

## SPICES

November 26 – December 01, 2007

### Overview:

- Black pepper prices improved at the physical markets after remaining stagnant during early week.
- Domestic Jeera prices remained steady with no major activity at spot.
- Cardamom prices surged at domestic auctions after a mild correction mid week.
- Chilli prices slashed on weak demand amidst huge inventories while fresh buying surged turmeric prices however slight correction was witnessed towards the weekend.
- IPC: India Apr-Oct spices exports up 27.2 pct

### Spices: Domestic Spot Prices for the Week Ending 24.11.2007:

Spice	Grade/Variety	Market	Price (Rs/Kg) For the Week (24.11.07)	Price (Rs/Kg) For the Week ( 17.11.07)	Last Month Same Week (Rs/Kg) (27.10.07)	Last Year Same Week (Rs/Kg) (25.11.06)
Black Pepper	Malabar Garbled (MG-1)	Cochin	134.67	140.17	146.67	109.00
Cardamom (Small)	(Auction Price ) Ungraded	Vandanmedu	516.85	498.73	418.99	268.63
Cardamom (Large)	Bada Dana	Gangtok	147.50	100.00	105.00	100.00
Chilli	Cold storage	Guntur	36.50	38.60	43.00	57.00
Ginger	Best	Cochin	71.25	70.00	58.33	65.00
	Medium	Cochin	61.00	60.00	53.33	55.00
Turmeric	Alleppey finger (AFT)	Cochin	27.50	25.00	24.00	40.00
	Salem	Chennai	36.00	36.50	36.50	37.00
Coriander	Rajasthan Green	Chennai	40.25	-	43.75	29.25
Cumin	Ordinary	Chennai	110.63	-	113.13	85.00
Clove		Cochin	240.00	240.00	240.00	320.00
		Nagarcoil	290.00	275.00	240.00	270.00
Cinnamon		Delhi	69.50	70.50	59.00	77.50

Source: Spices Board of India

## Spices: International Spot Prices for the Week Ending 21.11.2007:

Spice	Origin/Grade	Market	Price For the Week (21.11.07) (US\$/KG)	Price For the Week (16.11.07) (US\$/KG)	Last Month (26.10.07) (US\$/KG)	Last Year Same Week (22.11.06) (US\$/KG)
Pepper	Malabar Garbled (MG-1)	New York	3.86	3.92	3.92	3.07
Cardamom (small)	Indian (AGEB)	Saudi Arabia	17.01	16.48	13.89	9.35
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	1.79	1.79	1.74	1.85
Garlic	Chinese	New York	1.81	1.81	1.92	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	1.74
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	4.30
	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: India Apr-Oct spices exports up 27.2 pc

India's spices exports in April-October rose 27.2 percent in volume to 262,250 tonnes due to good demand for chilli and pepper, the Spices Board said on Wednesday.

In value terms, exports increased 32.3 percent to 25.4 billion rupees, according to a statement released by the board.

In the first seven months of 2007/08, spices exports achieved 69 percent of the full year target. India is likely to export 380,000 tonnes in 2007/08.

India exported 120,000 tonnes of chilli in April-October.

"The traditional buyers like Malaysia, Bangladesh and Sri Lanka are buying in large quantities," said a Spices Board official, who did not want to be identified.

The stringent quality measures implemented by the board have also made Indian chilli more acceptable in international markets, he said.

Exports of pepper, cardamom (large), coriander, fennel, fenugreek also picked up from last year.

Pepper exports rose 40 percent to 21,100 tonnes. India sent about 50 percent of its total exports to U.S. followed by U.K., Italy, Germany and Canada.

In case of cardamom (small) though there was a decline in volume, the export value was up by 10 percent due to the increase in unit value, the official said.

Cardamom (small) export prices rose to 429 rupees per kg from 309 rupees a year ago, the Spices Board said.

However, exports of some spices like garlic, cumin seed and vanilla fell short of last year's performance.

Garlic exports fell sharply to only 400 tonnes from 10,806 tonnes last year due to lower production and higher prices, the official said.

Prices of garlic rose more than three times to 60 rupees per kg during April-October. The production figure for garlic was not available.

