

## SPICES

December 10 – 15, 2007

### Overview:

- Black pepper recovered towards the close of the week after an initial slump.
- Domestic Jeera prices improved marginally on improved demand from eastern states.
- Cardamom traded steadily weak during the week at the domestic auctions.
- Chilli prices improved marginally towards the week end on demand for high quality spice while lack of buying interest at higher levels dampened turmeric prices at the physical market.
- IPC: Indian import of spices comes down

### Spices: Domestic Spot Prices for the Week Ending 08.12.2007:

Spice	Grade/Variety	Market	Price (Rs/Kg) For the Week (08.12.07)	Price (Rs/Kg) For the Week (01.12.07)	Last Month Same Week (Rs/Kg) (10.11.07)	Last Year Same Week (Rs/Kg) (09.12.06)
Black Pepper	Malabar Garbled (MG-1)	Cochin	133.83	133.67	139.80	101.75
Cardamom (Small)	(Auction Price ) Ungraded	Vandanmedu	548.34	549.60	470.56	248.46
Cardamom (Large)	Bada Dana	Gangtok	131.25	141.25	116.25	92.50
Chilli	Cold storage	Guntur	32.60	36.40	-	65.00
Ginger	Best	Cochin	72.50	72.50	60.00	60.00
	Medium	Cochin	62.00	62.00	55.00	50.00
Turmeric	Alleppey finger (AFT)	Cochin	30.00	30.00	24.00	40.00
	Rajapuri	Mumbai	52.50	52.50	36.00Chennai	54.50
Coriander	Indore	Mumbai	41.25	41.25	43.25Chennai	29.25
Cumin	1%	Mumbai	106.88	110.63	-	82.78
Clove		Cochin	240.00	240.00	240.00	320.00
		Nagarcoil	280.00	280.00	300.00	280.00
Cinnamon		Delhi	69.50	69.50	62.50	63.50

Source: Spices Board of India

## Spices: International Spot Prices for the Week Ending 07.12.2007:

Spice	Origin/Grade	Market	Price For the Week (07.12.07) (US\$/KG)	Price For the Week (30.11.07) (US\$/KG)	Last Month (09.11.07) (US\$/KG)	Last Year Same Week (08.12.06) (US\$/KG)
Pepper	Malabar Garbled (MG-1)	New York	3.81	3.86	3.92	2.98
Cardamom (small)	Indian (AGEB)	Saudi Arabia	17.81	17.69	14.69	9.65
Chillies	Indian SANNM-4 (Stem less)	New York	2.21	2.21	2.21	2.65
Ginger	India Cochin	New York	2.65	2.43	2.25	1.96
	Chinese Peeled	New York	1.81	1.81	1.81	1.81
Turmeric	India Alleppey Finger	New York	1.35	1.35	1.74	1.85
Garlic	Chinese	New York	1.83	1.81	1.87	2.62
Coriander	Canada	New York	1.85	1.85	1.76	0.84
Cumin	Syrian	New York	3.40	3.44	3.44	2.32
	Indian	New York	3.40	3.44	3.44	2.32
Fennel	Indian (ASTA)	New York	1.57	1.57	1.57	1.98
	Egyptian	New York	1.57	1.57	1.57	1.65
Fenugreek	India/Turkey	New York	1.15	1.15	1.15	0.99
Clove	Mad/Zanz/Com/ Indo	New York	4.85	4.81	4.63	4.41
	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 Imports of spices comes down

The total import of spices has declined by 15 per cent in volume during April-October 2007 as compared to the same period of last year. As per the import details collected and compiled from the sea ports and land ports, during the year a quantity of 45,875 M.T. of spices valued at Rs.320.64 crore imported as against 53,508 M.T. valued at Rs.367.63 crore in the same period of last year.

According to Spices Board sources here the pepper import has declined to 7,550 tonnes during the year from 12,167 tonnes of last year. Pepper is mainly imported by oleoresin industry for extraction and re-

exports. Import of cardamom (large), cassia, turmeric, poppy seed and star anise has also declined during the year. Spices like cardamom (large), clove, cassia, star anise etc. are mainly imported to meet the domestic demand.

