

SPICES

Aug 13-18, 2007

Overview:

- Black Pepper Remain Weak on Subdued Demand
- Domestic Jeera Market Quiet as Rains Limited Trading
- Chilli Prices Remain Firm on Overseas Demand
- Cardamom, Turmeric Traded Firm during the Week
- Sarawak Pepper Export Down 21 Percent in Jan-Jun 2007

Spices: Domestic Spot Prices for the Week Ending 04.08.2007:

| Spice | Grade/Variety | Market | Price (Rs/Kg) For the Week (04.08.07) | Price (Rs/Kg) For the Week (28.07.07) | Last Month Same Week (Rs/Kg) (07.07.07) | Last Year Same Week (Rs/Kg) (05.08.06) |
|---------------------|------------------------------|------------|--|--|--|--|
| Black Pepper | Malabar Garbled (MG-1) | Cochin | 140.50 | 145.46 | 147.33 | 102.67 |
| Cardamom (Small) | (Auction Price) Ungraded | Vandanmedu | 396.24 | 404.63 | 392.49 | No Auction |
| Cardamom (Large) | Bada Dana | Gangtok | 112.50 | - | 117.50 | 137.50 |
| Chilli | Cold storage | Guntur | 41.80 | 41.00 | - | 35.40 |
| Ginger | Best | Cochin | 48.00 | 48.00 | 48.00 | 60.00 |
| | Medium | Cochin | 43.00 | 43.00 | 43.00 | 50.00 |
| | Alleppey finger (AFT) | Cochin | 24.00 | 24.00 | 24.00 | 45.00 |
| Turmeric | Rajapuri | Mumbai | 54.50 | 54.50 | 53.50 | 55.50 |
| | Nizamabad | Mumbai | 23.75 | 24.25 | 22.75 | 25.88 |
| Coriander | Indori 5% | Mumbai | 43.50 | 40.00 | 38.50 | 29.75 |
| Cumin | 1% | Mumbai | 118.75 | 118.75 | 115.00 | 82.50 |
| | 4% | Mumbai | 103.13 | 103.13 | 96.25 | 77.50 |
| Clove | | Cochin | 240.00 | 240.00 | 240.00 | 343.33 |
| | | Nagarcoil | 240.00 | 230.00 | 245.00 | 330.00 |

Source: Spices Board of India

Spices: International Spot Prices for the Week Ending 04.08.2007:

| Spice | Origin/Grade | Market | Price For the Week (04.08.07) (US\$/KG) | Price For the Week (27.07.07) (US\$/KG) | Last Month (04.07.07) (US\$/KG) | Last Year Same Week (05.08.06) (US\$/KG) |
|------------------|----------------------------|--------------|---|---|---------------------------------------|--|
| Pepper | Malabar Garbled (MG-1) | New York | 4.21 | 4.21 | 4.26 | 2.43 |
| Cardamom (Small) | Guatemala Mixed Green | New York | 9.37 | 9.37 | 9.37 | 8.82 |
| | Indian (AGEB) | Saudi Arabia | 14.14 | 14.72 | 13.30 | 8.29 |
| Chillies | Indian SANNM-4 (Stem less) | New York | 2.21 | 2.21 | 2.21 | 1.94 |
| Ginger | India Cochin | New York | 2.10 | 2.10 | 2.10 | 1.96 |
| | Chinese Peeled | New York | 1.76 | 1.76 | 1.76 | 1.83 |
| Turmeric | India Alleppey Finger | New York | 1.74 | 1.74 | 1.79 | 1.83 |
| Garlic | Chinese | New York | 2.14 | 2.14 | 2.21 | 2.84 |
| Coriander | Canada | New York | 1.06 | 1.06 | 1.06 | 0.77 |
| Cumin | Syrian | New York | 3.64 | 3.64 | 3.26 | 2.05 |
| | Indian | New York | 3.64 | 3.64 | 3.31 | 2.18 |
| Fennel | Indian (ASTA) | New York | 1.57 | 1.57 | 1.57 | 2.01 |
| | Egyptian | New York | 1.61 | 1.61 | 1.50 | 1.65 |
| Fenugreek | India/Turkey | New York | 1.08 | 1.08 | 0.99 | 0.82 |
| Clove | Mad/Zanz/Com/ Indo | New York | 4.30 | 4.30 | 4.30 | 4.96 |
| | Sri Lanka (Hand picked) | New York | 9.37 | 9.37 | 9.37 | 7.17 |
| Cinnamon | Ceylon H2 Cinnamon | New York | 6.28 | 6.28 | 6.28 | 5.84 |

Source: Spices Board of India

Sarawak Pepper Export Down 21 Percent in Jan-Jun 2007

According to a latest report by the International Pepper Community (IPC), Sarawak pepper export is estimated at around 1,120 metric tonnes comprising of 892 metric tonnes of black and 228 metric tonnes of white pepper in June 2007 as compared to export of 1,742 metric tonnes comprising of 1,438 metric tonnes of black and 304 metric tonnes of white pepper in June 2006.

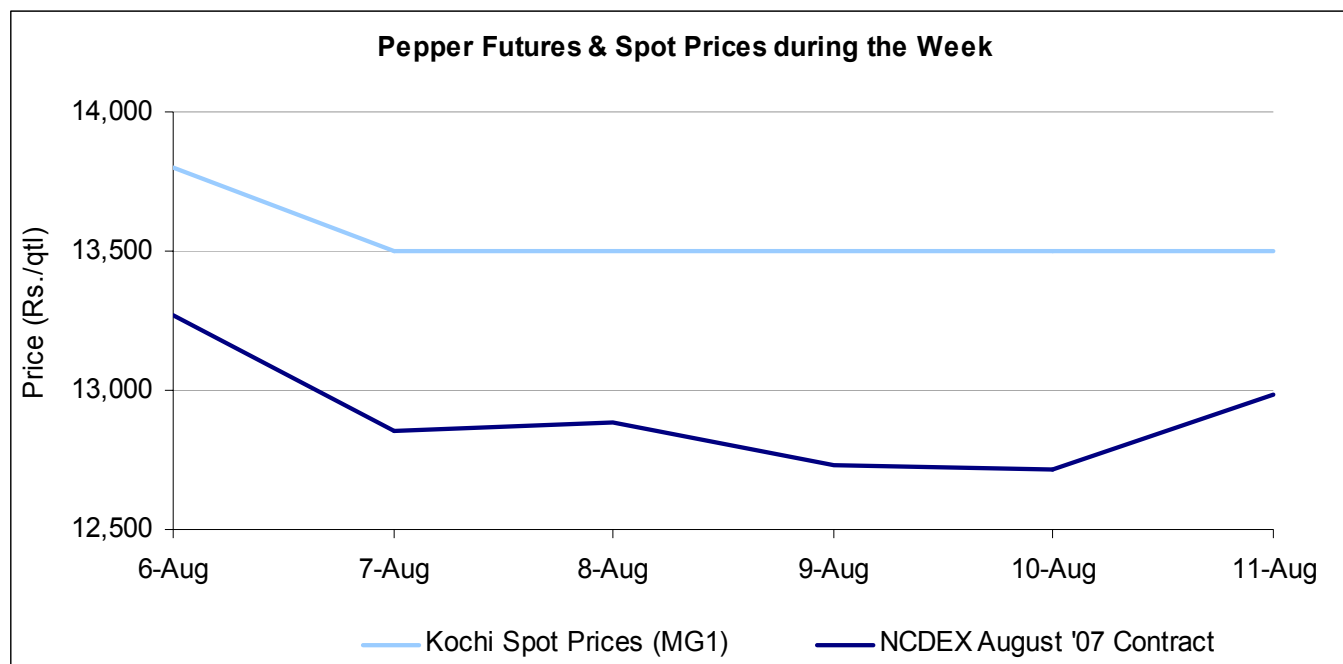
During January-June 2007, Sarawak exported around 6,205 metric tonnes of pepper comprising 4,598 metric tonnes of black and 1,607 metric tonnes of white pepper, showing a significant fall of 21 per cent as compared to exports of 7,887 metric tonnes comprising of 6,049 metric tonnes of black and 1,838 metric tonnes of white pepper during the corresponding period of last year, the report added.

Fundamental Analysis:

Pepper:

A Brief Weekly Analysis of Pepper Spot and Futures Trading

The graph below is showing the pepper prices (MG 1) in Kochi market and the near-month August contract prices in NCDEX. The near-month August contract witnessed backwardation throughout the week. The difference narrowed down at the weekend as futures prices improved as compared to a steady spot price. The August contract closed below the spot prices by Rs. 515 on Saturday.



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

| Pepper | 08/06/07 | 08/07/07 | 08/08/07 | 08/09/07 | 08/10/07 | 0811/07 |
|-----------|----------|----------|----------|----------|----------|---------|
| Ungarbled | 13200 | 12900 | 12900 | 12900 | 12900 | 12900 |
| Garbled | 13800 | 13500 | 13500 | 13500 | 13500 | 13500 |

Domestic black pepper markets remain weak owing to subdued demand. Prices after declining at the beginning of the week remain mostly unchanged towards weekend as sellers' were not interested to sell at current lower price levels. Moreover, traders reported presence of some overseas demand as a major supportive feature for the market. Export inquiries from Russia also seen supportive for the market. Weakness in pepper futures counter has also weighed down on the market considerably during the week. Contradictory estimates of new crop size of Indonesia and Brazil has in turn kept the overseas buyers on the sideline eyeing further decline in prices. Some decline in prices was also reported in Vietnam and Brazil on slackness in demand. The

recent decline in prices has made the Indian pepper highly competitive in global markets and raised traders' expectation of further improvement in overseas demand in near future. Domestic black pepper prices are likely to remain rangebound with the downside seems capped at present.

Black Pepper Prices in Delhi Market

| Grade | (Rs./kg) | |
|-------------------|---------------|-------------|
| | July 30-Aug04 | Aug 06 - 11 |
| Golden Unpolished | 142-147 | 140-142 |
| No. 11.5 | 165-170 | 165 |
| No. 12 | 175-185 | 175-180 |

Note: Prices are in Rs. per Kg.

Turmeric:

Turmeric prices at the major domestic spot market of Nizamabad, Erode and Sangli were quoted firm by 25-65 per quintal. The prices for the commodity regained its lost shine due to good export advices from Japan for Desi Cudappa variety and from Gulf countries for Nizamabad variety. Steady to slightly firm local demand also supported the upmove in the prices. The demand as well the prices for the commodity is anticipated to remain firm for the days ahead as the festive season beginning with Shravan in the country is likely to begin from last week of August.

Turmeric Prices in Erode Market

(Rs./qtl)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|--------------|---------------|-------------|
| Loose Finger | 2125-2250 | 2125-2175 |
| Loose Gattah | 2000-2150 | 2050-2150 |

Turmeric Prices in Nizamabad Market

(Rs./qtl)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|--------|---------------|-------------|
| Finger | 1950-2150 | 2030-2070 |
| Gattah | 1925-1980 | 1925-1970 |

Turmeric Prices in Delhi Market

(Rs. /qtl)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|----------------------------|---------------|-------------|
| Nizamabad Finger | 2300-2400 | 2400 |
| Erode Finger Mini Selam | 2750-2850 | 2850 |
| Erode Single Polish Gattah | 2300-2450 | 2450 |
| Selam Finger | 4000-4100 | 4100 |

Cumin (Jeera):

Domestic jeera markets remain on an average quiet owing to lacklustre trading activity. Prices remain in a narrow range with a firm bias amid thin arrivals as well as offtake. Activity was limited due to rain over major trading centres in Gujarat. Presence of some export demand at lower price levels is providing the underlying support to the market. Domestic demand remained subdued at present. Weakness in jeera futures counter has weighed down on the market. Long-term outlook on jeera remains positive owing to global production shortfall this year. Global supply of jeera is expected to fall short of demand as key producing nations like Syria and Turkey has estimated lower harvest. Moreover, domestic

production is also estimated significantly lower this year. Jeera prices are likely to improve in the week ahead on expectation of improvement in demand.

Jeera Prices in Unjha Market

(Rs. /20kg)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|--------------|---------------|-------------|
| FAQ | 2460-2550 | 2490-2570 |
| Ganesh | 2600-2670 | 2630-2630 |
| M/c. Cleaned | 2760-2870 | 2790-2890 |

Jeera Prices in Delhi Market

(Rs./kg)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|--------------|---------------|-------------|
| Ganesh New | 123-129.5 | 123.5 |
| FAQ | 121-121.5 | 122 |
| M/c. Cleaned | 129-130 | 131.5 |

Red Chillies:

Chilli prices at Guntur spot market were traded firm during the initial days of the week however the prices were quoted slightly weak towards the week end. Arrivals at the auctions during the mid week gained slightly. The daily arrivals are likely to remain at the steady levels with subdued local demand for the commodity. Good overseas demand from Sri Lanka and Bangladesh during the initial days of the week supported the upmove in the prices and there after lacked luster. Sowing of the chilli at Andhra Pradesh, largest chilli growing area is likely to be completed by mid or last week of August and so far weather conditions are favourable for the crop at its initial growing stage.

Red Chillies Prices in Guntur Market

(Rs. /qtl)

| Grade | July 30-Aug04 | Aug 06 - 11 |
|----------------------|---------------|-------------|
| LCA 334 Cold Storage | 3800-4500 | 3800-4500 |

Cardamom:

Opening weak, cardamom prices were traded firm towards the weekend. The prices for the commodity is anticipated to remain firm for the days ahead due to Onam festival at Kerala due in last week of August. Overseas demand for the commodity is anticipated once the new crop hits the market. MCX has decided to accept delivery of 6 mm cardamom from the September contract onwards, in order to increase the cardamom delivery as well as to help farmers and traders to hedge their risk and receive maximum benefit during the season. The exchange from September contract onwards will also accept 6 mm and above grade of cardamom but at a 15% discount to 7 mm. E- auctions for cardamom is likely to be between 23rd August and 3rd September at CPA

auctions held at Bodinayakanur under surveillance of Spice Boards of India.

Cardamom Auction Prices in Nedukandam

(Rs. /kg)

| Grade | Aug 04 | Aug 11 |
|-------|--------|--------|
| 7 mm | Closed | Closed |

Futures Market (NCDEX):

Commodity: Black Pepper

Black pepper futures traded bearish and slide to fresh contract month lows on Friday due to increased selling pressure. However, the futures recovered some losses on Saturday only to finish the week at a lower level. MCX August contract traded in the range of Rs. 11,950-12,901 during the week with higher volume and declining open interest. NCDEX September contract traded in the range of Rs. 12,680-13,798 during the week with higher volume and declining open interest.

PRICE DRIVERS:

- Global supply shortage is estimated at 47,500 tonnes in 2007
- Export up 40 per cent in quantity and 137 per cent in value during April-June 2007
- Import has declined by around 8.4 per cent in quantity during April-June 2007
- Import from Sri Lanka have doubled to 1,890 tonnes during April-June 2007 over 900 tonnes imported during the same period of last year
- Around 12,700 tonnes of good quality pepper is still available with commodity exchanges

OUTLOOK:

Short Term (1 Week): Slightly firm as overseas demand to improve at present lower price levels

Medium Term (1 Month): Moderately firm on expected overseas demand, lower global production

Long Term (3 Months): Firm as global demand exceeds supplies

| NCDEX Black Pepper September Contract | | | |
|---------------------------------------|---------------------------------------|--------------|-------|
| Support-1 | 12815 | Support-2 | 12500 |
| Resistance-1 | 13950 | Resistance-2 | 14290 |
| Strategy | Go long at dips toward support levels | | |

Commodity: Jeera (Cumin)

Jeera futures started the week with a firm note, but failed to gather upside momentum. The futures slide from Monday's high to Saturday's low on increased selling interest at higher price levels. The futures finished the week at a lower level as compared to last week. MCX August contract traded in the range of Rs. 10,355-10,635 during the week with increasing

volume as well as open interest. NCDEX September contract traded in the range of Rs. 12,055-12,572 during the week with declining volume as well as open interest.