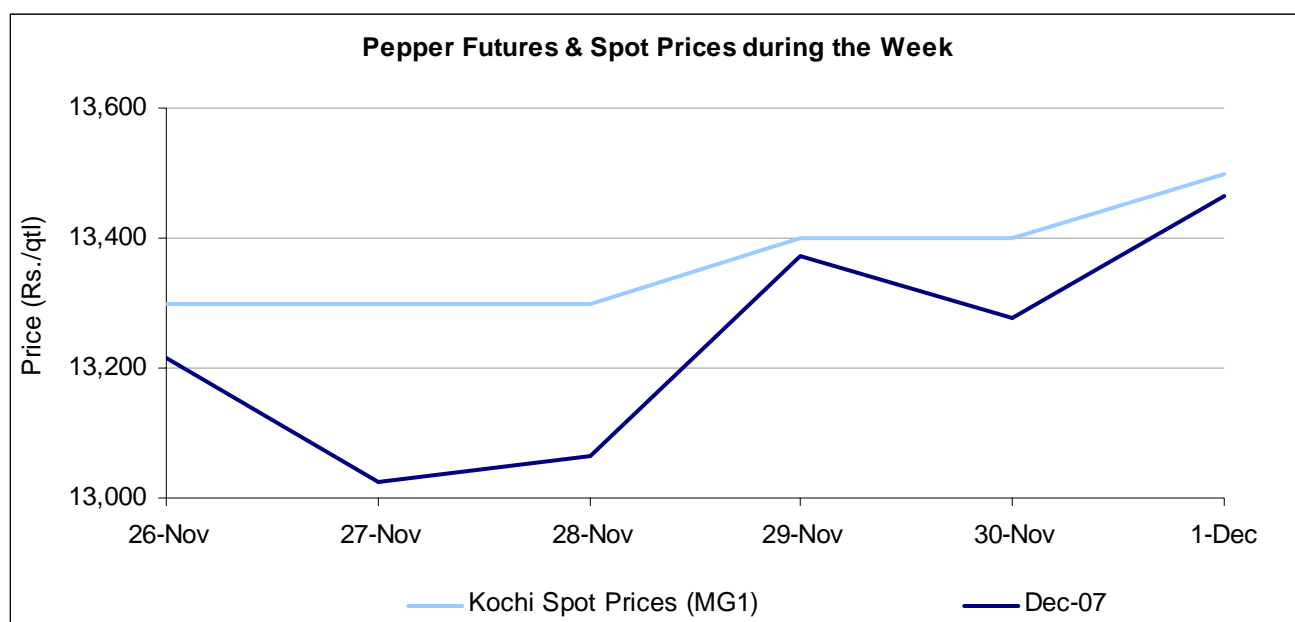
Cumin exports also fell 21.3 percent to 14,750 tonnes during the period. However, in value terms, exports increased 12 percent to 1.6 billion rupees due to higher unit value realization.

## 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 through out the week. Spot prices remained higher than the futures prices throughout the week with the difference hitting a minimum on Thursday. The prices then widened only to narrow towards Sunday. Both spot and futures prices moved upwards during the week with choppy movements.



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

Pepper	11/26/07	11/27/07	11/28/07	11/29/07	11/30/07	12/01/07
Ungarbled	12700	12700	12700	12800	12800	12900
Garbled	13300	13300	13300	13400	13400	13500

Pepper prices remained steady during the week after a steady opening to improve slightly towards the close of the week. Spot availability of the spice was

limited, while the domestic seasonal demand remained high. Nominal export demand was also reported. Overseas demand is expected to gain momentum in the coming weeks as stocks in other producing nations are shrinking due to heavy

shipping. There was no selling pressure in the market, as the growers/dealers were holding back due to continuous decline in prices. Meanwhile, pepper exports from India during April-October rose 40% to 21,100 tonnes, 50% of which was shipped to US, followed by UK, Italy, Germany and Canada. Forward Markets Commission is likely to raise the position limit for black pepper to 1000 tonnes, except the near-month position which will be raised to 500 tonnes from 170 tonnes. The Commission's decision to lower the position limits earlier in May this year to regulate speculation had adversely affected the exporters as they were unable to hedge the stock and undertake huge overseas orders. Indian parity was priced at \$3625-3650 a tonne, while an easier tone was reported at all the other origins, amidst quiet trade in the international market. Harvesting of the new crop in India has begun in a small way and it is expected to pick up in the coming weeks. The arrival

### Turmeric:

After riding high during the initial days of the week domestic turmeric prices witnessed slight correction towards the weekend. The prices declined marginally at all the major spot market as buyers were not willing to buy at the prevailing high prices for the spice. The arrivals and offtake improved at the physical markets in comparison with week ago. Demand is likely to remain firm and fresh buying is anticipated on slight weakness in prices. Mean while the overseas demand from the regular buyers like Gulf, Japan and European buyers for the spice was reported to be steady. Turmeric prices are likely to trade range bound during the days ahead as sufficient inventory level with the stockists is likely to cap a major upward rally in prices.

