand picked)	New York	4740	4740	4851	4123
			7166	7166	7166	7166
Cinnamon	Ceylon h2 cinnamon (soft bark)	New York	5843	5843	5843	4630

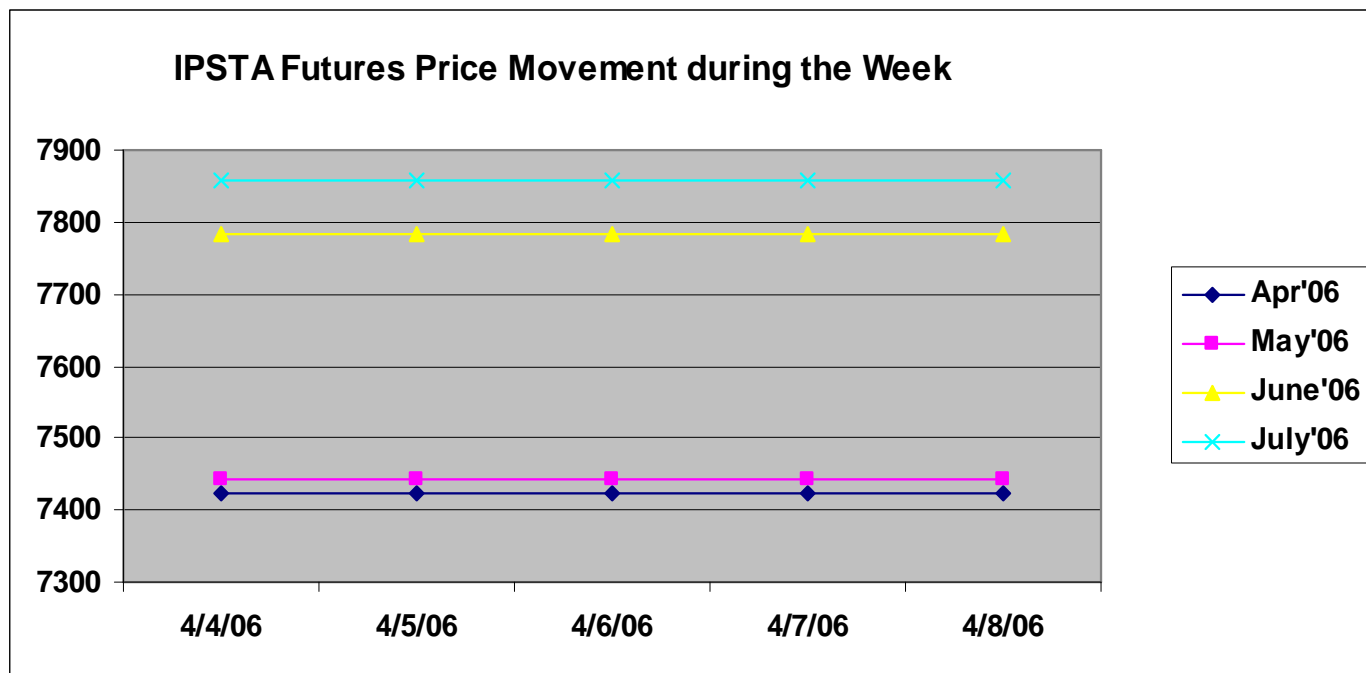
## Market Analysis:

### Pepper:

#### Kochi Market:

##### A Brief Weekly Fundamental Analysis of IPSTA Pepper Futures Trading

The graph below is displaying the closing prices for different contract months at the IPSTA during the week. Prices followed spot market sentiments and remained steady throughout the week. The prices would most likely to move range bound with slightly bearish undertone in coming days.



