

## SPICES

October 08 - 13, 2007

### Overview:

- Black Pepper Prices closed 3% higher on domestic and overseas demand.
- Domestic Jeera prices recovered on festive demand.
- Cardamom Prices surged on festive demand
- Chilli prices declined marginally while turmeric remained steady
- IPC: Indian Exports Surged in August, up 24 % on year in terms of quantity, and 109% in value

### Spices: Domestic Spot Prices for the Week Ending 29.09.2007:

Spice	Grade/Variety	Market	Price (Rs/Kg) For the Week ( 29.09.07)	Price (Rs/Kg) For the Week ( 22.09.07)	Last Month Same Week (Rs/Kg) (01.09.07)	Last Year Same Week (Rs/Kg) (30.09.06)
Black Pepper	Malabar Garbled (MG-1)	Cochin	124.00	124.33	125.75	127.33
Cardamom (Small)	(Auction Price ) Ungraded	Vandanmedu	411.09	402.51	400.56	331.46
Cardamom (Large)	Bada Dana	Gangtok	107.50	113.75	116.25	128.75
Chilli	Cold storage	Guntur	43.20	42.20	-	56.00
Ginger	Best	Cochin	55.00	55.00	55.00	65.00
	Medium	Cochin	50.00	50.00	50.00	55.00
Turmeric	Alleppey finger (AFT)	Cochin	24.00	24.00	24.00	45.00
	Rajapuri	Mumbai	53.50	53.50	53.50	55.50
	Nizamabad	Mumbai	22.75	23.25	22.75	27.00
Coriander	Indori 5%	Mumbai	41.00	41.75	43.75	28.75
Cumin	1%	Mumbai	106.25	110.63	110.63	90.00
	4%	Mumbai	96.25	101.25	98.75	82.25
Clove		Cochin	240.00	240.00	240.00	320.00
		Nagarcoil	225.00	230.00	240.00	325.00

Source: Spices Board of India

## Spices: International Spot Prices for the Week Ending 28.09.2007:

Spice	Origin/Grade	Market	Price For the Week (21.09.07) (US\$/KG)	Price For the Week (14.09.07) (US\$/KG)	Last Month (24.08.07) (US\$/KG)	Last Year Same Week (22.09.06) (US\$/KG)
Pepper	Malabar Garbled (MG-1)	New York	3.88	3.88	3.86	3.53
Cardamom (Small)	Indian (AGEB)	Saudi Arabia	14.25	14.09	14.32	11.32
Chillies	Indian SANNM-4 (Stem less)	New York	2.21	2.21	2.21	2.25
Ginger	India Cochin	New York	2.25	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	1.96	1.96	2.12	2.84
Coriander	Canada	New York	1.32	1.19	1.15	0.84
Cumin	Syrian	New York	3.53	3.53	3.64	2.43
	Indian	New York	3.64	3.64	3.64	2.56
Fennel	Indian (ASTA)	New York	1.57	1.57	1.57	2.01
	Egyptian	New York	1.61	1.61	1.61	1.70
Fenugreek	India/Turkey	New York	1.08	1.08	1.08	0.82
Clove	Mad/Zanz/Com/ Indo	New York	4.08	4.08	4.30	5.03
	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: Indian Exports Surged in August, up 24 % on year in terms of quantity, and 109% in value

**Black Pepper:** The overall market continued to be quiet. In India, trading at the Commodity Exchange showed some activities particularly for November and December contracts and prices moved up at the week's close. Compared to last week however, the price was relatively stable, but futures prices for November and December rose by 1%. In Vietnam prices were quite stable at VND 49,000/kg for local purchases, USD 3,150/mt FOB for black 500 g/l and USD 3,300 /mt FOB for black 550 g/l. In Lampung, the average prices of pepper at farm level eased

IDR1,000 /kg to around IDR24,000 /kg this week. In Sarawak, local price of black pepper eased marginally, by 1% and In Sri Lanka, the price was reported stable.

