

## SPICES

October 15 - 20 , 2007

### Overview:

- Black Pepper Prices at the domestic auctions remained mostly steady during the week.
- Domestic Jeera prices surged on festive demand.
- Cardamom capsules were quoted lower by Rs. 40/kg at the domestic auctions.
- Chilli prices remained steady while turmeric prices slumped due to ample of stocks
- IPC: Prices improved in Indian Markets, while International Markets were steady to weak

### Spices: Domestic Spot Prices for the Week Ending 13.10.2007:

Spice	Grade/Variety	Market	Price (Rs/Kg) For the Week ( 13.10.07)	Price (Rs/Kg) For the Week ( 06.09.07)	Last Month Same Week (Rs/Kg) (15.09.07)	Last Year Same Week (Rs/Kg) (14.10.06)
Black Pepper	Malabar Garbled (MG-1)	Cochin	135.40	124.80	125.67	115.83
Cardamom (Small)	(Auction Price ) Ungraded	Vandanmedu	421.38	425.90	398.63	347.05
Cardamom (Large)	Bada Dana	Gangtok	105.00	106.25	116.25	115.00
Chilli	Cold storage	Guntur	34.00	34.00	34.50	45.00
Ginger	Best	Cochin	42.00	43.00	43.50	59.00
	Medium	Cochin	50.00	50.00	50.00	57.50
	Alleppey finger (AFT)	Cochin	24.00	24.00	24.00	40.00
Turmeric	Rajapuri	Mumbai	52.50	52.50	53.50	54.50
	Nizamabad	Mumbai	22.75	22.25	22.75	27.13
Coriander	Indori 5%	Mumbai	42.50	40.25	42.75	28.75
Cumin	1%	Mumbai	111.88	107.50	111.25	83.75
	4%	Mumbai	103.13	98.75	101.25	75.63
Clove		Cochin	240.00	240.00	240.00	320.00
		Nagarcoil	230.00	270.00	230.00	325.00

Source: Spices Board of India

## Spices: International Spot Prices for the Week Ending 12.10.2007:

Spice	Origin/Grade	Market	Price For the Week (12.10.07) (US\$/KG)	Price For the Week (05.09.07) (US\$/KG)	Last Month (16.09.07) (US\$/KG)	Last Year Same Week (18.10.06) (US\$/KG)
Pepper	Malabar Garbled (MG-1)	New York	3.92	3.88	3.92	3.48
Cardamom (Small)	Indian (AGEB)	Saudi Arabia	14.45	14.29	14.12	11.47
Chillies	Indian SANNM-4 (Stem less)	New York	2.21	2.21	2.21	2.32
Ginger	India Cochin	New York	2.25	2.25	2.10	1.96
	Chinese Peeled	New York	1.76	1.76	1.76	1.81
Turmeric	India Alleppey Finger	New York	1.74	1.74	1.74	1.85
Garlic	Chinese	New York	1.94	1.94	1.96	2.62
Coriander	Canada	New York	1.54	1.54	1.19	0.84
Cumin	Syrian	New York	3.53	3.53	3.64	2.43
	Indian	New York	3.53	3.64	3.64	2.51
Fennel	Indian (ASTA)	New York	1.57	1.57	1.57	2.10
	Egyptian	New York	1.57	1.61	1.61	1.70
Fenugreek	India/Turkey	New York	1.15	1.15	1.08	0.86
Clove	Mad/Zanz/Com/ Indo	New York	4.08	4.08	4.08	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: Prices improved in Indian Markets, while International Markets were steady to weak

**BLACK PEPPER:** In India, the market eventually showed improvement and prices moved up. Strengthening Indian Rupees against the US dollar in addition to current issue of low carry-over had pushed prices higher. Spot price of Malabar black increased by 6-8% compared to last week. At the Commodity Exchange, trading was on an increase. In Lampung, the average prices of pepper at farm level were reported stable at around IDR 24,000 per kg. In Sarawak, local price of black pepper eased further by 1%, while for FOB price dropped by USD 400 to close

at USD3,500 per mt. In Sri Lanka, the price was stable at SL.Rs. 330.15 per kg.