During April-October 2007, the export of pepper from India has been 21,100 tonnes valued Rs.303.68 crore, which is higher by 40 per cent in quantity and 116 per cent in value as compared to the last year's figures of 15,050 tonnes and Rs.140.37 crore. During the period, Indian pepper has become more competitive in the international market as compared to other major producing countries like Vietnam,

Indonesia and Malaysia. The export of chilli has almost doubled in the first seven months of this financial year compared to last year. India exported 120,000 tonnes of chilli valued Rs.651.73 crore against 67,933 tonnes valued Rs.339.24 crore last year. The export of chilli accounts for 46 per cent in terms of quantity and 26 per cent in terms of value of the total export of spices from India. Presently India is the main source of red chilli for international market.

The stringent quality measures implemented by the Board, viz. mandatory sampling and analysis for presence of Aflatoxin and adulterant Sudan in export

consignment of chilli has made Indian chilli more acceptable in the international markets.

#### Value added spices

The export of valued added spices like curry powder, spice oils and oleoresins and mint products have shown an increase of 30 per cent, 2 per cent and 18 per cent respectively in terms of value.

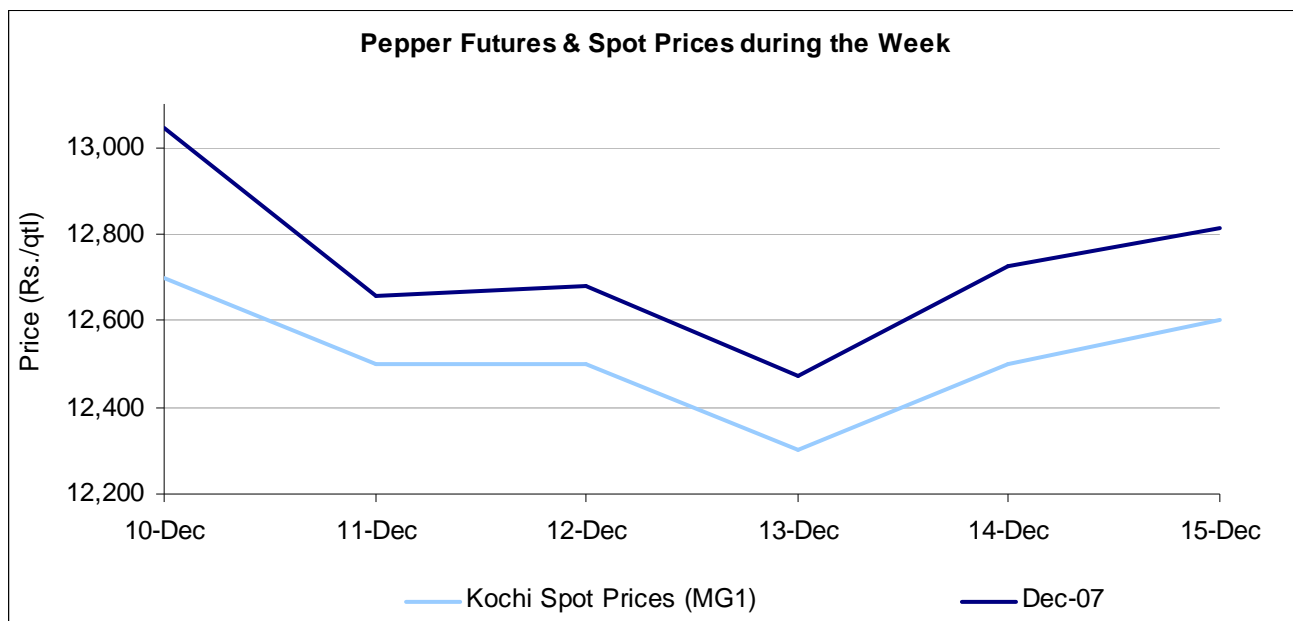
During the first seven months of the current financial year 6,480 tonnes of curry powder valued Rs.62.68 crore exported from India as against 5,428 tonnes valued Rs.48.16 crores of last year.

