

SPICES

December 03 – 08, 2007

Overview:

- Black pepper traded steadily lower to end 3% down on lack of ready sellers.
- Domestic Jeera prices improved marginally on improved demand from eastern states.
- Cardamom traded firm during the week on strong domestic demand.
- 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: Pepper imports to Spain dipped in terms of volume during August 2007

Spices: Domestic Spot Prices for the Week Ending 01.12.2007:

| Spice | Grade/Variety | Market | Price (Rs/Kg) For the Week (01.12.07) | Price (Rs/Kg) For the Week (24.11.07) | Last Month Same Week (Rs/Kg) (03.11.07) | Last Year Same Week (Rs/Kg) (02.12.06) |
|---------------------|------------------------------|------------|---|--|--|---|
| Black Pepper | Malabar Garbled (MG-1) | Cochin | 133.67 | 134.67 | 147.67 | 109.00 |
| Cardamom (Small) | (Auction Price) Ungraded | Vandanmedu | 549.60 | 516.85 | 436.73 | 265.68 |
| Cardamom (Large) | Bada Dana | Gangtok | 141.25 | 147.50 | 113.75 | 96.25 |
| Chilli | Cold storage | Guntur | 36.40 | 36.50 | 42.60 | 65.20 |
| Ginger | Best | Cochin | 72.50 | 71.25 | 58.33 | 60.00 |
| | Medium | Cochin | 62.00 | 61.00 | 53.33 | 50.00 |
| Turmeric | Alleppey finger (AFT) | Cochin | 30.00 | 27.50 | 24.00 | 40.00 |
| | Rajapuri | Mumbai | 26.76 | 24.75 | 23.63 | 24.50 |
| Coriander | Indore | Mumbai | 41.25 | 44.00 | 43.25 | 29.75 |
| Cumin | 1% | Mumbai | 106.88 | 110.63 | 113.13 | 83.75 |
| Clove | | Cochin | 240.00 | 240.00 | 240.00 | 320.00 |
| | | Nagarcoil | 280.00 | 290.00 | 250.00 | 270.00 |
| Cinnamon | | Delhi | 69.50 | 69.50 | 63.50 | 69.00s |

Source: Spices Board of India

Spices: International Spot Prices for the Week Ending 30.11.2007:

| Spice | Origin/Grade | Market | Price For the Week (30.11.07) (US\$/KG) | Price For the Week (21.11.07) (US\$/KG) | Last Month (02.11.07) (US\$/KG) | Last Year Same Week (01.12.06) (US\$/KG) |
|------------------|----------------------------|--------------|---|---|---------------------------------------|--|
| Pepper | Malabar Garbled (MG-1) | New York | 3.86 | 3.86 | 3.92 | 3.04 |
| Cardamom (small) | Indian (AGEB) | Saudi Arabia | 17.69 | 17.01 | 14.66 | 9.48 |
| Chillies | Indian SANNM-4 (Stem less) | New York | 2.21 | 2.21 | 2.21 | 2.87 |
| Ginger | India Cochin | New York | 2.43 | 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 | 1.79 | 1.74 | 1.85 |
| Garlic | Chinese | New York | 1.81 | 1.81 | 1.90 | 2.62 |
| Coriander | Canada | New York | 1.85 | 1.85 | 1.65 | 0.84 |
| Cumin | Syrian | New York | 3.44 | 3.44 | 3.44 | 2.32 |
| | Indian | New York | 3.44 | 3.44 | 3.44 | 2.32 |
| Fennel | Indian (ASTA) | New York | 1.57 | 1.57 | 1.57 | 2.10 |
| | Egyptian | New York | 1.57 | 1.57 | 1.57 | 2.10 |
| Fenugreek | India/Turkey | New York | 1.15 | 1.15 | 1.15 | 0.99 |
| Clove | Mad/Zanz/Com/ Indo | New York | 4.81 | 4.81 | 4.19 | 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: Pepper imports to Spain dipped in terms of volume during August 2007

Black Pepper: The market continued to be quiet and mixed due to limited stocks and lack of overseas demand. The situation will likely continue until Feb/March, when Vietnam's crop enters the market. Although India's harvest is approaching, but recent heavy rains are expected to delay pickings. At Kochi, average prices of Malabar black increased by around 2% from last week's prices. Price, however, eventually came down marginally at the week close. Trading at the Commodity Exchange was also limited. In Lampung and Sarawak, local prices of

black pepper eased marginally, while in Vietnam and Sri Lanka were reported unchanged.