**WHITE PEPPER:** In Bangka local price of muntok white eased further to around IDR 36,000 per kg. In Sarawak, local prices were relatively stable, while FOB price eased by 1%.

**EXPORT:** It is reported that stocks in Vietnam are limited and tight as output from this year's crop dropped compared to last year. The situation is reflected by the development of export performance during 2007. During August 2007, Vietnam exported 8,601mt of pepper, against 10,365 mt in August 2006. During January - August 2007, total export from

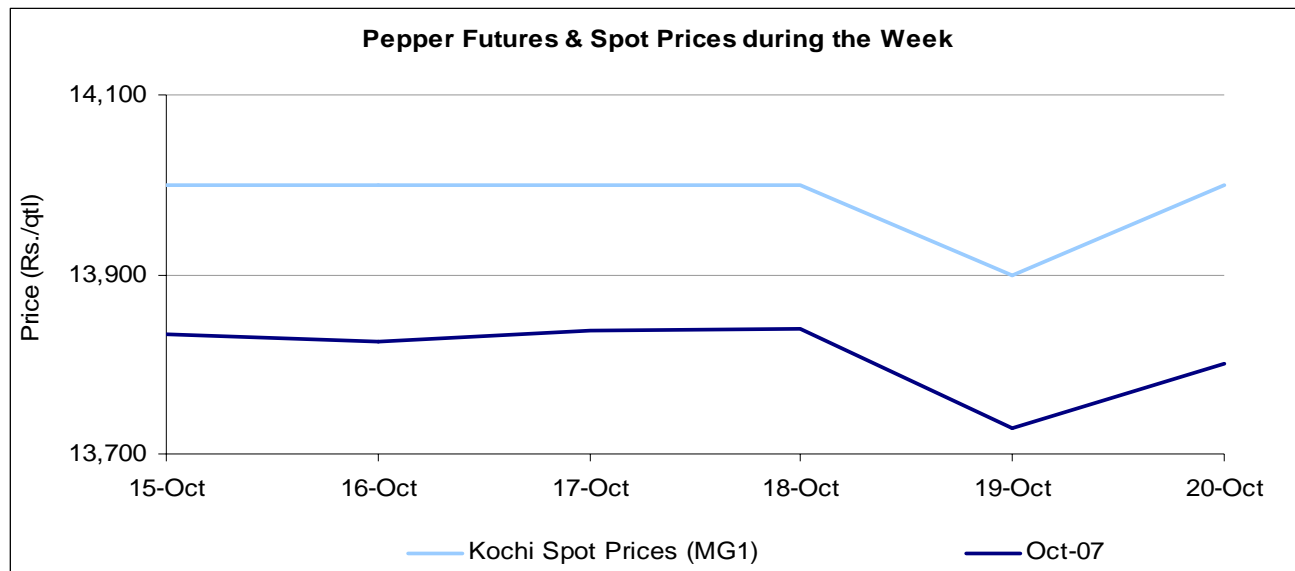
Vietnam was 59,327mt. Compared to exports of 89,185 mt during the same period last year, there was a significant fall of 29,858 mt or 33%.

## 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 October contract prices in NCDEX. The spot price remained above the futures price by about 160-175 rupees throughout the week and both the prices moved parallel to each other. The future price failed to meet the spot price at expiry and remained lower than the spot by Rs, 200/qrtl.