Movement of Garbled and Ungarbled prices at Kochi during the week (Rs/quintal):

Pepper	4/03/2006	4/04/2006	4/05/2006	4/06/2006	4/07/2006	4/08/2006
Ungarbled	6750	6750	6700	6700	6700	6700
Garbled	7150	7150	7100	7100	7100	7100

The prices of both Garbled and Ungarbled grades remained mostly steady to slightly bearish during the whole week. The prices remained steady to weak on harvesting of crop in Karnataka and Vietnam. Vietnam has slashed its prices and Indian prices are still not up to parity with its major competitors. The news of extension of export subsidy has not helped the market to recover as most of the EOU's and SEZ's are not allowed. The market is waiting for government's decision for these export units and also of India Srilanka bilateral trade talk regarding duty free exports of pepper from Srilanka. According to trading sources the crop is less by around 50 percent this year. In the coming week market may see range bound to slightly bearish movement in prices.

#### Delhi Market

Black Pepper prices at Delhi Mandi remained steady to slightly weak this week also. The prices declined on less demand and harvesting in pepper growing regions of Karnataka. The traders are expecting the pepper prices to show mixed sentiments and move range bound to swards a slightly bearish side in coming days.

	Mar27 - April1	April 03 - April 08
Golden Unpolished	78 – 80	76 - 80
11.5	85 – 90	85 – 90
No. 12	100 – 105	100 – 105

Note: Prices are in Rs. per Kg.

#### Turmeric:

##### Erode Mandi:

Turmeric market at Erode remained closed throughout this week. The supply of turmeric is expected to increase once market reopens. The prices are expected to trade weak once the market reopens.

	Mar27 - April1	April 03 - April 08
Loose Finger	2400 - 2525	Closed
Bilty	2600 - 2650	Closed
Loose Gattah	2300 - 2425	Closed
Bilty	2550 - 2600	Closed

Prices are in Rs/ Qtl.; NR: Not Reported;(1 bag=75 Kg)

##### Nizamabad Mandi:

Turmeric prices in Nizamabad market remained range bound. The market remained closed on the last two days of the week thus didn't give much chance to the prices to fluctuate. The arrivals on Monday were high and increased to 30000 bags and thereafter were in the range of 12000 – 15000 bags. Once the market reopens arrivals might increase this might lead to slight fall in prices.

	Mar27 - April1	April 03 - April 08
Nizamabad Gattah (New)	2200 - 2250	1900 - 2020
Nizamabad Finger (New)	2350	2100 - 2250

Note: Prices are in Rs/ Qtls.; NR: Not reported

#### Delhi Mandi:

Turmeric prices for most of the grades at Delhi market remained steady and became slightly weak by the weekend. The absence of demand for turmeric resulted in slight fall in prices. The prices are expected to remain steady to weak in the coming week.

	Mar27 - April1	April 03 - April 08
Nizamabad finger	2750	2750 – 2725
E.Finger mini Selam	3100	3100 – 3075
E. Single polish Gattah	2800	2800 – 2775
E. Double polish Gattah	3100	3100 – 3075
Warangal polish	N.A.	N.A.
Selam Finger	4000	4000

Note: Prices are in Rs/ Qtl.

#### Clove:

##### Delhi mandi:

Clove prices at Delhi market remained steady to range bound for most of the grades. According to trade sources the crop in major clove producing regions is less this year Srilanka crop is less by around 25 percent and in Indonesia and Zanzibar less by 40 – 50 percent. India is an importer of Cloves and with lower domestic production the prices are expected to improve in coming days. Traders are expecting prices to remain steady to slightly firm in the coming days.

	Mar27 - April1	April 03 - April 08
Indonesia	273 – 280	275
Ketan	280	280
Colombo	250	250
Madagascar	250	250
Zanzibar	280	280

Note: Prices are in Rs/Kg

#### Cumin:

##### Unjha Mandi:

Cumin prices at Unjha market continued to trade slightly firm during this week. The arrivals of jeera decreased slightly and were in the range of 10000 – 15000 bags as against previous week's 10000 – 19000 bags of 55 Kgs. each. The demand for jeera is high and daily offtake of the commodity was of around 95 – 100 percent. According to trading sources recent rains have deteriorated the quality of jeera crop in Gujarat and some damage to the crop has been reported from Rajasthan. The demand for jeera is high and stockists are buying jeera. Buying from domestic and international markets was visible. On the reopening of markets the supply might increase along with increase in demand thus prices of jeera might remain range bound with a slightly upward movement.