White Pepper: The market for white pepper was also quiet. Local prices at in Bangka and Sarawak eased marginally. In Hainan, the prices came down significantly by 7%.

Import of Pepper into Spain: During August 2007 Spain imported 472 mt of pepper valued at Euro 1.3 million comprising 447 mt of whole and 27 mt of ground pepper, against 590 mt valued at Euro 912,300 in August 2006. During January - August 2007, Spain also imported 4,156 mt (3,790 mt of whole pepper and 366 mt of ground pepper) worth

Euro 10.69 million, showing a decrease of 12% in volume, but increase in value by 57%. Brazil was the most important source supplying 1,537 mt during this

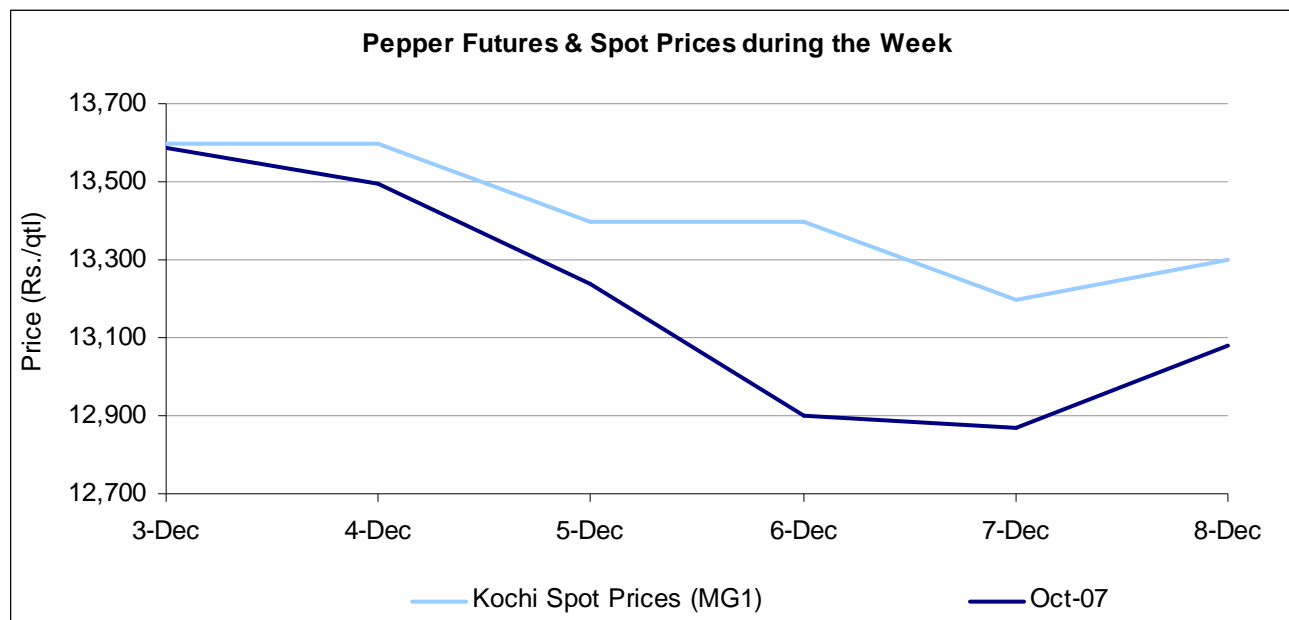
period followed by Vietnam and India with 935 and 642 mt respectively.