## 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 December contract prices in NCDEX. The prices showed normal tendency throughout the week. The difference between the two prices was the most on Monday, where the futures exceeded spot by 343. The gap narrowed down to a minimum on Tuesday and thereafter exhibited a gradual increase in the difference.



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

Pepper	12/10/07	12/11/07	12/12/07	12/13/07	12/14/07	12/15/07
Ungarbled	12700	12500	12500	12300	12500	12600
Garbled	13300	13100	13100	12900	13100	13200

Pepper prices weakened steadily during the week, despite good domestic demand. Availability of the

spice remained limited at the physical markets. Some export demand is also seen trickling in the domestic market. Indian spice remained marginally out-priced

in the global market. Harvesting in India is delayed and is expected to begin by the end of December or early January. This would further squeeze the supply position. Indian grinding industry has reportedly covered 3000 tonnes of ASTA grade Indonesian pepper and 1000 tonnes from Brazil. Brazilian bold berries, separated by sieving, are allegedly entering the domestic market in north India. Meanwhile, Spices Board recorded a 37% decline in pepper imports during April-October. The pepper imports, mainly by oleoresin industry for extraction and re-exports, have declined to 7550 tonnes during the year from 12167 tonnes of last year. Vietnam is reported to have very little stocks of pepper left and is unlikely to export in the coming months. Hence, India would enjoy monopoly as the sole supplier in the coming months. Domestic as well as global pepper markets are seen steady to firm in the coming months

### Turmeric:

Turmeric prices at all the physical markets continued with the upward rally and surged significantly. Improving demand from all the sectors (medicine, cosmetics, and retailers) as well as active buying from the stockists remained a supportive feature for the prices to remain firm. Usually during this time of year stockists are less active however, on the reports of around 20% fall in acreage for the season as well as unconfirmed reports of pests attacks at Nizamabad as well as Warangal turmeric growing areas triggered active buying inspite of off season. The arrivals as well as offtake improved in comparison with the week ago. Overseas demand from Gulf, Japan as well as European nations continued to be active and support the firmness in prices. Turmeric prices are likely to trade range bound to firm during days ahead on emerging demand in the market.

### Turmeric Prices in Erode Market

(Rs./qtl)

Grade	Dec 03 - 08	Dec 10-15
Loose Finger	2550-2700	2600-2750
Loose Gattah	2600-2650	2550-2650

### Turmeric Prices in Nizamabad Market

(Rs./qtl)

Grade	Dec 03 - 08	Dec 10-15
Finger	2200-2275	2180-2325
Gattah	2200-2275	2210-2345

### Turmeric Prices in Delhi Market

(Rs. /qtl)

Grade	Dec 03 - 08	Dec 10-15
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on potential demand amidst depleting inventories and lower production

### Black Pepper Prices in Delhi Market

(Rs. /kg)

Grade	Dec 03 - 08	Dec 10-15
Golden Unpolished	146	143
No. 11.5	175	175
No. 12	190	190

Note: Prices are in Rs. per Kg.

Nizamabad Finger	2925-3025	2925-3025
Erode Finger Mini Selam	3250-3350	3250-3300
Erode Single Polish Gattah	2850-2950	2850-2900
Selam Finger	4075-4175	4075-4125

### Cumin (Jeera):

Subdued buying interest during the initial days of the week dampened jeera prices at the Unjha markets. The arrivals and offtake declined in comparison with week ago on lack of active participation as well as due to elections at Gujarat. Overseas buying from traditional Bangladesh, Singapore and European buyers were slightly active towards the week end and is anticipated to improve at steady pace during the days ahead. Jeera sowing at Rajasthan state has been initiated; it is likely to continue for a fortnight. Area under cultivation is reported to be higher around 15%-20% in comparison with previous crop season due to higher price fetched during the year for the spice. The prevailing weather conditions at Rajasthan to be favourable for the crop during the sowing stage. The prices for the spice is likely to remain range bound to slight firm during the days ahead on emerging demand at lower price level.