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

Pepper	10/15/07	10/16/07	10/17/07	10/18/07	10/19/07	10/20/07
Ungarbled	13400	13400	13400	13400	13300	
Garbled	14000	14000	14000	14000	13900	

Black pepper prices remained steady on the higher side at the physical markets. The uptrend is fuelled by high festival season demand and scanty arrival of the spice in the market. Lower stocks at the exchange warehouse, coupled with exhausted inventories in domestic as well as in the overseas markets have kept prices on the higher side. The momentum is likely to persist considering the expected fall in production in the coming harvest season due to climatic factors. The stock in the futures exchange is likely to go down considerably by the month end as soaring prices would prompt the big growers to preserve their stocks for still higher prices and small producers to sell the commodity at their disposal for attractive spot prices, while buyers are adopting a wait and watch approach in the anticipation of further fall in prices. The demand-supply gap of the spice is

expected to grow at least till February, when the fresh stocks begin to arrive in the market. Harvesting of the current crop is likely to be delayed because of incessant rains in September and crop is also expected to be lower than that of 2006 by about 20%. The prices at other origins are also seen moving up in tandem with the Indian prices.

#### Black Pepper Prices in Delhi Market

Grade	(Rs./kg)	
	Oct 08 - 13	Oct 15 - 20
Golden Unpolished	148	148
No. 11.5	165-170	165-170
No. 12	180-185	180-185

Note: Prices are in Rs. per Kg.

## Turmeric:

Opening firm, domestic turmeric prices at the physical markets witnessed a decline of around Rs.50 per quintal. The arrivals and offtake at Nizamabad declined marginally towards the mid week where as at Erode it improved as compared to week ago. Weakness in the prices at the futures counter as well ample of stocks, around 19.25 lakh bags in the spot markets dampened the prices for the commodity. Inspite of the festive season the buyers in the market remained sidelined on anticipation of further fall in prices. Overseas demand during the week from the traditional buyers like Gulf and Japan were active during the week ended 20th October.

### Turmeric Prices in Erode Market

(Rs./qtl)

Grade	Oct 08 - 13	Oct 15 - 20
Loose Finger	2100-2200	2175-2250
Loose Gattah	2000-2100	2050-2100

### Turmeric Prices in Nizamabad Market

(Rs./qtl)

Grade	Oct 08 - 13	Oct 15 - 20
Finger	1925-1950	1875-1950
Gattah	1825-1870	1815-1880

### Turmeric Prices in Delhi Market

(Rs. /qtl)

Grade	Oct 08 - 13	Oct 15 - 20
Nizamabad Finger	2500	2575-2625
Erode Finger Mini Selam	2850	2925-2975
Erode Single Polish Gattah	2450	2525-2575
Selam Finger	4000	4075-5025

## Cumin (Jeera):

Opening weak, domestic Jeera prices at the benchmark Unjha market improved during the mid week. Weakening prices at the futures counter during the initial days of the week sidelined the buyers at the spot market on anticipation of further fall in prices. However, prices recovered during the mid week on improvement of domestic as well as overseas demand. The arrivals and offtake were low as against week ago. The prices for Jeera during the week ahead is likely to trade firm on the eve of Diwali festival amidst supply squeeze as the stock level for the season is low at around 4-5 lakh bags.

### Jeera Prices in Unjha Market

(Rs. /20kg)

Grade	Oct 08 - 13	Oct 15 - 20
FAQ	2240-2320	2270-2320
Ganesh	2430-2520	2460-2540
M/c. Cleaned	2510-2700	2540-2700

### Jeera Prices in Delhi Market

(Rs./kg)

Grade	Oct 08 - 13	Oct 15 - 20
Ganesh New	109-112.25	112.25-113.25
FAQ	109-112.25	112.25-113.25
M/c. Cleaned	117-120.25	120.25-121.25

## Red Chillies:

Improved overseas demand especially from Bangladesh, helped chilli prices at the physical markets recover by Rs.100 per quintal after the previous week's slump. Domestic demand continued to remain subdued and is likely to remain unchanged during the days ahead. Firm overseas demand from Bangladesh, Sri Lanka and Malaysia is key feature to support any firmness in prices. Chilli prices are likely to trade range bound as good overseas demand amidst ample of stocks around 25 lakh bags in the markets is likely to cap the prices from moving higher.

### Red Chillies Prices in Guntur Market

(Rs. /qtl)

Grade	Oct 08 - 13	Oct 15 - 20
LCA 334 Cold Storage	3700-4300	3900-4350

## Cardamom:

Cardamom domestic auctions were weak amidst improved arrivals. The cardamom crop in Kerala is in its second round of picking and fresh arrivals of good quality capsules were observed in the market. Traders observe that the cardamom auctions will extend weakness till peak harvesting season in December. The yield in December will decide the future course of the market. The prevailing weather conditions are seen favouring harvesting as well as the growth of the standing crop and hence further decline in production can be ruled out. The higher price of India parity is restricting the entry of exporters and overseas buyers into the market. Reliance Retail is in the process of making Kerala its national sourcing center for spices. This will result in round the year demand and ensure a steady income for the grower.

### Cardamom Auction Prices in Pulianmalai

(Rs. /kg)

Grade	Oct-13	Oct-20
7 mm	500	460

## Futures Market (NCDEX):

### Commodity: Black Pepper

Black pepper futures traded firm at MCX while they were trapped in a range at NCDEX.

Opening firm, the most active MCX November futures traded flat at Rs. 12658/qtl till Tuesday and later tested the week's high of Rs. 13902/qtl on Thursday, before closing at Rs. 13602. Open interest and volume traded were lower as compared to the previous week.

After opening firm at Rs. 14150/qtl, the most active NCDEX November futures traded in a thin range with a weak tone during the week. The contract tested the week's high of Rs. 14330/qtl on Monday and thereafter slumped to test the week's low of Rs. 13750/qtl on Tuesday. The contract traded in a range of Rs. 13750-14330/qtl before closing at Rs. 14045. Open interest dipped amidst very low volumes traded as compared to the previous week.

#### PRICE DRIVERS:

- Domestic sellers not active at lower price levels
- Indian production estimated lower by around 20% at 45,000 tonnes in 2007
- Vietnam pepper output estimated 10-20% lower in 2007
- Global supply shortage is estimated at 60,000 MT in 2007
- Brazil output lower than the estimated figure of 38000 tonnes by 10000 tonnes
- Indian pepper cheapest in the global market.
- Festive demand

#### OUTLOOK:

**Short Term (1 Week):** Steady to firm on festive demand amidst lower availability

**Medium Term (1 Month):** Slightly firm on expected overseas demand amidst depleting stocks in the producing countries.

**Long Term (3 Months):** Bullish on global pepper supply deficit

#### NCDEX Black Pepper November Contract

Support-1	12163	Support-2	11698
Resistance-1	14100	Resistance-2	14300

**Strategy** Buy on corrective dips.

### Commodity: Chilli

Chilli futures witnessed a volatile trade a firm trend after trading sluggish during the week ago. Opening firm at Rs.4,189 per quintal NCDEX chilli November futures witnessed a sluggish trade during the initial days of the week and thereafter surged to Rs.4,438

per quintal towards the weekend. The open interest gained marginally amidst low volumes as compared to week ago.

#### PRICE DRIVERS:

- Improvement in overseas demand.
- Ample of stock in the market.
- Arrivals at Madhya Pradesh gaining its pace.
- Increase in acreage at the major growing areas.
- Subdued domestic demand.

#### OUTLOOK:

**Short Term (1 Week):** Steady to firm on improved overseas demand

**Medium Term (1 Month):** Rangebound on steady demand amidst arrivals from Madhya Pradesh gaining its pace.

**Long Term (3 Months):** Bearish on ample of stock in the market.

#### NCDEX Chilli November Contract

Support-1	4145	Support-2	4083
Resistance-1	4523	Resistance-2	4572

**Strategy** Buy on corrective dips.

### Commodity: Cardamom

MCX cardamom futures traded bearish during the week. The most active November contract opened weak at Rs. 524/kg and tested the week's high of Rs 528/kg on Tuesday. The prices slumped thereafter on increased selling pressure and the contract tested the week's low of Rs. 495/kg on Friday, before closing at Rs. 500.5/kg. Open interest surged while volumes dipped as compared to the previous day.