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 backwardation throughout the week. The difference between the two prices was the least on Monday, where the spot marginally exceeded the futures price by 15. The gap widened as the week progressed to reach a maximum on Thursday at 501 and narrowed later.



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

| Pepper | 12/03/07 | 12/04/07 | 12/05/07 | 12/06/07 | 12/07/07 | 12/08/07 |
|-----------|----------|----------|----------|----------|----------|----------|
| Ungarbled | 13000 | 13000 | 12800 | 12800 | 12600 | 12700 |
| Garbled | 13600 | 13600 | 13400 | 13400 | 13200 | 13300 |

Opening firm, spot pepper traded weak during the day to end lower by over 3% on lack of ready pepper in the physical markets. Spot selling at terminal markets has been negligible, while most of the domestic demand was catered to by direct sales at the primary market. The Centre's reported decision to reduce import duty on pepper to 50% from 70% has also contributed to the bearish sentiments ruling in the market. Though, this could have no immediate impact, there could be a possibility of Vietnam pepper coming to India in large quantity when the harvesting takes place there early next year. Besides, overseas

reports indicated that Indonesia has slashed its prices. The reported aggressive selling by Indonesia at \$3300 a tonne for nearby shipments also contributed to the fall. The domestic demand is seen strong from the grinding industry in the north. Indian industry engaged in value addition and export is said to have bought substantial quantity of black pepper from other origins at lower prices. This has led to the apprehension that part of the imported pepper could enter the domestic market and depress the price here. However, black pepper markets continued to be supported by lower crop expectation in the upcoming season. A pre-harvest survey has revealed that the pepper production for 2007-08 is likely to decline

marginally to around 50,000-52,000 tonnes. Production is set to decline substantially in Karnataka due to prevalence of rot disease and untimely rains, while it is expected to increase in Tamil Nadu and parts of Kerala. However, the projection of the IPC indicates a decline in availability of pepper in the global market to a tune of 55,000 tonnes in 2008. The stocks are getting depleted in the international market, including India and the delayed harvesting in India will further squeeze the supply position. Meanwhile, import of black pepper from Brazil during the period of January-September 2007 rose 51% in

terms of value as compared to the previous year, while the volume improved 18%.

Black Pepper Prices in Delhi Market

(Rs. /kg)

| Grade | Dec 01 | Dec 08 |
|-------------------|--------|--------|
| Golden Unpolished | 150 | 146 |
| No. 11.5 | 175 | 175 |
| No. 12 | 190 | 190 |

Note: Prices are in Rs. per Kg.

Turmeric:

After riding high during the initial days of the week turmeric prices witnessed a correction coming in during the mid week both in physical as well as futures market. The arrivals and offtake declined at the Nizamabad market whereas at Erode it improved in comparison with week ago. Demand for the commodity is reported to be good from all the sectors where it is being used however the high price level restricted the fresh buying. Overseas traditional buyers from Gulf, Japan and European nations are reported 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 | Nov26 - Dec01 | Dec 03 - 08 |
|--------------|---------------|-------------|
| Loose Finger | 2375-2625 | 2550-2700 |
| Loose Gattah | 2275-2625 | 2600-2650 |

Turmeric Prices in Nizamabad Market

(Rs./qtl)

| Grade | Nov26 - Dec01 | Dec 03 - 08 |
|--------|---------------|-------------|
| Finger | 2120-2195 | 2200-2275 |
| Gattah | 2120-2400 | 2200-2275 |

Turmeric Prices in Delhi Market

(Rs. /qtl)

| Grade | Nov26 - Dec01 | Dec 03 - 08 |
|----------------------------|---------------|-------------|
| Nizamabad Finger | 2925-3075 | 2925-3025 |
| Erode Finger Mini Selam | 3250-3400 | 3250-3350 |
| Erode Single Polish Gattah | 2850-3000 | 2850-2950 |
| Selam Finger | 4000-4225 | 4075-4175 |

Cumin (Jeera):

Domestic jeera prices at the benchmark Unjha market improved marginally during the mid week after opening steady. Emerging demand at the lower price level from the eastern states helped the price for the spice to recover after a prolonged steady trend. The arrivals remained steady whereas the offtake improved marginally in comparison with week ago. The cloudy weather at Gujarat during the initial days of the week was a matter of concern for the crop during the initial growth stage however the weather conditions towards the weekend improved and prevented the likely damage. Jeera prices are likely to trade range bound to slightly firm during the days ahead in anticipation of domestic demand improving further during the days ahead.

