

SPICES

January 01-06, 2007

Overview:

- Domestic Pepper, Jeera Maintained Firmness during Week
- Domestic Chilli, Turmeric Traded Mostly Steady during Week
- Higher Prices of Spices Raised Export Value by 29% in Apr-Nov

News:

Higher Prices of Spices Raised Export Value by 29% in Apr-Nov

Indian spices exports during April-November 2006 has witnessed a rise of 29 percent in value terms at Rs. 2040 crore, thanks to the higher prices of spices in general. During the corresponding period of last year India exported spices valued at Rs. 1576. However, spices export has increased only by 1 percent in quantity terms during the period at 224357 tonnes. India has so far achieved 82 percent of its export target of Rs. 2500 crore, while in quantity terms 73 percent of the target is achieved.

In the spices export basket, pepper, chilli, cumin, vanilla, ginger and mint products have registered significant increase during this period. India has exported pepper valued at Rs. 166 crore during this period, up by 89 percent as compared to same period of last year. Export of chilli has increased by 41 percent in value to touch Rs. 380 crore. Cumin (Jeera) remains the leader with its export increasing by 224 percent in value terms and 236 percent in quantity terms during the same period.

Spices: Domestic Prices for the Week Ending 30.12.2006:

| Spice | Grade/Variety | Market | Price (Rs/Kg) For the Week (30.12.06) | Price (Rs/Kg) For the Week (23.12.06) | Last Month (Rs/Kg) Same Week (02.12.06) | Last Year Same Week (Rs/Kg) (31.12.05) |
|---------------------|------------------------------|-------------|--|--|--|--|
| Black Pepper | Malabar Garbled (MG-1) | Cochin | 99.8 | 97.67 | 109 | 71 |
| Cardamom (Small) | (Auction Price) Ungraded | Vandanmettu | 273.37 | 262.69 | 265.68 | 222.71 |
| Cardamom (Large) | Bada Dana | Gangtok | 100 | 102.5 | 96.25 | 100 |
| Chilli | Non -cold storage | Guntur | - | 55 | 40.6 | 16.2 |
| | Cold Storage | Guntur | - | 63.6 | 65.2 | 28 |
| Ginger | Best | Cochin | 50 | 55 | 60 | 72.5 |
| | Medium | Cochin | 45 | 45 | 50 | 60 |
| Turmeric | Alleppey finger (AFT) | Cochin | 40 | 40 | 40 | 50 |
| | Rajapuri | Mumbai | 54.5 | 54.5 | 54.5 | 55.5 |
| | Duggirala | Mumbai | 23.75 | 23.75 | 24.5 | 28.13 |
| Coriander | Indori-5% | Mumbai | 28.75 | 28.75 | 29.75 | 22.75 |
| Cumin | 1% | Mumbai | 88.13 | 86.25 | 83.75 | 68.75 |
| | 4% | Mumbai | 81.25 | 78.75 | 75.63 | 64.38 |
| Clove | | Cochin, | 320 | 320 | 320 | 225 |
| | | Nagarcoil | 230 | 260 | 270 | 240 |

Source: Spices Board of India

Spices: International Spot Prices for the Week Ending 29.12.2006:

| Spice | Origin/Grade | Market | Price For the Week (29.12.06) (US\$/MT) | Price For the Week (22.12.06) (US\$/MT) | Last Month (01.12.06) (US\$/MT) | Last Year Same Week (30.12.05) (US\$/MT) |
|---------------------|----------------------------|--------------|---|---|---------------------------------------|---|
| Pepper | Malabar Garbled (MG-1) | New York | 2911 | 2911 | 3043 | 1720 |
| Cardamom (Small) | Guatemala Fancy Green | New York | 8820 | 8820 | 8820 | 8820 |
| | Guatemala Mixed Green | New York | 2867 | 2867 | 2867 | 2867 |
| | Indian (AGEB) | Saudi Arabia | 10040 | 9740 | 9480 | 7840 |
| Chillies | Indian SANNM-4 (Stem less) | New York | 2646 | 2646 | 2646 | 1477 |
| Ginger | India Cochin | New York | 1962 | 1962 | 1962 | 3418 |
| | Chinese Peeled | New York | 1830 | 1808 | 1808 | 2866 |
| Turmeric | India Alleppey Finger | New York | 1852 | 1852 | 1852 | 2051 |
| Garlic | Chinese | New York | 2602 | 2602 | 2624 | 2756 |
| Coriander | Canada | New York | 838 | 838 | 838 | 772 |
| Cumin | Syrian | New York | 2315 | 2315 | 2381 | 1830 |
| | Indian | New York | 2315 | 2315 | 2315 | 2315 |
| Fennel | Indian (ASTA) | New York | 1984 | 1984 | 2095 | 1521 |
| | Egyptian | New York | 1654 | 1654 | 1654 | 1367 |
| Fenugreek | India/Turkey | New York | 992 | 992 | 992 | 750 |
| Clove | Mad/Zanz/Com/ Indo | New York | 4410 | 4410 | 4410 | 3748 |
| | Sri Lanka (Hand picked) | New York | 9371 | 9371 | 7166 | 7166 |
| Cinnamon | Ceylon H2 Cinnamon | New York | 5843 | 5843 | 5843 | 5292 |

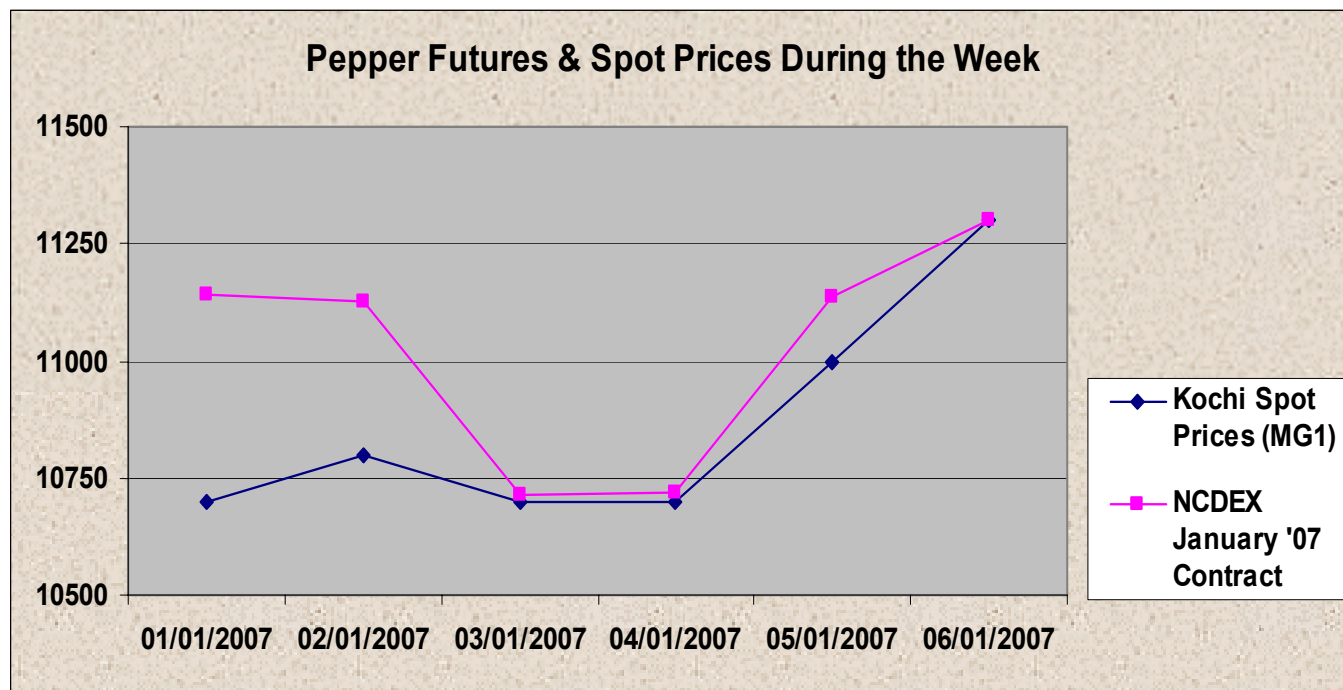
Source: Spices Board of India

Fundamental Analysis:

Pepper:

A Brief Weekly Analysis of Pepper Spot and Futures Trading

The graph below is showing the pepper prices in Kochi market and the near-month January contract prices in NCDEX. The near-month futures remained above the spot prices for most part of the week with a maximum difference of Rs. 442 on Monday. However, the near month futures prices as well as spot prices coincide on Saturday.



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

| Pepper | 01/01/2007 | 02/01/2007 | 03/01/2007 | 04/01/2007 | 05/01/2007 | 06/01/07 |
|-----------|------------|------------|------------|------------|------------|----------|
| Ungarbled | 10100 | 10200 | 10100 | 10100 | 10400 | 10700 |
| Garbled | 10700 | 10800 | 10700 | 10700 | 11000 | 11300 |

Domestic black pepper markets remain firm during the week starting 1st January 2007. Prices jumped up at the start of the week with the MG1 quoted higher by Rs. 300 per quintal over the previous weekend at Kochi markets. Markets extended the advances further during the week. Lower global productions as well as expectation of a lower domestic crop size has supported the firm market sentiments. Given the lower price of Indian pepper at the global markets, export opportunities are seen bright as the international buyers are returning into the market after the yearend holidays. India has exported pepper valued at Rs. 166 crore during April-November 2006, up by 89 percent as compared to same period of last year. Black pepper prices are likely to remain bullish in near future owing to its strong fundamentals.

Black Pepper Prices in Delhi Market

(Rs./kg)

| Grade | Jan 01-06 | Dec 25-30 |
|-------------------|-----------|-----------|
| Golden Unpolished | 112-120 | 106-116 |
| No. 11.5 | 145 | 130-135 |
| No. 12 | 150-155 | 140-155 |

Note: Prices are in Rs. per Kg.

Turmeric:

Domestic turmeric markets remain mostly steady to weak during the week starting 1st January 2007. Prices were lower in Nizamabad markets on weak demand amidst lacklustre trade. However, it was

quoted mostly steady in Erode markets amidst some demand from North Indian markets. Fresh crop arrivals are expected to pick up during late January onwards. Domestic production of turmeric is likely to be higher as compared to previous season. Moreover, market has comfortable stock to cover the demand ahead of the pick arrivals. Amidst such circumstances, domestic turmeric markets are likely to remain bearish in the near future.

Turmeric Prices in Erode Market

(Rs./qtl)

| Grade | Jan 01-06 | Dec 25-30 |
|--------------|-----------|-----------|
| Loose Finger | 2050-2200 | 2050-2150 |
| Loose Gattah | 1975-2050 | 2000-2050 |

Turmeric Prices in Nizamabad Market

(Rs./qtl)

| Grade | Jan 01-06 | Dec 25-30 |
|--------|-----------|-----------|
| Finger | 1800-1900 | 1900 |
| Gattah | 1800-1900 | 1875-1900 |

Turmeric Prices in Delhi Market

(Rs./qtl)

| Grade | Jan 01-06 | Dec 25-30 |
|-------------------------|-----------|-----------|
| Nizamabad finger | 1875-1950 | 1950-2000 |
| E.Finger mini Selam | 2350-2500 | 2450-2700 |
| E. Single polish Gattah | 1900-2000 | 1950-2050 |
| E. Double polish Gattah | 2450-2600 | 2450-2700 |
| Selam Finger | 3150-3300 | 3250-3400 |

Cumin (Jeera):

Domestic jeera markets remain firm during the week starting 1st January 2007. It was offered in a higher price range owing to increased offtake amidst reduced arrivals during the week. Domestic production of jeera is likely to be lower than the year ago figures as a result of lower acreage under the crop. However, trade expectations of the crop varies widely and market is under uncertainty about the size of the crop. Fresh crop arrivals are expected to hit the market by mid-January onwards, which would help in determining the level of production. Meanwhile, jeera exports have increased by 224 percent in value terms and 236 percent in quantity terms during Apr-Nov 2006. Jeera prices are likely to remain bullish in the near future on its strong fundamentals.

Jeera Prices in Unjha Market

(Rs./20kg)

| Grade | Jan 01-06 | Dec 25-30 |
|---------------------|-----------|-----------|
| Kisan Mal-FAQ (New) | 1625-1710 | 1600-1675 |
| Ganesh | 1700-1780 | 1675-1750 |
| M/c. Cleaned | 1800-1960 | 1750-1925 |

Jeera Prices in Delhi Market

(Rs./kg)

| Grade | Jan 01-06 | Dec 25-30 |
|--------------|-----------|-----------|
| Ganesh New | 92-94 | 88-92 |
| FAQ | 87.5-91 | 85-87 |
| M/c. Cleaned | 97-100 | 95-97 |

Red Chillies:

Domestic red chillies markets remain on an average steady to firm during the week starting 1st January 2007. It was quoted in a higher price range amidst depleting stocks in the markets. Chilli prices have in general retreated from its recent bull run owing to lack of buying support taking cues from the futures market. Buyers both domestic as well as overseas preferred to be on the side-line eyeing further fall in prices. Export of chilli has increased by 41 percent in value to touch Rs. 380 crore during Apr-Nov 2006. Domestic production of red chillies during 2006-07 crop year is expected higher owing to higher acreage under chilli this season. Amidst such situations, red chillies prices are likely to remain bearish in the near future with possibility of some short-term gains.

Red Chillies Prices in Guntur Market

(Rs./qtl)

| Grade | Jan 01-06 | Dec 25-30 |
|---------------------------|-----------|-----------|
| (LCA334loose)Cold storage | 5500-6800 | 5000-6500 |

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

Red Chillies Prices in Delhi Market

(Rs./qtl)

| Grade | Jan 01-06 | Dec 25-30 |
|----------------|-----------|-----------|
| Guntur Pala | 6500-7000 | 6500-7000 |
| Guntur Fullcut | 8000-8500 | 8000-8500 |
| Guntur Packing | 7000-7200 | 7000-7500 |
| Nagpur Pala | 6500-6600 | 6400-7000 |
| Nagpur Fullcut | 7200-7300 | 7500-8200 |
| Nagpur Packing | 5800-6000 | 6500-7000 |

Futures Market (NCDEX):

Commodity: Black Pepper

Black pepper futures extended previous advances further during this week after a firm start. The futures increased from Monday's lows to Saturday's highs on increased buying support offsetting the mid-week profit taking. The MCX February contract traded in the range of Rs. 10600-11485 during the week with thin volume and declining open interest. The NCDEX February contract traded in the range of Rs. 10785-11785 during the week with higher volumes and increasing open interest.

PRICE DRIVERS:

1. Pepper export has increased by 89 percent in value during Apr-Nov 2006
2. Low stocks with competitors, lower global production
3. IPC estimates lower Vietnamese crop and expects only by early March
4. Overseas demand yet to pick up

OUTLOOK:

Short Term (One Week): Firm on higher domestic and export demand

Medium Term (One Month): Firm on prospective export demand amidst global shortfall

Long Term (Three Months): Firm on domestic as well as global production shortfall

| NCDEX Black Pepper February Contract | | | |
|--------------------------------------|----------------------------|--------------|-------|
| Support-1 | 11185 | Support-2 | 10890 |
| Resistance-1 | 12125 | Resistance-2 | 12470 |
| Strategy | Go long at corrective dips | | |

Commodity: Jeera (Cumin)

Jeera futures started the week with a firm note and registered huge gains on Monday. The futures remain volatile thereafter to test week's low on Wednesday and recovered back to week's high on Friday. The MCX February contract traded in the range of Rs. 8360-8837 during the week with thin volume and declining open interest. The NCDEX February contract traded in the range of Rs. 9175-9439.9 during the week with higher volume and increasing open interest.