**White Pepper:** The market for white pepper was also quiet. In Bangka local price eased marginally to around IDR 37,000/kg from IDR 38,000/kg last week. The decline was due to immediate cash need in anticipation of Lebaran holidays. In Sarawak, white pepper prices were relatively stable. In HCMC the price was also reported stable.

**Exports:** During August 2007, India exported around 2,800 mt of pepper worth Rs.408.8 million against

2,250 mt valued at Rs. 195.2 million in August 2006. From January - August 2007, total export from India was 20,676 mt, increasing significantly by 49% from 13,848 mt during the same period last year. In terms

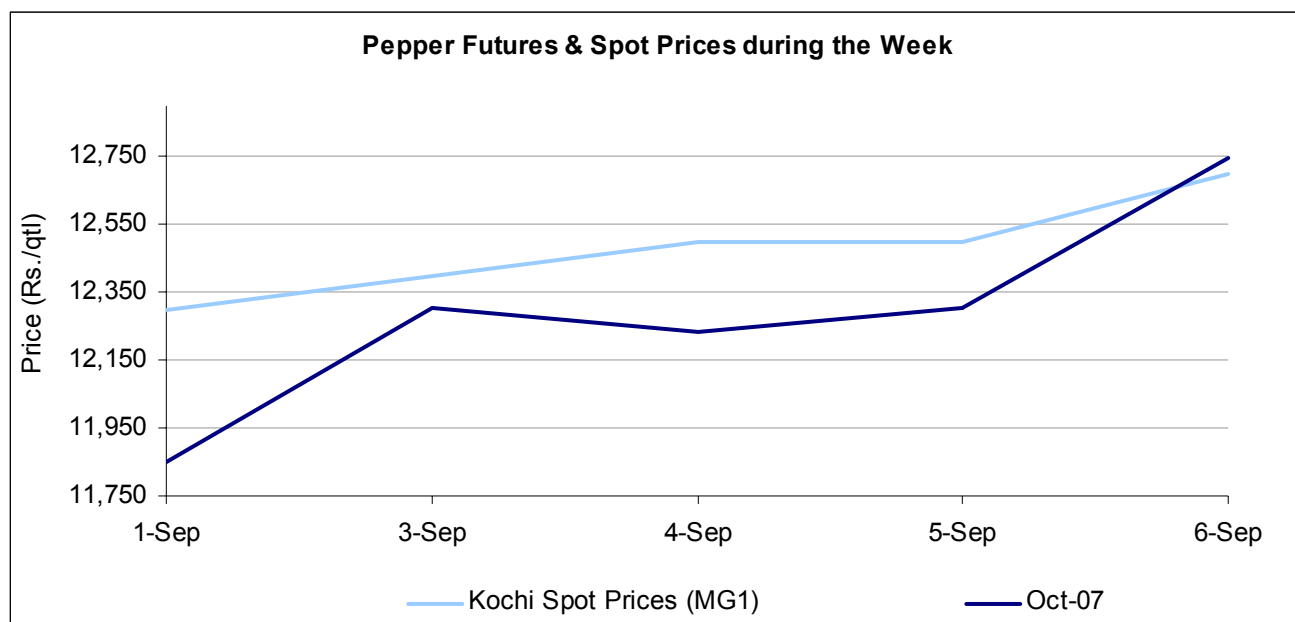
of value export earning from pepper during January - August, increased substantially by 137% from Rs.1,159 million to Rs.2,744 million.

## 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 October contract witnessed backwardation throughout the week till Friday. The spot prices improved steadily through the week, while the October futures also surged, interrupted by some mid-week stagnation. The difference between the spot and futures prices narrowed by Wednesday, which further widened and later narrowed to intersect on Saturday. The week closed with the futures prices ruling higher than the spot prices by Rs. 45/qrtl.