### Jeera Prices in Unjha Market

(Rs. /20kg)

Grade	Dec 03 - 08	Dec 10-15
FAQ	2335-2385	2330-2385
Ganesh	2525-2605	2525-2605
M/c. Cleaned	2605-2765	2605-2765

### Jeera Prices in Delhi Market

(Rs./kg)

Grade	Dec 03 - 08	Dec 10-15
Ganesh New	115	114-5-115
FAQ	115	114.5-115
M/c. Cleaned	123.5	123-123.5

### Red Chillies:

Domestic chilli prices at the physical market during the initial days of the week tested lows for the season. However, the prices recovered towards the week end on emerging demand for the premium quality red spice towards the week end. The arrivals as well as offtake were reported to be low in comparison with prior week. Currently there is supply crunch for the premium quality spice in the market and the arrival for this variety is likely to hit the market towards the January end. Overseas demand for the chillies from the traditional Bangladesh, Sri Lanka, Malaysia and European nations are steadily gaining its pace for the good quality spice on reports of exports from Pakistan to European Union are banned as the spice was found infected with post harvest fungal disease. The prices for chillies during the days ahead is likely to trade range bound to firm on anticipation for further improvement of demand in the market.

#### Red Chillies Prices in Guntur Market

Grade	Dec 03 - 08	Dec 10-15
LCA 334 Cold Storage	2800-3400	2800-3700

(Rs. /qtl)

### Cardamom:

Cardamom auctions witnessed slight weakness during the week, contrary to the fundamentals. Domestic demand is seen strong from upcountry dealers who have no inventory left with them. Besides, dealers are buying in anticipation of lower production. The arrivals continued to be lower, reflecting a poor crop this season. Spices Board estimates cardamom production to be down by 15% to around 9700 tonnes in fiscal 2008, from 11235 tonnes the previous year. However, the growers confide that the production could decline by upto 30% and cites continuous rains during the six months starting May as the reason. Despite Indian spice being over-priced in the global market, export buying has been reported at the domestic auctions. Meanwhile, the Centre has sanctioned a 122 crore scheme for replantation and rejuvenation of cardamom plantations in Kerala, Tamil Nadu and Karnataka in the next five years, of which about 58 crores would be utilized for the cardamom plantations in Kerala alone. Moreover, it has been cleared that import duty on cardamom will not be reduced. Spices Board has urged the administration to impose tariff barrier on cardamom imports. The commodity is being imported at Rs. 100 a kg from Guatemala, while domestic prices are around Rs. 550 a kg.

#### Cardamom Auction Prices in Vandanmedu

Grade	Dec 08	Dec 15
7 mm	570	550

(Rs. /kg)

### Futures Market (NCDEX):

#### Commodity: Black Pepper

NCDEX pepper most active January contract staged a recovery towards the close of the week after an initial slump. The contract opened at 13332 and traded steadily down to test a low of 12603 on Thursday. This was followed by some good recovery and the contract ended at 13140. Open interest and volume declined marginally as compared to the previous week.

#### PRICE DRIVERS:

- Domestic sellers active at higher prices
- Indian production estimated lower by around 20% at 50,000 tonnes in 2007
- Global supply shortage is estimated at 55,000 MT in 2007
- Depleting inventories at the major origins
- Higher price of Indian pepper in the global market
- Lack of sellers of ready stock
- Subdued overseas demand
- Strong domestic demand

- Imports of the spice from Brazil and Indonesia

#### OUTLOOK:

**Short Term (1 Week):** Steady to slightly firm in the coming week on strong domestic demand. However, limited availability could result in volatility.

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

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

#### NCDEX Black Pepper January Contract

Support-1	12603	Support-2	12237
Resistance-1	13968	Resistance-2	14400
Strategy	Buy on corrective dips with caution.		

