

4 August
2009



TURMERIC: FLAMING PRICES....

Seasonal update

[Turmeric futures have seen unprecedented movements this year, going up from 3600 levels in the beginning of the year'09 to 6900 levels currently. As per the expectations, target of 6500 mentioned in the seasonal report March'09 has been achieved.]

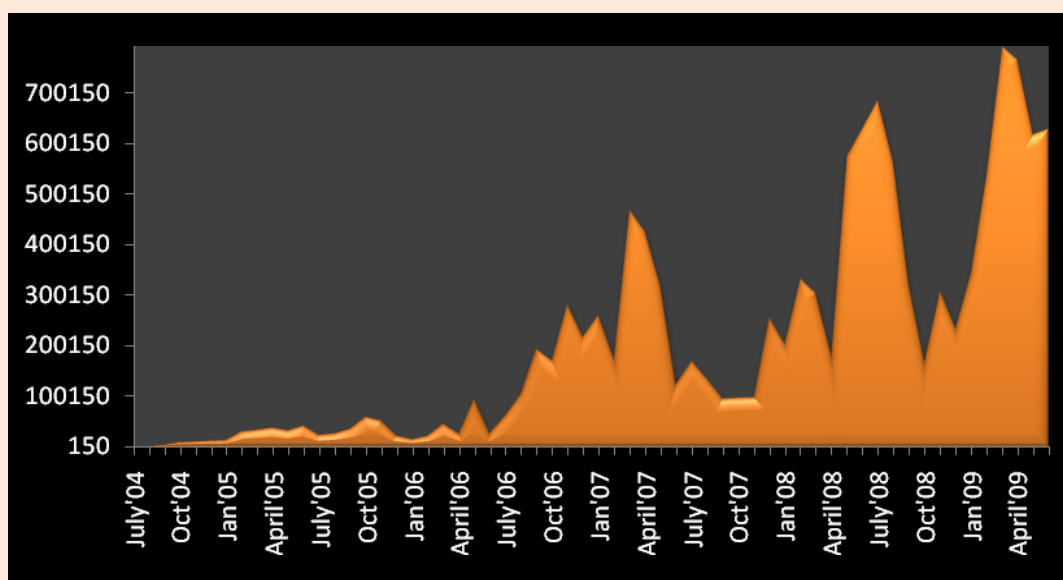


MARKET DYNAMICS

Turmeric has emerged as the most volatile agri-commodity on the exchange. The Bullish trend in Turmeric started with the downfall in production from 52 lakh bags a year ago to 42 lakh bags this year (1 bag = 70 kg). As it is known, India is the largest producer and exporter of Turmeric across the globe, so shortfall here is enough to trigger the sentiments regarding this spice throughout the world.

Turmeric futures have witnessed a continuous upsurge in volumes since its inception in July'04 on NCDEX. Starting from a volume of Rs 203 Lakhs in the very first month, the volume traded for the month of June'09 is Rs 617136 lakhs. The volumes gained momentum between August'06 and May'07, as the period is marked as the investing year for spices. During this period investment in spices futures were at its peak. By the end of year'08 markets witnessed a setback, as it was the same trend all across the globe as a result of economic recession. Since the beginning of year 2009 Turmeric futures are maintaining its uptrend and so the volumes have been moving northwards.

Volume of Turmeric Futures-NCDEX (Value in Rs Lakhs)

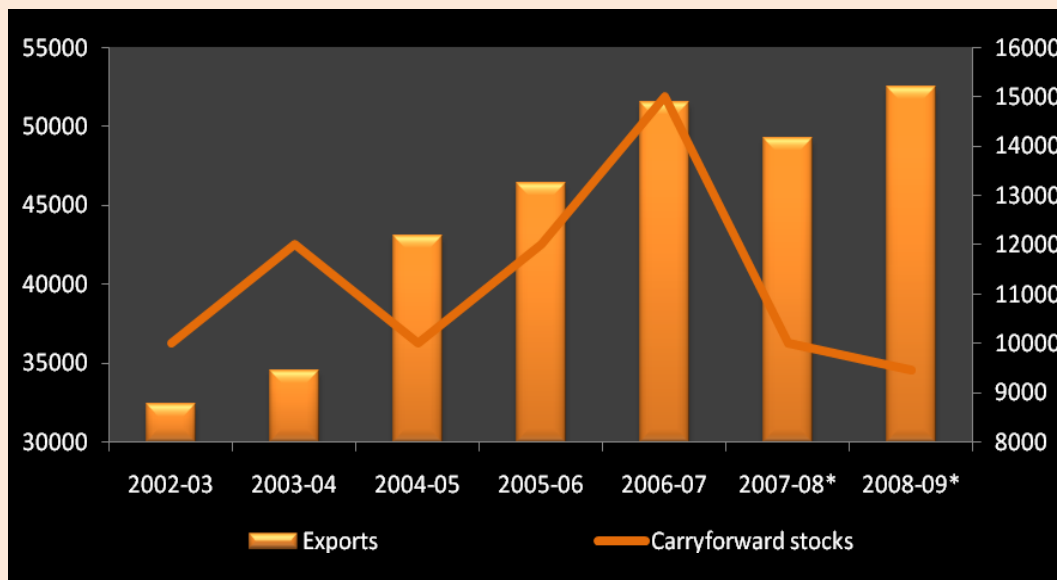


EXPORTS

India is the major producer of this spice with a lion's share of 78 percent in global production. Other major producers are China (8 %), Myanmar (4 %), Nigeria (3 %) and Bangladesh (3%). Export of turmeric from India during 2008-09 is an all time high both in volume and value. The export has been 52,500 MT valued Rs. 248.58 crores as against 49,250 MT valued Rs.157.00 crores. The major buyers are UAE (5910 MT), Iran (5335 MT), Bangladesh (4595 MT), Malaysia (4825 MT) and Japan (3090 MT). India is the largest supplier of Turmeric in the world market. The other major suppliers are Vietnam, Indonesia, Myanmar and China. It is reported that the medicinal and cosmetic use of turmeric is increasing significantly over the years.

Exports of this spice during Aril- June 2009 have been 15,500 tonnes, marginally lower by 2 percent as compared to the same period last year. The good thing is that in value term it has increased by 46 percent to Rs 9778.25 lakhs. This increase is on account of higher rates of Rs 63.09 per Kg this year as compared to Rs 42.33 per Kg during the same period in 2008.

Turmeric export and carry forward stocks (in tonnes)



Source: Spice Board of India (* trade sources)

Turmeric exports have maintained the uptrend. As a paradox, domestic demand for this spice has gone down due to flaming prices. Spot rate for turmeric is Rs 7100 per quintal making it exorbitant and unaffordable. The demand expectation are of nearly 22 lakh bags while the carry forward stocks are about 13.5 lakh bags in the country.

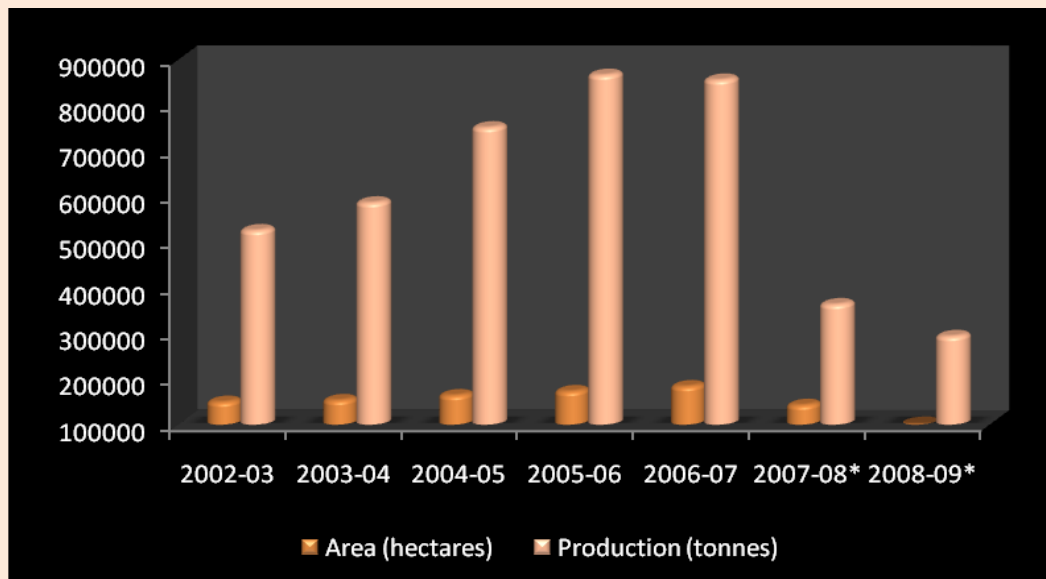
DOMESTIC AREA AND PRODUCTION

Area and production statistics through Spice Board of India is available till the year 2006-07, which indicates a continuous untrend. Contrary to this, the data from trade sources, indicate a significant decline. As per trade sources, the production has been 42 lakh bags of 70 Kg each (294000 tonnes) in 2008-09, down by 19 percent as compared to previous year.

As per the reports this year, acreage under this spice has gone up by 20 percent to 120000 hectares due to farmers switching over to turmeric for better returns. But, the output expectation from the current crop are still not clear, as monsoon has been deficient in the major growing areas of Andhra Pradesh, Karnataka and Tamil Nadu. Rains have been slightly better in Maharashtra, which is the other major growing area. The concern is that rains have recovered quite late in this area which might not result in significant improvements in yield. Deficient rains have raised the apprehensions

about reduction in yield levels. Even a quite optimist approach suggests that the output from the current crop might remain more or less same as per this year.

Domestic area and production of Turmeric



Source: Spice Board of India (* trade sources)

As per trade sources, acreage in Andhra Pradesh has increased from 51,600 hectares last year to 62,800 hectares in the current season. Andhra Pradesh contributes 61 percent to the domestic production in the country followed by Tamil Nadu (17 Percent).

FUNDAMENTAL FACTORS:

- ☀ The current stocks are 15-18 lakh bags, which is not sufficient to meet the demand of at least 20-22 lakh bags till next crop in January-March 2010
- ☀ Area under this spice has gone up by 20 percent to 1,20,000 hectares in the current season
- ☀ Monsoon activity is a deciding factor as the yield levels will be decided based upon the moisture conditions in the soil
- ☀ According to IMD, the cumulative rainfall across country during the period 1 June to 29 July has so far been 19% and 15% below the Long Period Average levels in south peninsula
- ☀ While specifically in Telengana region the major growing area for this spice, rainfall has been scanty, 92 percent deficient than the normal levels. It has received only 178.7 mm rainfall against the normal of 358 mm
- ☀ If the rainfall continues to be deficient till 15 Augst'09, then drought might be declared in the state. Out of 23 districts, only three districts have received normal rainfall, while six have received scanty rains and 14 districts have been deficient.

- ