

## SPICES

September 03 - 08 , 2007

### Overview:

- Black Pepper Prices Improved Initially and Later Resumed the Weak Trend
- Domestic Jeera Remains Steady
- Chilli Surged marginally during the Week
- Turmeric Market Tested Fresh Lows
- IPC: Pepper exports set to soar new heights

### Spices: Domestic Spot Prices for the Week Ending 01.09.2007:

Spice	Grade/Variety	Market	Price (Rs/Kg) For the Week ( 01.09.07)	Price (Rs/Kg) For the Week ( 25.08.07)	Last Month Same Week (Rs/Kg) (04.08.07)	Last Year Same Week (Rs/Kg) ( 02.09.06)
Black Pepper	Malabar Garbled (MG-1)	Cochin	125.75	130.17	140.50	109.60
Cardamom (Small)	(Auction Price ) Ungraded	Vandanmedu	400.56	411.27	396.24	382.76
Cardamom (Large)	Bada Dana	Gangtok	116.25	115.00	112.50	136.25
Chilli	Cold storage	Guntur	-	43.80	41.80	40.00
Ginger	Best	Cochin	55.00	55.00	48.00	64.40
	Medium	Cochin	50.00	50.00	43.00	54.40
	Alleppey finger (AFT)	Cochin	24.00	24.00	24.00	45.00
Turmeric	Rajapuri	Mumbai	53.50	54.50	54.50	55.50
	Nizamabad	Mumbai	22.75	23.75	23.75	26.63
Coriander	Indori 5%	Mumbai	43.75	43.75	43.50	29.75
Cumin	1%	Mumbai	110.63	116.25	118.75	87.50
	4%	Mumbai	98.75	99.37	103.13	81.25
Clove		Cochin	240.00	240.00	240.00	320.00
		Nagarcoil	240.00	230.00	240.00	350.00

Source: Spices Board of India

## Spices: International Spot Prices for the Week Ending 31.08.2007:

Spice	Origin/Grade	Market	Price For the Week (31.08.07) (US\$/KG)	Price For the Week (24.08.07) (US\$/KG)	Last Month (04.08.07) (US\$/KG)	Last Year Same Week (25.08.06) (US\$/KG)
Pepper	Malabar Garbled (MG-1)	New York	3.86	4.14	4.21	2.61
Cardamom (Small)	Guatemala Mixed Green	New York	9.37	9.37	9.37	8.82
	Indian (AGEB)	Saudi Arabia	14.32	14.14	14.14	11.36
Chillies	Indian SANNM-4 (Stem less)	New York	2.21	2.21	2.21	2.03
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	1.74	1.85
Garlic	Chinese	New York	2.12	2.12	2.14	2.87
Coriander	Canada	New York	1.15	1.06	1.06	0.84
Cumin	Syrian	New York	3.64	3.64	3.64	2.25
	Indian	New York	3.64	3.64	3.64	2.32
Fennel	Indian (ASTA)	New York	1.57	1.57	1.57	2.01
	Egyptian	New York	1.61	1.61	1.61	1.65
Fenugreek	India/Turkey	New York	1.08	1.08	1.08	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

### IPC: Pepper exports set to soar new heights

India's position in pepper export has seen a big leap in the last few months. According to traders, it is an 'Advantage India' position now in global market. The country is all set for the biggest exports during the last 6-7 years. India shipped around 13,900 tonnes of pepper during April-August, up 35 per cent, from the year-ago period. During April-August 2006-07, India had exported

9,100 tonnes, which was 2931 tonnes more than the exports in 2005-06. According to exporters, total exports might cross 30,000 tonnes by March 2008, which will be the highest since 2000. The country's exports during last financial year were 28,750 tonnes. The Spices Board has set an export target of 30,000 tonnes for this financial year. It has already achieved 46 per cent within 5 months signaling a much better performance. Traders said on an average 3000 tonnes were being

exported every month and the trend is likely to continue in the coming months also because of the lowest price tag India offers currently. They added that the stipulation in the position of the near month contract is a major hurdle for a better performance as the exporters are not in a position to take the advantage of lower price in Futures trading. The rate of the near month contract is far below the spot price, but the curb on open position restricts the exporters from taking advantage of lower prices.

In spite of repeated pleas from various stakeholders like India Pepper and Spice Trade Association and All India Spices Exporters Forum, Forward Markets Commission is still going ahead with the 170 tonnes limit.

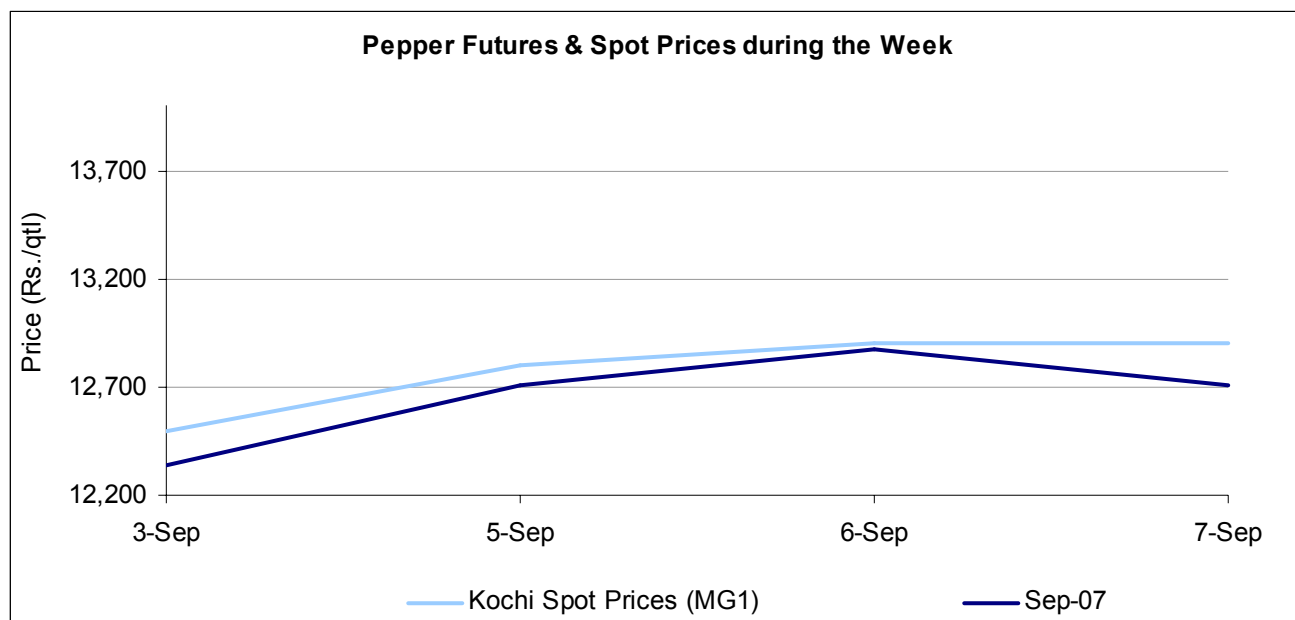
FMC had dropped the limit in order to curb excessive speculation and the high range of volatility, but it failed to control these. India would have been performed much better on the export front if the squeezing of limit had been withdrawn.

## 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 September contract prices in NCDEX. The difference narrowed to a meagre Rs. 29 on Thursday, after which futures fell more sharply, while the spot was maintained more or less steady. September contract closed below the spot prices by Rs. 300 on Saturday.



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

Pepper	09/03/07	09/04/07	09/05/07	09/06/07	09/07/07	09/08/07
Ungarbled	11900	Closed	12200	12300	12300	12200
Garbled	12500	Closed	12800	12900	12900	12800

Domestic black pepper markets continue to remain volatile, with the prices falling initially and improving later towards the close of the week. The domestic demand which has been sluggish due to heavy rains and floods in North India is expected to pick up on the ensuing festival and winter season. Traditionally,

demand for pepper from northern India firms up in October-November, the time for festivals such as Dussera and Diwali. Firm futures counter also helped the domestic spot prices to firm up. Global demand is estimated at 370,000 tonnes, while supply is placed at 310,000 tonnes, leaving a gap of 60,000 tonnes in

2007. Moreover, pepper production in Vietnam this year is estimated to decline by 10-20% from that of the previous year, resulting in a tight supply in the global market. Firm international market and increase in Indonesian prices are also seen influencing the domestic pepper market. Buying interest was reported from the US and Europe. Black pepper exports from India during April-August have been reported to have risen 35% on year to 13900 tonnes. Domestic sellers are not keen to sell at the prevailing price levels and are waiting for the prices to improve.

### Turmeric:

Domestic turmeric prices traded mixed at all the spot market during the week. Opening firm, prices at Nizamabad, the major spot market lost its shine towards the weekend on selling pressure and ample of stocks. The arrivals and offtake was steady as compared to the week ago. Local demand was reported to be steady and is likely to gain momentum from next week onwards on festive demand. Export demand from Gulf and Japan was active and is likely to remain steady to slightly firm for the days ahead. Turmeric exports during April - July 2007 is reported be 18,800 tonnes valued at Rs.5,753.75 lakhs marginally lower by 2.82 percent as compared to last year same period. The Commerce ministry has made it compulsion for the Spice Board of India to set up Spice Park for the turmeric at Erode in Tamil Nadu. Prices for the commodity are likely to trade rangebound to slightly firm in anticipation of festive demand.

### Turmeric Prices in Erode Market

(Rs./qtl)

Grade	Aug 27 - Sep1	Sep03 - 08
Loose Finger	2025-2100	2050-2150
Loose Gattah	2000-2050	2000-2050

### Turmeric Prices in Nizamabad Market

(Rs./qtl)

Grade	Aug 27 - Sep1	Sep03 - 08
Finger	1950-2000	1900-2150
Gattah	1875-1925	1850-1950

### Turmeric Prices in Delhi Market

(Rs. /qtl)

Grade	Aug 27 - Sep1	Sep03 - 08
Nizamabad Finger	2325-2350	2300-2325
Erode Finger Mini Selam	2775-2800	2750-2775
Erode Single Polish Gattah	2375-2400	2350-2375

### Black Pepper Prices in Delhi Market

(Rs./kg)

Grade	Aug 27 - Sep1	Sep03 - 08
Golden Unpolished	127-135	130-134
No. 11.5	150-160	150
No. 12	170	170

Note: Prices are in Rs. per Kg.

Selam Finger	4025-4050	4000-4025
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### Cumin (Jeera):

Domestic jeera prices at the Unjha markets declined as compared to week ago. The offtake increased slightly amidst steady arrivals during the week. According to the Spice Board of India, the commodity export during the month of April - July 2007 declined almost half to 5,200 tonnes valued at Rs.5,452.50 lakhs as compared to 10,920 tonnes valued at Rs.7,369.90 lakhs during same period last year due to weak overseas demand. However overseas demand is likely to pick up as weather at Turkey and Syria, major international producers, has changed suddenly and the crop quality is likely to be affected. This is likely to give Indian jeera an edge at global market. Domestic demand for the commodity remained subdued during the week whereas it is likely to gain momentum once the festive season commences and the prices are anticipated to surge thereafter.

### Jeera Prices in Unjha Market

(Rs. /20kg)

Grade	Aug 27 - Sep1	Sep03 - 08
FAQ	2120-2280	2120-2200
Ganesh	2300-2410	2320-2360
M/c. Cleaned	2400-2610	2400-2520

### Jeera Prices in Delhi Market

(Rs./kg)

Grade	Aug 27 - Sep1	Sep03 - 08
Ganesh New	110-115.5	110
FAQ	110-113.5	110
M/c. Cleaned	118-121.5	118

### Red Chillies:

Chilli prices at the benchmark Guntur market declines marginally by Rs.50 per quintal as compared to week ago. The arrivals and offtake gained slightly amidst good overseas demand from Bangladesh due to Ramzan festival on the pipeline where as demand from Malaysia and Singapore was steady. Domestic demand for the commodity remained subdued during the week. Chilli export during April - July 2007

contributed to be highest among all the spices at 71,500 tonnes valued at Rs.39,800 lakh and almost twice in terms of quantity as compared to same period year before according to latest data released by Spice Board of India. The price for the spice is likely to trade range bound to slightly firm in anticipation of good export advices for the days ahead. The Commerce ministry has made it compulsion for the Spice Board of India to set up Spice Park for the chilli at Guntur in Andhra Pradesh.

#### Red Chillies Prices in Guntur Market

(Rs. /qtl)

Grade	Aug 27 - Sep1	Sep03 - 08
LCA 334 Cold Storage	4000-4500	4000-4500

#### Cardamom:

Cardamom prices were firm at the domestic auctions amid steady arrivals. Cardamom is in picking stage in

Kerala, where the harvesting is reported to be lagging behind the schedule by one round. Overseas demand is expected to emerge from late September. Indian exports of cardamom large have rose to 410 tonnes during April-July 2007, up 82% on year, while those of cardamom small has slumped 30% on year to 145 tonnes during the same period. Festive demand is also expected to emerge from the different states of the country. Improved domestic and overseas demand, coupled with a lower production estimates is likely to firm up the market. The cardamom yield in the current season is expected to be lower by 10%, leading to a tight supply situation.

#### Cardamom Auction Prices in Nedukandam

(Rs. /kg)

Grade	Sept 01	Sept 08
7 mm	480	500

### Futures Market (NCDEX):

#### Commodity: Black Pepper

NCDEX Black pepper October futures surged during the first half of the week after opening at Rs. 12099/qtl to test a high of Rs. 13186/qtl and later slumped towards the close of the week to settled at Rs. 12600/qtl, amidst higher volumes and open interest as compared to the previous week. MCX Pepper September contract opened at Rs. 11401/qtl and traded up steadily to test a high of Rs. 12300/qt, before closing at Rs. 12158/qtl.

#### PRICE DRIVERS:

- Domestic sellers not active at present price levels
- Harvesting going on in Indonesia and Brazil
- Over half of the Indonesian new crop has been reportedly harvested
- Vietnam pepper output estimated 10-20% lower in 2007
- Global supply shortage is estimated at 60,000 MT in 2007
- Vietnam and Brazil crop estimates lower for the current season.
- Festive demand

#### OUTLOOK:

**Short Term (1 Week):** Slightly firm as demand is expected to surge from north India ahead of festivals and winter

**Medium Term (1 Month):** Slightly bullish on expected overseas demand

**Long Term (3 Months):** Bullish on lower production estimates for most of the major producing countries, resulting in deficit supply

#### NCDEX Black Pepper October Contract

Support-1	11650	Support-2	11000
Resistance-1	13622	Resistance-2	14080
Strategy	Buy at corrective dips toward support		

#### Commodity: Jeera (Cumin)

Jeera futures at NCDEX traded mixed during the week ended 8th September 2007. The futures opened sluggish the contract during the mid week surged and witnessed a high at Rs.11,220 per quintal and thereafter tested a low at Rs.10,721 per quintal towards the week end. Open interest gained amidst steady volumes against week ago. The contract actively traded between Rs.10,825 - 11,136.

#### PRICE DRIVERS:

- Moderate buying support at lower price levels
- Offtake improving amid mostly steady arrivals
- Improving domestic demand on festive season ahead
- Lower global as well as domestic production

#### OUTLOOK:

**Short Term (1 Week):** Rangebound on some buying interest at lower price levels

**Medium Term (1 Month):** Moderately firm on anticipation of festive demand

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

#### NCDEX Jeera October Contract

<b>Support-1</b>	10477	<b>Support-2</b>	10193
<b>Resistance-1</b>	11480	<b>Resistance-2</b>	11710
<b>Strategy</b>	Buy on dips near support and be cautious.		