Jeera Prices in Unjha Market

(Rs. /20kg)

| Grade | Nov26 - Dec01 | Dec 03 - 08 |
|--------------|---------------|-------------|
| FAQ | 2335-2345 | 2335-2385 |
| Ganesh | 2525-2565 | 2525-2605 |
| M/c. Cleaned | 2605-2725 | 2605-2765 |

Jeera Prices in Delhi Market

(Rs./kg)

| Grade | Nov26 - Dec01 | Dec 03 - 08 |
|--------------|---------------|-------------|
| Ganesh New | 115-116 | 115 |
| FAQ | 115-116 | 115 |
| M/c. Cleaned | 123.5-124.5 | 123.5 |

Red Chillies:

Chilli prices at the benchmark Guntur market recovered marginally towards the mid week after testing fresh lows for the season during the initial days of the weeks. Buying at lower level in very small quantity, for the best quality spice was witnessed at the auction. The arrivals and offtake declined in comparison with week ago. Local demand for the commodity was reported to be subdued as traders are eyeing the fresh crop which is likely to hit the market within a period of month. Overseas demand from the traditional Bangladeshi and Malaysian buyers also lacked luster. Prices for the spice are

likely to remain rangebound on sufficient inventories as well as steady demand in the market.

Red Chillies Prices in Guntur Market

| (Rs. /qtl) | | |
|----------------------|---------------|-------------|
| Grade | Nov26 - Dec01 | Dec 03 - 08 |
| LCA 334 Cold Storage | 3000-3900 | 2800-3400 |

Cardamom:

Cardamom prices firmed up in the domestic auctions during the week ending 8th December, following a steady opening. The market is propped up by lower arrivals and expectation of a weak crop during the season. The domestic demand is reported to be strong from dealers in North India, while small export buying has also been reported in the domestic auctions. The Indian parity continues to remain out-

priced in the global market, which is seen limiting export demand. Arrivals have been recorded lower this season by 30-40%, reflecting a lower output. The cardamom markets are likely to remain steady to firm in the coming months on good domestic demand amidst supply concerns. Third round of picking is in its last stage in Kerala. Meanwhile, the second e-auction centre will be launched in Vandanmedu in Kerala on December 8th. The centre will have 60 terminals for operation and is provided with advanced server connection and network facilities, with necessary power back up.

Cardamom Auction Prices in Pulianmalai

| (Rs. /kg) | | |
|-----------|--------|--------|
| Grade | Dec 01 | Dec 08 |
| 7 mm | 565 | 570 |

Futures Market (NCDEX):

Commodity: Black Pepper

Pepper futures at NCDEX traded down after a marginal rise. The contract opened at 13760 and traded marginally high to test the week's high of 13968 on Tuesday. The contract slipped thereafter to test the week's low of 12950 on Friday, before staging a slight recovery to close at 13310. Open interest improved during the week, while volume traded dipped as against 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
- Govt. to reduce import duty on pepper to 50%

OUTLOOK:

Short Term (1 Week): Steady to slightly weak on absence of ready pepper in the physical markets

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 December Contract | | | |
|--------------------------------------|-------|--------------|-------|
| Support-1 | 12865 | Support-2 | 12580 |
| Resistance-1 | 13730 | Resistance-2 | 1968 |

| | |
|----------|--|
| Strategy | Buy on every dip with caution. Cover short positions. |
|----------|--|

Commodity: Jeera

NCDEX Jeera January futures moved sideways in a narrow range. The contract started slightly firm at Rs.9700 per qtl and during the initial days of the week witnessed a low at Rs.9651 per qtl and during the mid week surged up to Rs.10160 per qtl. The futures then closed marginally firm by 1.62 % at Rs.9860 per qtl in comparison with previous weeks close price. Both open interest as well volumes traded improved marginally in comparison with week ago.