PRICE DRIVERS:

1. Estimations of lower acreage under jeera
2. New crop size expected to be lower
3. Cumin export has increased by 236 percent in quantity during April-Nov 2006

4. Fresh crop arrivals likely during mid-Jan

OUTLOOK:

Short Term (One Week): Moderately firm on improved demand, lower acreage

Medium Term (One Month): Firm on lower acreage, higher demand

Long Term (Three Months): Firm on lower domestic production

| NCDEX Jeera February Contract | | | |
|-------------------------------|----------------------------|--------------|------|
| Support-1 | 9233 | Support-2 | 9133 |
| Resistance-1 | 9603 | Resistance-2 | 9703 |
| Strategy | Go long at corrective dips | | |

Commodity: Chilli

Chilli futures started the week with a bearish note and slide from Monday's highs to Wednesday's lows. However, the futures recovered during the mid-week only to finish the week at a lower level. The MCX March contract traded in the range of Rs. 4101-4298 during the week with thin volume and declining open interest. The NCDEX March contract traded in the range of Rs. 4000-4258 during the week with moderate volume and increasing open interest.

PRICE DRIVERS:

1. Crop arrival to pick up only during February
2. Higher demand for better quality red chillies
3. Forthcoming crop is expected good due to higher acreage
4. Chilli export has increased by 41 percent in value during Apr-Nov 2006

OUTLOOK:

Short Term (One Week): Rangebound to slightly weak on weak demand

Medium Term (One Month): Weaken ahead of pick arrivals

Long Term (Three Months): Bearish on higher crop size

| NCDEX Chilli March Contract | | | |
|-----------------------------|---------------------------------|--------------|------|
| Support-1 | 3906 | Support-2 | 3799 |
| Resistance-1 | 4231 | Resistance-2 | 4336 |
| Strategy | Go short near resistance levels | | |

WEATHER WATCH (As on 06.01.07)

WEATHER FORECAST FOR NEXT 5 DAYS:

Cold wave conditions prevailed at most parts of Punjab and some parts of Jammu division of Jammu & Kashmir, north Haryana, West Rajasthan and isolated pockets of Bihar. These conditions are likely to continue for next 24 hours. Night temperatures were 1-2 °C below normal over remaining parts of northwest India. No significant change is likely to occur in night temperatures over plains of northwest India during next 24 hours and rise in night temperature thereafter. Ground frost was experienced at some places over Punjab, northwest Rajasthan and north Haryana during past 24 hours. These conditions are also likely to continue for next 24 hours. Lowest night temperature in the plains of the country was -2.2°C recorded at Adampur in Punjab.

ZONE-WISE WEATHER FORECAST:

NORTH & NORTH-WEST INDIA [J&K, HP, UTTARANCHAL, PUNJAB, HARYANA, DELHI, WEST UP]

Isolated snowfall is likely over Jammu & Kashmir, Himachal Pradesh and Uttaranchal. Mainly dry weather is likely over the rest region.

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

Mainly dry weather is expected over rest of the region during next 5 days.

CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]

Mainly dry weather is likely over the region next 5 days.

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

Mainly dry weather conditions are expected except scattered showers over Andaman & Nicobar Islands around 8th January and isolated showers south coastal Tamil Nadu and Kerala during 9-10 January.

WEST INDIA [MAHARASHTRA OTHER THAN VIDARBHA, GUJARAT, RAJASTHAN]

Mainly dry weather conditions are expected over region.

Source: NCMRWF, GOI

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