PRICE DRIVERS:

- Limited trading activity due to rainfall over major trading centres in Gujarat
- Export down 51% in quantity and 24% in value during April-June 2007
- Unit value realisation improved to Rs. 102.25 per kg during April-June 2007 over Rs. 65.54 per kg during same period of last year
- Moderate physical market demand
- Lower global as well as domestic production

OUTLOOK:

Short Term (1 Week): Slightly firm on improved overseas demand at lower price levels

Medium Term (1 Month): Moderately firm on lower output, expected overseas demand

Long Term (3 Months): Firm on global production shortfall

| NCDEX Jeera September Contract | | | |
|--------------------------------|--|--------------|-------|
| Support-1 | 11972 | Support-2 | 11892 |
| Resistance-1 | 12545 | Resistance-2 | 12635 |
| Strategy | Go long at dips towards support levels | | |

Commodity: Cardamom

MCX Cardamom most active September contract opened firm and surged to make a high at Rs.557 per kg during the initial day of the week. The futures however during the mid week tested fresh lows since last fortnight at Rs.524 per kg. The futures towards the weekend bounced back on fresh buying support. Both volumes as well as open interest gained significantly for the contract since its inception.

PRICE DRIVERS:

- Good domestic demand due to festive season
- Poor arrivals at the auctions
- Low production estimates for the season

OUTLOOK:

Short Term (1 Week): Firm low arrivals amidst festive demand from South India.

Medium Term (1 Month): Range bound to firm on anticipation of good export.

Long Term (3 Months): Bullish as excess damage to the crop due to prolonged drought and anticipation of low production.

| MCX Cardamom September Contract | | | |
|---------------------------------|---|--------------|-------|
| Support-1 | 524.3 | Support-2 | 517.8 |
| Resistance-1 | 565.1 | Resistance-2 | 572.6 |
| Strategy | Buy on dips, and maintain the long position | | |

WEATHER WATCH:

Forecast for next 5 days

A low pressure area has formed over NW Bay of Bengal off Orissa coast. It is likely to intensify further and move northwest direction. Under its influence widespread rainfall with isolated very heavy fall is expected over Orissa, Gangetic West Bengal, Jharkhand, Chhattisgarh and Bihar during next 2-3 days.

The axis of the monsoon trough at sea level passes through Jaisalmer, Sikar, Aligarh, Gorakhpur, Bhagalpur, Asansol, the centre of the low pressure area, and thence southeastwards to east-central Bay of Bengal.

Western end of monsoon trough is likely to shift towards western Himalaya during next 48 hrs. Rainfall activities are likely to increase along hilly region of western Himalaya.

Model predictions also suggest that another low pressure area is likely to form over north Bay of Bengal around 14 August, 07. Under its influence rainfall activity over eastern parts of country may continue during the week.

Zone-wise weather forecast

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

H.P. and Uttaranchal is likely receive scattered to fairly widespread rains during 11-13 August.

Isolated rainfall is likely over rest of the region.

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

Fairly widespread to widespread rainfall with isolated heavy fall is likely over Orissa, West Bengal, Jharkhand and Bihar during 4-5 days.

Scattered rainfall is likely over East U.P. and NE States during next 3-4 days.

CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]

Scattered rainfall is likely over Chhattisgarh and Vidarbha during next 2 days then increase thereafter.

Isolated rainfall is likely over M. P. during next 2 days then increase thereafter.

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

Fairly widespread rainfall with isolated very heavy fall is likely over coastal A.P. and Coastal Karnataka during next 2-3 days.

Scattered rainfall is likely over Telangana, Rayalseema, Interior Karnataka, Kerala, Tamilnadu and Pondichery.

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

Fairly widespread rainfall with isolated heavy rainfall over Konkan & Goa, Madhya Maharastra likely during next 2-3 days.

Scattered rainfall is likely over Marathwara, Gujarat and East Rajasthan during 3-4 days.

Source: NCMRWF, GOI

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