PRICE DRIVERS:

- Emerging domestic demand at lower price level.
- Steady overseas buying from the traditional buyers.
- Supply shortage due to lower stock level at around 3.00 lakh bags.

OUTLOOK:

Short Term (1 Week): Range bound to slightly firm on improving demand.

Medium Term (1 Month): Steady to firm on anticipation of good demand in domestic as well as overseas market.

Long Term (3 Months): Bullish on low stock at 3.00 lakh bags and lower acreage estimates for forth coming season.

| NCDEX Jeera January Contract | | | |
|------------------------------|-------|--------------|-------|
| Support-1 | 9617 | Support-2 | 9379 |
| Resistance-1 | 10397 | Resistance-2 | 10676 |

Strategy

Cover short positions and trade cautiously.

Commodity: Turmeric

Turmeric most active April futures at NCDEX witnessed a volatile trade. The contract started slightly weak at Rs.2605 per qtl and during the initial days surged up to Rs.2733 per qtl underpinned by fresh buying support and thereafter slashed to witness a low at Rs.2561 towards the week end on profit booking. The contract then closed marginally weak at Rs.2607 per qtl down by Rs.9 in comparison with week ago. Both volumes as well as open interest surged significantly and supported the price movement.

PRICE DRIVERS:

- Improving domestic demand from all the sectors using the spice.

- Steady overseas buying from the traditional buyers.
- Sufficient inventory level at around 16.5- 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 on sufficient inventories amidst lower acreage estimates.

NCDEX Turmeric April Contract

| | | | |
|---------------------|-------------------------|---------------------|------|
| Support-1 | 2461 | Support-2 | 2362 |
| Resistance-1 | 2706 | Resistance-2 | 2805 |
| Strategy | Buy on corrective dips. | | |

WEATHER WATCH:**METEOROLOGICAL ANALYSIS**

Last week's upper air trough extending from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim in the lower tropospheric levels persisted on 29th November and became less marked on 30th.

Weak easterly waves sometimes with embedded cyclonic circulations at lower tropospheric levels passed through Andaman & Nicobar Islands, South Bay of Bengal, extreme south peninsula and southeast Arabian Sea during the week.

A western disturbance as an upper air system lay over north Pakistan & neighbourhood on 29th, over Jammu & Kashmir & neighbourhood during 30th November to 2nd December and moved away eastward thereafter.

An upper air cyclonic circulation in lower tropospheric levels lay over north Pakistan & neighbourhood on 4th and over Jammu & Kashmir and neighbourhood on 5th December.

An upper air cyclonic circulation in lower tropospheric levels lay over Assam & neighbourhood during 30th November to 3rd December and moved away eastwards on 4th.

RAINFALL**Under the influence of the above systems:**

Isolated to scattered rain/thundershowers occurred over coastal Tamil Nadu during many days of the week.

Isolated rain/thundershowers occurred over Kerala on 29th.

Isolated rain/thundershowers occurred over northeastern States on a few days of the week.

Isolated to scattered rain/thundershowers occurred over Punjab, Jammu & Kashmir and Himachal Pradesh on 29th & 30th November, over Haryana, northwest Madhya Pradesh and West Uttar Pradesh on 2nd December.

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

Outlook for the Week Ending On 05th December 2007

Isolated to scattered rain/thundershowers are likely over extreme south peninsula.

Under the influence two western disturbances, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the week.

No significant change in night temperatures during first half of the week and rise in night temperatures by 2-3°C during second half of the week is likely over plains of northwest & adjoining central India.

Source: IMD

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