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

Pepper	10/01/07	10/03/07	10/04/07	10/05/07	10/06/07
Ungarbled	11700	11800	11900	11900	12100
Garbled	12300	12400	12500	12500	12700

Opening steady, black pepper traded firm at the domestic auctions and prices were quoted higher by about 3 per cent. Domestic demand is likely to gain momentum in the coming weeks on the upcoming festival season as well as onset of winter. Overseas demand is also expected to grow before Eid, while European demand will pick up before Christmas. Exporters are anticipating better performance in the coming months due to exhausted stocks in major

producing countries. Adverse weather conditions have dented the pepper production estimates for 2008 and total global output is estimated at 2.11 lakh tonnes as against 2.66 tonnes in 2006, while the consumption is pegged at around 3 lakh. The availability in 2008 is likely to turn tight with depletion of the carry over stock. Indian pepper output is projected to be less by 15-20% due to widespread damages caused by rains at 45000 tonnes. Harvesting of 2007-08 crop is expected to be delayed by 8 weeks and new crop is likely to hit the market by

January. Overseas buyers are shying away from the Indian market, despite lower prices of Indian parity, due to continuous decline in Indian prices despite firm fundamentals and high volatility in Indian futures counter, which is allegedly due to speculation. Good buying support amidst squeeze in physical availability is likely to buoy the markets in the coming months. Meanwhile, FMC has reduced the penalty levied on delivery defaults by traders to 2.5% from the earlier 8% with immediate effect to help the convergence of futures and spot prices, though it is likely to result in more delivery defaults.

### Turmeric:

Turmeric prices at the benchmark Nizamabad as well as other markets traded steady during the week ended 6th October. The arrivals as well as offtake at all the major physical markets remained steady as that of week ago. Steady buying amidst ample of stock around 20.5 lakh bags at the mandis failed to support any upward rally in the prices inspite of ongoing festive season. Overseas demand from Gulf and Japan for Nizamabad and Desi Cudappa variety remained active and is likely to remain steady during the days ahead whereas the European buyers are likely to enter the market after a fortnight. Mean while the weather conditions for the crop is stable at all the major growing areas. Prices for the commodity are likely to trade in a range during the days ahead.

#### Turmeric Prices in Erode Market

(Rs./qtl)

Grade	Sep24 - 29	Oct 01 - 06
Loose Finger	2100-2150	2100-2150
Loose Gattah	2000-2050	2000-2050

#### Turmeric Prices in Nizamabad Market

(Rs./qtl)

Grade	Sep24 - 29	Oct 01 - 06
Finger	1925-1975	1925-1950
Gattah	1840-1890	1825-1850

#### Turmeric Prices in Delhi Market

(Rs. /qtl)

Grade	Sep24 - 29	Oct 01 - 06
Nizamabad Finger	2300-2500	2500
Erode Finger Mini Selam	2750-2850	2850
Erode Single Polish Gattah	2350-2450	2450
Selam Finger	4000	4000

### Black Pepper Prices in Delhi Market

(Rs./kg)

Grade	Sep 24 - 29	Oct 01 - 06
Golden Unpolished	131-133	131-137
No. 11.5	150	155
No. 12	150	165

Note: Prices are in Rs. per Kg.

### Cumin (Jeera):

Domestic jeera prices at the benchmark Unjha markets improved by Rs.40 per 20 kg during the week ended 6th October 2007 as against week ago. The arrivals as well as offtake improved after a sluggish trade during previous week. Local buying was witnessed at the lower price level for the commodity during the eve of festivals like Dushera and Diwali ahead. Overseas buyers from the traditional, European, Bangladeshi and Singapore buyers were seen in the market thought not very active. Prices for jeera during the days ahead is likely to trade firm on festive demand as well as anticipation of export advices. Adding to this lower stock level is likely to support the upmove in prices.