### Commodity: Chilli

Opening firm, NCDEX chilli October futures surged to tested fresh high since last 3 months at Rs.4,715 per quintal. The futures during opening session witnessed a low at Rs.4,355 per quintal. However during the last day of the week the futures witnessed slight profit booking coming in. Both the open interest and volumes were at their highest since the contract inception and supportive to the upmove in prices.

#### PRICE DRIVERS:

- Good overseas demand due to Ramzan festive ahead
- Weak domestic demand
- Ample of stock at the warehouse
- Higher acreage as well as production estimates for the season

#### OUTLOOK:

**Short Term (1 Week):** Steady to firm on good export demand

**Medium Term (1 Month):** Rangebound to slightly weak on ample of stock and weak domestic demand

**Long Term (3 Months):** Bearish on anticipation on higher output for the season.

NCDEX Chilli October Contract			
<b>Support-1</b>	4405	<b>Support-2</b>	4292
<b>Resistance-1</b>	4873	<b>Resistance-2</b>	4949
<b>Strategy</b>	Trade cautiously and buy at corrective dips toward support		

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## WEATHER WATCH:

### Forecast for next 5 days

At present the axis of the monsoon trough passes through Alwar, Hardoi, Chapra, Ambikapur, Burdwan and thence southeastwards to East-Central Bay of Bengal. A secondary trough runs from East Uttar Pradesh to North-East Assam across Bihar and Sub-Himalayan West Bengal & Sikkim.

Yesterday's upper air cyclonic circulation over Jharkhand and adjoining West Bengal & Bihar extending upto mid-tropospheric level now lies over Bihar and adjoining East Uttar Pradesh. Under their influence, widespread rainfall with scattered heavy to very heavy falls is likely over Bihar, Sub-Himalayan West Bengal & Sikkim, Assam & Meghalaya and Arunachal Pradesh during next 3-4 days. Fairly widespread rainfall with isolated heavy to very heavy falls is also likely over East Uttar Pradesh, Jharkhand, North Orissa, Gangetic West Bengal and Nagaland, Manipur, Mizoram & Tripura during next 2-3 days.

At present a westerly trough is moving across hilly region of northwest India. Model predictions suggest that another western disturbance is expected to approach hilly regions of northwest India after 2 days. Under their influence scattered to fairly widespread rainfall is likely over hilly regions of northwest India with possibility of isolated heavy falls over western Himalayan region during next 24 Hrs. and isolated to scattered over adjoining plains. The region is likely to experience similar weather conditions during 9-10 September.

Subsequently, model predictions suggest that northwest India is likely to experience ridge and monsoon is expected to withdraw from parts of west Rajasthan.

### Zone-wise weather forecast

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

J&K, Himachal Pradesh and Uttaranchal are likely to receive scattered to fairly widespread rainfall during next 24 Hrs. with isolated heavy falls and isolated to scattered over Punjab, Haryana and west U.P. and subsequently during 9-10 Sep.

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

Widespread rainfall with isolated heavy fall is expected over Sub-Himalayan West Bengal, North Bihar, Arunachal Pradesh, Assam and Meghalaya during next 3-4 days.

Fairly widespread rainfall is likely over Orissa, Jharkhand, south Bihar and East U.P.

Scattered rainfall is expected over rest of region.

#### **CENTRAL INDIA [MP, CHHATTISGARH, VIDARBHA]**

Fairly widespread rainfalls are likely over Chhattisgarh, East M.P. and Vidarbha during next 24 hrs. and reduce thereafter.

Scattered rainfall is expected over West M.P. during next 24-36 Hrs. and reduces thereafter.

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

Fairly widespread to widespread rainfall is likely over north Coastal A.P., Coastal Karnataka, Kerala and Lakshadweep.

Scattered rainfall activity is also likely over rest of the region.

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

Fairly widespread rainfall with isolated heavy fall is likely over Konkan & Goa and scattered over Madhya Maharashtra and south Gujarat during next 24-48 Hrs. then decrease thereafter.

Isolated to scattered rainfall is likely over rest of the region during next 2-3 days and reduces subsequently.

Source: NCMRWF, GOI

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