#### PRICE DRIVERS:

- Festive demand
- Improved arrivals from the second round of picking
- Indian production estimated lower by 25-30%
- Global supply deficit

#### OUTLOOK:

**Short Term (1 Week):** Steady to weak on poor offtake amidst ample supply

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

**Long Term (3 Months):** Bullish on global supply concerns

#### MCX Cardamom November Contract

Support-1	490	Support-2	480
Resistance-1	542	Resistance-2	563.5

Strategy	Sell on rallies towards resistance.
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## WEATHER WATCH:

### METEOROLOGICAL ANALYSIS

Southwest monsoon further withdrew from more parts of Bihar, Jharkhand, Chhattisgarh, Maharashtra and some parts of Gangetic West Bengal and Orissa on 12th October. It further withdrew from some more parts of Chhattisgarh, most parts of Maharashtra and some parts of Telangana and north Interior Karnataka on 15th October.

The withdrawal line passed through Forbesganj, Bankura, Angul, Jagdalpur, Ramagundam, Nizamabad, Gulbarga, Bijapur, Vengurla, Lat. 16.0°N/ Long. 70.0°E, Lat. 16.0°N/ Long. 65.0°E and Lat. 16.0°N/Long. 60.0°E on 15th October.

Last week's upper air cyclonic circulation extending upto 3.1 km above mean sea level over Bangladesh & neighbourhood lay over Gangetic West Bengal & neighbourhood on 11th, over Gangetic West Bengal and adjoining Jharkhand extending upto 4.5 km a.s.l. on 12th, over Jharkhand and neighbourhood between 2.1 and 4.5 km a.s.l. on 13th and became less marked on 14th October.

Last week's upper air cyclonic circulation extending upto 3.1 km a.s.l. over South-West Bay of Bengal off Tamil Nadu coast lay over Tamil Nadu & neighbourhood extending upto 0.9 km above mean sea level on 11th and became less marked on 12th.

An upper air cyclonic circulation extending upto 1.5 km a.s.l. lay over North-West Bay of Bengal off north Orissa and West Bengal coasts on 13th & 14th. Under its influence, a low pressure area formed over north Bay of Bengal off Bangladesh-West Bengal coast on 15th. It lay over north Bay of Bengal & neighbourhood on 16th morning and became less marked on the same day evening. However, the associated upper air cyclonic circulation extending upto 3.6 km a.s.l. lay over the same area on 16th and became less marked on 17th October.

An upper air cyclonic circulation extending upto 2.1 km a.s.l. lay over northeastern states on 11th and moved away eastwards on 12th October.

An upper air cyclonic circulation extending upto 4.5 km a.s.l. lay over west central Bay of Bengal on 14th, over southwest Bay of Bengal off Tamil Nadu coast on 15th and became less marked on 16th October.

### RAINFALL

#### Under the influence of the above systems:

Fairly widespread rainfall occurred on many days of the week over northeastern States and on a few days of the week over Andaman & Nicobar Islands.

Scattered to fairly widespread rainfall occurred over Kerala and Tamil Nadu on many days of the week. Isolated rain/thundershowers occurred over remaining parts of peninsula on few days of the week.

Scattered rainfall occurred over West Bengal & Sikkim on many days of the week. Isolated rainfall occurred over Orissa, Jharkhand, Bihar, East Uttar Pradesh on a few days of the week and over Western Himalayan region during second half of the week.

Weather was mainly dry over the remaining parts of the country during the week

#### Outlook for the Week Ending On 24<sup>th</sup> October 2007

Southwest monsoon is likely to withdraw from northeastern States and the remaining parts of East & Central India and Maharashtra during middle of the week.

Northeast Monsoon rain is likely to commence over Tamil Nadu and adjoining states during second half of the week.

Source: IMD

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