#### Commodity: Chilli

The bulls continued their rally for the NCDEX Chilli most active February futures. The contract started firm at Rs.3,545 per quintal and did not breach the opening levels to witness lows during the week and

surged up to Rs.3,785 per quintal on fresh buying support. Both the volumes as well as open interest improved in comparison with week ago and supported the firm trend in prices.

#### PRICE DRIVERS:

- Emerging demand for the premium quality spice at domestic level.
- Arrival of premium quality chillies towards the last week of January.
- Ban of exports in Pakistan due to fungal infection affecting the spice post harvest.
- Sufficient inventory level at around 16.5-17 lakh bags.

#### OUTLOOK:

**Short Term (1 Week):** Steady to firm on anticipation of buying at lower levels.

**Medium Term (1 Month):** Rangebound on supply matching demand.

**Long Term (3 Months):** Range bound to weak on ample of inventories as well as higher production estimates.

NCDEX Chilli February Contract			
Support-1	3546	Support-2	3461
Resistance-1	3858	Resistance-2	3941
Strategy	Buy on corrective dips.		

#### Commodity: Cardamom

Cardamom futures traded weak during the initial days to stage a recovery towards the close of the week.

Opening at 597.5, the January delivery contract dipped steadily to test the week's low of 581.5 on Thursday. The contract improved thereafter to close at 603, after testing the week's high of 606.5 on Friday. Volumes and open interest improved as compared to the previous week.

#### PRICE DRIVERS:

- Strong domestic demand
- Lower arrivals
- Domestic production estimated 30% lower
- Guatemalan imports
- Indian cardamom quoting a premium in the global market.
- Limited overseas demand

#### OUTLOOK:

**Short Term (1 Week):** Steady to firm on strong domestic demand

**Medium Term (1 Month):** Slightly firm on likely overseas demand amidst lower global production estimates

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

MCX Cardamom January Contract			
Support-1	581.5	Support-2	565.5
Resistance-1	618	Resistance-2	624
Strategy	Buy on dips with caution.		

#### WEATHER WATCH:

##### METEOROLOGICAL ANALYSIS

Last week's upper air cyclonic circulation in lower tropospheric levels over Jammu & Kashmir and neighbourhood moved away eastwards on 6th.

A western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 6th, over Jammu & Kashmir and neighbourhood on 7th and moved away eastward thereafter.

Another western disturbance as an upper air system lay over north Pakistan & adjoining Jammu & Kashmir on 9th, over Jammu & Kashmir and neighbourhood on 10th, over Himachal Pradesh & neighbourhood on 11th and moved away eastward on 12th.

An upper air cyclonic circulation in lower tropospheric levels lay over Rajasthan & neighbourhood on 11th and over West Madhya Pradesh & neighbourhood on 12th.

Easterly waves sometimes embedded with upper air cyclonic circulations at lower tropospheric levels

passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea. Under its influence, a low pressure area formed over southwest Bay of Bengal off southeast coast of Sri Lanka on 11th. It persisted over the same area on 12th.

#### RAINFALL

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

Scattered to fairly widespread rain/snow occurred over Jammu & Kashmir, Himachal Pradesh and Uttarakhand during 10th to 12th December.

Isolated to scattered rain/thundershowers occurred over Punjab & Haryana on 11th & 12th, over Uttar Pradesh and northwest Madhya Pradesh on 12th.

Isolated rain/thundershowers occurred over Andaman & Nicobar Islands during many days of the week.

The rainfall was subdued over south peninsula during the week. Isolated to scattered rain/thundershowers occurred over Tamil Nadu during first half of the week. Isolated rain/thundershowers occurred over Kerala & Karnataka on 7th.

Mainly dry weather prevailed over remaining parts of the country during the week.

Cold wave conditions are likely to develop over plains of northwest India, West Madhya Pradesh and Rajasthan during second half of the week.

Fog conditions are likely over some parts in the plains of northwest India.

Source: IMD

### **Outlook for the Week Ending On 19<sup>th</sup> December 2007**

Fairly widespread rain/thundershowers with isolated heavy to very heavy falls are likely over extreme south peninsula during first half of the week.

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