#### Jeera Prices in Unjha Market

(Rs. /20kg)

Grade	Sep24 - 29	Oct 01 - 06
FAQ	2150-2190	2150-2230
Ganesh	2350-2410	2350-2450
M/c. Cleaned	2430-2570	2430-2610

#### Jeera Prices in Delhi Market

(Rs./kg)

Grade	Sep24 - 29	Oct 01 - 06
Ganesh New	108-110	108-109
FAQ	108-110	108-109
M/c. Cleaned	116-118	116-117

### Red Chillies:

Subdued buying interest locally as well as lackluster overseas demand dampened chilli prices at the Guntur market. The prices for chilli slumped by Rs.100 per quintal and were quoted in a range of Rs.3,800 and 4,300 per quintal as compared to week ago. The arrivals improved to 50,000 bags per day and offtake remained stable at 20,000 bags. Recent spell at the major chilli growing areas is likely to delay the crop progress as well as the arrivals from the Madhya Pradesh by 15 days to 1st week of November. Overseas demand from Bangladesh is likely to improve further after Ramzan celebrations. Chilli prices during the days ahead are likely to trade

rangebound amidst ample of stock at around 28 lakh bags as well as anticipation of overseas demand.

#### Red Chillies Prices in Guntur Market

(Rs. /qtl)		
Grade	Sep24 - 29	Oct 01 - 06
LCA 334 Cold Storage	3900-4400	3800-4300

#### Cardamom:

Cardamom prices remained steady during the week on good buying support amidst short supply, while the discolored capsules were quoted lower. The markets remained supported by tight supply position in the domestic as well as overseas market. Buyers from north India and UAE ahead of the festival season are active in the domestic auctions. Adverse

weather conditions in the major cardamom growing regions across the country have created a bullish tone over the market. Arrivals at the spot markets are seen steadily declining. Delay in harvesting in Idukki may result in lower arrivals in the short term. Harvesting is slow due to inclement weather and is expected to pick up in October - November. The production of cardamom in 2007 is estimated lower by 25-30% due to drought conditions during the initial crop stages and heavy rains in September. Prices are likely to rule higher on good demand amidst global supply crunch.

#### Cardamom Auction Prices in Pulianmalai

(Rs. /kg)		
Grade	Sept 29	Oct 06
7 mm	500	510

#### Futures Market (NCDEX):

##### Commodity: Black Pepper

Black pepper futures traded firm at NCDEX as well as MCX. After trading volatile in a thin range on Monday, NCDEX November contract surged on Wednesday to hit the upper circuit. The uptrend was interrupted in between by some profit taking on Thursday, after which the prices climbed up again to test the week's high of Rs. 13110/qtl on Saturday, before closing at Rs. 12998/qtl. Volumes traded and open interest improved as compared to the previous week. Opening weak at Rs. 11651/qtl, MCX October futures improved steadily through the week to test the week's high of Rs. 12500/qtl on Saturday, before closing at Rs. 12392/qtl. Open interest remained almost flat, while volume traded dipped 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	11850	Support-2	11527
Resistance-1	13402	Resistance-2	14307
Strategy	Buy on corrective dips.		

##### Commodity: Chilli

Opening sluggish, Chilli November futures at NCDEX witnessed a volatile trade during the week. The contract declined sharply during the mid week and thereafter recovered slightly towards the weekend however failed to breach the opening high. The futures during the initial days of the week surged up to Rs.4,488 per quintal and thereafter slumped to Rs.4,111 per quintal. The volumes and open interest gained significantly and supported the weakness in prices.

#### PRICE DRIVERS:

- Subdued domestic demand from local buyers
- Sluggish export demand from Bangladesh.
- Ample of stock in the market.
- Higher acreage for the season.

#### OUTLOOK:

**Short Term (1 Week):** Range bound to weak on subdued domestic demand

**Medium Term (1 Month):** Rangebound on steady domestic and export demand anticipated at lower price level

**Long Term (3 Months):** Bearish on higher output as well as ample of stock.

NCDEX Chilli November Contract			
Support-1	4089	Support-2	4014
Resistance-1	4493	Resistance-2	4545
Strategy	Trade cautiously as current market trend is indecisive.		

### Commodity: Cardamom

After trading firm initially, MCX cardamom futures plunged southward on selling pressure. October contract opened at Rs. 563/kg and traded firm initially to test the week's high of Rs. 592 on Thursday. The contract slipped thereafter to test the week's low of Rs. 510 on Saturday, before closing at Rs. 513.50/kg. Open interest dipped amidst larger volumes traded as compared to the previous week.