#### Turmeric Prices in Erode Market

(Rs./qtl)

Grade	Nov19 - 24	Nov26 - Dec01
Loose Finger	2350-2450	2375-2625
Loose Gattah	2250-2350	2275-2625

#### Turmeric Prices in Nizamabad Market

(Rs./qtl)

Grade	Nov19 - 24	Nov26 - Dec01
Finger	2350-2450	2120-2195
Gattah	2250-2350	2120-2400

#### Turmeric Prices in Delhi Market

(Rs. /qtl)

Grade	Nov19 - 24	Nov26 - Dec01
Nizamabad Finger	2875-2900	2925-3075

is expected to be in full swing by mid-February, which may squeeze the stock position further. Indications are that the output would be marginally lower than the previous crop. The global availability is estimated to be less by around 55,000 tonnes as against the potential demand in 2008. Hence, a significant fall in the prices in the coming weeks is unlikely.

#### Black Pepper Prices in Delhi Market

(Rs. /kg)

Grade	Nov19 - 24	Nov26 - Dec01
Golden Unpolished	141	150
No. 11.5	175	175
No. 12	190	190

Note: Prices are in Rs. per Kg.

Erode Finger Mini Selam	3200-3225	3250-3400
Erode Single Polish Gattah	2800-2825	2850-3000
Selam Finger	4050-4075	4000-4225

### Cumin (Jeera):

Domestic Jeera witnessed a quiet trade during the week ended 1st December 2007. The prices remained more or less steady with no major movement on either side. The arrivals were steady while the offtake declined marginally in comparison to week ago. Local demand was reported to remain steady and like is likely to remain subdued during the days ahead. The current supply is sufficient for the demand in the market. However, traders anticipate that any improvement in the demand scenario is likely only after a fortnight. Buyers from Bangladesh, Singapore and Europe were present in the market. Meanwhile jeera export during the month of April and October declined by 21% in terms of quantity while in terms of value it improved by 12% and till date India achieved target of 59% in terms of qty and 73% in terms of value for the year.

#### Jeera Prices in Unjha Market

(Rs. /20kg)

Grade	Nov19 - 24	Nov26 - Dec01
FAQ	2315-2345	2335-2345
Ganesh	2505-2565	2525-2565
M/c. Cleaned	2585-2725	2605-2725

#### Jeera Prices in Delhi Market

(Rs./kg)

Grade	Nov19 - 24	Nov26 - Dec01
Ganesh New	116	115-116

FAQ	116	115-116
M/c. Cleaned	124.5	123.5-124.5

### Red Chillies:

Opening steady, chilli spot prices declined to test season's low levels towards the weekend. The arrivals improved marginally amidst steady offtake in comparison with week ago. Domestic demand lacked luster and did not support the steady opening of the prices during the week. Overseas demand from the Bangladesh and other traditional buyers was remained subdued and is anticipated to improve during the days ahead. Fresh buying is likely to be seen from domestic buyers during the days ahead at the lower price level. Meanwhile the chilli exports surged significantly by 77% in terms of quantity during the period April-October 2007 and achieved its quantity target of 89%. Malaysia was reported to be the largest buyer of the spice. Chilli prices are likely to witness slight recovery during the days ahead in anticipation of fresh buying at lower price levels.

### Red Chillies Prices in Guntur Market

(Rs. /qtl)

Grade	Nov19 - 24	Nov26 - Dec01
LCA 334 Cold Storage	3200-3900	3000-3900

### Cardamom:

Cardamom prices recovered at the domestic auctions after an initial slump on improved domestic demand and some export demand amidst lower arrivals. The average price of cardamom has crossed Rs. 500 a kg for the first time after four years. Markets remain supported by strong fundamentals in the form of tight supply position in the global as well as domestic markets. Arrivals continued to show a decline as compared to the corresponding time last year. Exporters were active in the domestic markets, while upcountry buyers were also actively buying as they have exhausted their inventory during Diwali festival. The potential decline in output this season by 30-40% is also contributing the price hike. The yield in major growing areas of Kerala's Idukki district has shown a decline 30-40%. Selling pressure was also reported in the markets as the prices were ruling high. Meanwhile, the uptrend is capped by unconfirmed reports of imports of 400 tonnes the spice from Guatemala. The third round of picking is progressing in Kerala. The capsules yielded in this round are reportedly heavier, but less bold to meet the quality parameters. Meanwhile, Spices Board is planning to launch online auction centres in Kerala by December second week. The new system will ensure anonymity of the bidder and discourage price fixing. Cardamom exports from India during April-October improved 10% in terms of value, despite a decline in volume, owing to the increase in unit value.