	Mar27 - April1	April 03 - April 08
Kisan Mal-FAQ (New)	1160 - 1250	950 - 1160
Ganesh	1140 - 1250	1125 - 1200
M/c. Cleaned	1250 - 1350	1150 - 1550

Note: Prices are in Rs/20 Kg

##### Delhi Mandi:

Cumin prices at Delhi market mostly remained steady with a slightly bearish undertone. The demand for jeera is expected to increase. The prices for jeera might remain steady to slightly firm in coming days.

	Mar27 - April1	April 03 - April 08
Ganesh New	62	62 - 61.75
FAQ	56	56 - 55.75
M/c. Cleaned	59	59 - 58.75
M/c Cut	66	66 - 65.75

#### Red Chillies:

Guntur Mandi. :

Red Chilli prices for different grades at Guntur Chilli Market traded weak during this week. The prices declined on hefty this week. The daily arrivals during this period were in the range of 150000 – 65000 bags as against 40000 to 100000 bags previous week. According to trading sources chilli crop this year is less by around 40 – 50 percent. With increasing supply and moderate demand the prices might be decline.

Grades	Mar27 - April1	April 03 - April 08
(LCA 334) Dry	3100 - 3550	3200 - 3400
(LCA 334) Moisture	3100	2700 - 3100

Note: Prices are in Rs/Qtl, NR-Not Reported

#### Delhi Mandi:

Chilli prices in Delhi market declined during this week. The prices declined following increasing supply at major chilli markets. The demand for chilli remained moderate. The traders are expecting the prices to remain steady to slightly bearish for few days.

	Mar27 - April1	April 03 - April 08
Guntur Pala	4500	4500
Guntur Fullcut	5500	5200 – 5300
Guntur Packing (new)	4600 – 4700	4600 – 4700
Nagpur Pala	4300	3600 – 3700
Nagpur Fullcut	5200 – 5300	4700 – 3800
Nagpur Packing	4400 - 4500	N.A.

Note: Prices are in Rs/Qtl

#### Cardamom:

Delhi mandi

This week Cardamom prices for most of the varieties continued to trade steady to slightly firm. According to the trade sources the total production is expected to be of around 15000 tonnes as against 12000 tonnes estimated by spices board. In India the crop outflow this is year is more and most of the major markets in Karnataka witnessed heavy inflow of Cardamom. Recent rains in Kerela might be beneficial for crop; therefore the prices may fall further. Cardamom prices are expected to remain steady to weak in coming days.

	Mar27 - April1	April 03 - April 08
Panwali	180 – 185	180 - 185
Colour Robin	180 – 185	180 - 185
C Bold 6.5mm	190 - 210	190 - 195
Extra Bold 7mm	200 – 240	215 - 220
Handpicked	350 - 465	350 – 405

Note: Prices are in Rs/kg

#### Coriander:

Delhi Mandi

The prices of Coriander at Delhi market this week remained steady throughout. Coriander seed crop has started arriving in the primary markets as harvesting in Rajasthan, Bihar and Uttar Pradesh is under progress. According to trade sources, the quality of the crop has damaged due to rains in major growing areas and production this year is less. The prices of Coriander during the week may remain steady to slightly firm.

Coriander Grade	Mar27 - April1	April 03 - April 08
FAQ (Chalu)	3100 - 3300	3100 - 3300
Medium	3400 - 3500	3400 - 3500
Green	4200 - 4800	4200 - 4800
Extra Green	5000 - 5400	5000 - 5400

Note: Rate Per Quintal

#### Technical Analysis:

Commodity: Black Pepper

Exchange: NCDEX

Contract Month: April 2006

Candlesticks are showing bearish sentiments. Stochastic oscillator is in neutral region. MACD is in negative zone and bearish. Moving averages are

indicating weakness. Black pepper April contract in the beginning of the week might recover slightly and thereafter might decline.



**Recommendation:** go for short position at price recovery. The prices would be in the range of 7170 – 6926 in this week.

#### Commodity: Turmeric

Exchange: NCDEX

Contract Month: April 2006

Candlesticks are reflecting indecision. MACD is in negative region and bearish. Stochastic is in oversold region. Moving averages are indicating bearish

sentiments. The contract might trade bearish in the opening of the week and then prices might recover slightly only to be bearish by the end of the week.