#### PRICE DRIVERS:

- Festive demand
- Expected overseas demand from Middle East, ahead of Eid.
- Production estimated lower by 30%
- Lower arrivals in the market, due to late harvesting and lower production
- Heavy rains likely to result in fungal and pest epidemic

#### OUTLOOK:

**Short Term (1 Week):** Range-bound to firm on festive demand amidst lower arrivals

**Medium Term (1 Month):** Firm on expected overseas demand and supply crunch

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

MCX Cardamom October Contract			
Support-1	492.5	Support-2	485.0
Resistance-1	580.0	Resistance-2	592.0
Strategy	Sell towards resistance levels.		



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## WEATHER WATCH:

### METEOROLOGICAL ANALYSIS

Southwest monsoon withdrew from most parts of West Rajasthan and some parts of Punjab, Haryana, East Rajasthan and north Arabian Sea on 30th September 2007. It further withdrew from entire Jammu & Kashmir, Himachal Pradesh, Uttarakhand, remaining parts of Punjab, Haryana, Rajasthan, most parts of West Uttar Pradesh & Gujarat, some parts of East Uttar Pradesh & West Madhya Pradesh on 2nd October.

An upper air cyclonic circulation extending upto mid-tropospheric levels lay over Gangetic West Bengal and neighbourhood on 27th, over Jharkhand and neighbourhood on 28th, over Bihar and neighbourhood on 29th & 30th, over Bihar and adjoining Sub-Himalayan West Bengal on 1st & 2nd October and over northeastern states on 3rd October.

An upper air cyclonic circulation extending upto mid-tropospheric levels lay over coastal Andhra Pradesh & neighbourhood on 30th September, over West-Central Bay of Bengal off Coastal Andhra Pradesh during 1st -3rd October.

An upper air cyclonic circulation in the lower levels lay over North-East Arabian Sea and adjoining Coastal areas of Gujarat and Maharashtra coasts on 27th, over Madhya Maharashtra & neighbourhood on 28th, over Marthawada & neighbourhood on 29th and became less marked on 30th.

An off-shore trough at mean sea level extended from South Gujarat coast to Karnataka coast on 27th and from Konkan coast to Karnataka coast on 28th & 29th September.

Last week's upper air cyclonic circulation over West Uttar Pradesh and neighbourhood extending upto mid-tropospheric level persisted over the same region in the lower levels during 27th - 29th and became less marked on 30th.

Last week's low pressure area over north Gujarat and adjoining southwest Madhya Pradesh became less marked on 27th. However, the associated upper air cyclonic circulation in the lower levels lay over the same region on 27th and became less marked on 28th.

### RAINFALL

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

Fairly widespread/ scattered rainfall occurred over Andaman & Nicobar Islands, Konkan & Goa, Coastal Karnataka and Kerala during many days of the week. Isolated/ scattered rainfall occurred over remaining parts of peninsula & Maharashtra and over Gujarat region during many days of the week.

Fairly widespread/scattered rainfall occurred over Bihar & Jharkhand during many days of the week.

Fairly widespread/scattered rainfall occurred over Madhya Pradesh, East Uttar Pradesh and Uttarakhand during first half of the week.

Fairly widespread/ scattered rainfall occurred over Chhattisgarh, Orissa, West Bengal & Sikkim during first half of the week and isolated /scattered during 2nd half of the week.

Isolated/ scattered rainfall occurred over northeastern states during many days of the week.

Isolated rainfall occurred over different subdivisions of Northwest India, Rajasthan, Saurashtra & Kutch during first half of the week and weather was mainly dry thereafter.

#### Outlook for the Week Ending On 3<sup>rd</sup> October 2007

Southwest monsoon is likely to further withdraw from remaining parts of West Uttar Pradesh & Gujarat, some more parts of Madhya Pradesh and some parts of Maharashtra.

Increase in rainfall activity is likely over Coastal Andhra Pradesh, Orissa, West Bengal & Sikkim and northeastern states.

Source: IMD

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