### Cardamom Auction Prices in Pulianmalai

(Rs. /kg)

Grade	Nov-24	Dec 01
7 mm	530	565

### Futures Market (NCDEX):

### Commodity: Black Pepper

Pepper futures traded firm during the week after an initial slump. The most active NCDEX January contract opened at Rs. 13509 and traded down initially to test a low of Rs. 13171, before improving to test a high of Rs. 13850. The contract ended at Rs. 13751. Open interest and volume traded improved as compared to the previous week.

MCX pepper futures were hardly traded during the week. The prices of the December contract was stagnant at 13988 during the week amidst negligible open interest and zero volume traded.

### 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
- Overseas demand trickling in
- Strong domestic demand
- Indian pepper marginally out priced in the global market
- Export during April-October improved 40% in quantity terms

### OUTLOOK:

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

**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	12974	Support-2	12500
Resistance-1	14565	Resistance-2	14670
Strategy	Buy on every dip with caution. Liquidate long positions.		

## Commodity: Chilli

Chilli most active February futures at NCDEX witnessed a volatile trade and extended the weakness during the week ending 1st December 2007. The contract started firm at Rs.3550 per quintal and surged to Rs.3609 per quintal during the initial days of the week. The contract slashed to test fresh lows at Rs.3370 per quintal towards the weekend. The open interest surged amidst very good volumes supportive to the weakness in prices.

### PRICE DRIVERS:

- Lacklustre domestic demand.
- Steady overseas buying from the traditional buyers.
- Anticipation of fresh buying at lower levels as prices have bottomed down.
- Ample of stock at around 22 lakh bags in the physical market.

### OUTLOOK:

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

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

**Long Term (3 Months):** Bearish on ample of inventories and higher production estimates.

NCDEX Chilli February Contract			
Support-1	3220	Support-2	3071
Resistance-1	3698	Resistance-2	3788
Strategy	Cover short positions and trade cautiously.		

## Commodity: Cardamom

MCX Cardamom futures traded volatile during the week to end positive. The most active December delivery contract opened at Rs. 570 and traded steadily up to test a high of Rs. 605.5, before closing at Rs. 585. Open interest dipped, while volumes improved as compared to the previous week.

### PRICE DRIVERS:

- Strong domestic demand
- Active export buying
- Lower arrivals
- Lower availability of good quality capsules
- Indian production projected lower by 30-40% in the current season
- Lower production estimates at the major production centres
- Indian spice out priced in the global market
- Higher export realization during April-October, despite lower volumes
- Guatemalan imports and illegal imports through Nepal and Bangladesh borders

### OUTLOOK:

**Short Term (1 Week):** Steady to slightly firm on good domestic and export buying

**Medium Term (1 Month):** Slightly firm on expected overseas demand due to lower production at the major producing countries.

**Long Term (3 Months):** Bullish on tight supply positions in the domestic and global markets.

MCX Cardamom December Contract			
Support-1	570	Support-2	564
Resistance-1	600	Resistance-2	558
Strategy	Buy on dips with caution as market is volatile.		

## WEATHER WATCH:

### METEOROLOGICAL ANALYSIS

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

Last week's upper air cyclonic circulation over southwest Bay of Bengal and adjoining Commorin area and neighbourhood persisted on 22nd November in the lower tropospheric levels and moved away westwards thereafter.

An upper air trough extended from Nagaland & Manipur to Sub-Himalayan West Bengal & Sikkim

between 0.9 and 1.5 Km above mean sea level during 25th to 28<sup>th</sup>.

### RAINFALL

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

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

Isolated rain/thundershowers occurred over coastal Tamil Nadu and south Kerala on a few days of the week.



Isolated rain/thundershowers occurred over Sub-Himalayan West Bengal & Sikkim on 27th & 28th.

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

Increase in rainfall activity over extreme south peninsula.

Fog condition is likely over plains of northwest India during second half of the week.

Source: IMD

#### **Outlook for the Week Ending On 05<sup>th</sup> December 2007**

Under the influence of western disturbance, isolated to scattered precipitation is likely over western Himalayan Region and adjoining northern plains during the first half of the week.

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