**Recommendation:** Go for Short position at higher levels. The prices would be in the range of 2215 – 2110 this week.



Commodity: Cumin (Jeera)

Exchange: NCDEX

Contract Month: April 2006

Candlesticks are reflecting bullish sentiments. MACD is in negative zone. Stochastic oscillator is in neutral region and is bullish. The prices may move bullish in

the beginning of the week and lately may observe a slight fall in prices due to profit booking.



**Recommendation:** The prices are expected to recover go for Long positions. Prices may move in the range of 5649 – 5958 in this week.

Commodity: Red Chili

Exchange: NCDEX

Contract Month: April 2006

Candlesticks are indicating bearish sentiments. Stochastic bearish in oversold region and is MACD is in negative zone. Moving averages are indicating bearish sentiments. In the beginning of the week the

contract might decline further and thereafter the prices might bounce slightly and then might continue to decline.



**Recommendation:** Go for short position at price recovery. The prices might range between 3061 – 3342 during this week.



## WEATHER WATCH (As on 08.04.06)

### ALL INDIA WEATHER FORECAST BULLETIN VALID FOR NEXT 5 DAYS

#### Weather Outlook

Ongoing rainfall and thundershower activity over northeastern states is likely to continue until at least 12<sup>th</sup> April, 2006. Isolated to scattered thunderstorm activity with hailstorm/squall is also likely over West Bengal, Kerala, south interior Karnataka, Rayalaseema, Chattisgarh, coastal Orissa, Jharkhand, east UP and Bihar in coming days. As expected earlier, a new western disturbance has already approached Jammu and Kashmir and adjoining hilly region today and is expected move slowly in eastward direction in coming days. Under its influence scattered to fairly widespread rains/ snow is likely over the hilly region of north-west India until 11 April. Adjoining plains viz. Punjab, Haryana including Delhi, West UP may experience isolated rains/thundershowers during same period. Mainly dry weather is likely over rest regions of the country. Prediction suggests that the current heat wave conditions over parts of Rajasthan and some pockets of west Haryana and NW India would recede under the influence of western disturbance with in 24hrs from now. However, heat wave conditions over northwest Madhya Pradesh, UP and Telangana may continue for 2-3 more days. Thereafter respite is expected gradually in over plains of north India.

#### NORTH & NORTH NORTHWEST INDIA [J&K, HP, UTTANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

Scattered to fairly widespread rain/snow is expected over hilly regions till 11<sup>th</sup> April, 2006. Isolated

rains/thundershowers are also likely over adjoining plains viz. Punjab, Haryana including Delhi and west UP around 9-10 April, 2006.

#### EAST AND NE INDIA [EAST UP, BIHAR, JHARKHAND, WEST BENGAL, ORISSA, NE STATES]

Scattered to fairly widespread rain/thundershowers accompanied with isolated hail/ squalls are likely over NE States and West Bengal & Sikkim in coming 3-4 days. Isolated to scattered rains are also likely in Bihar, coastal Orissa, and Jharkhand regions as well.

#### CENTRAL INDIA [MP, CHATTISGARH, VIDARBHA]

Chattisgarh is likely to experience isolated thunderstorm activity during next 2-3 days. Mainly clear weather is likely to prevail over rest region.

#### SOUTH INDIA [TAMILNADU, AP, KERALA, KARNATAKA, ANDAMAN & NICOBAR ISLANDS, LAKSHADEEP]

Isolated to scattered rainfall is expected over Bay Islands, coastal Tamilnadu, south/north interior Karnataka, Rayalaseema, coastal Andhra Pradesh and Kerala during next 3-4 days.

WEST INDIA [MAHARASHTRA OTHER  
THAN VIDARBHA, GUJARAT, RAJASTHAN]  
Mainly dry weather may prevail over the region. However some parts of north Rajasthan may experience thunderstorm during 10-11 April 06.

**Source: GOI (NCMRWF& IMD)**

#### Disclaimer

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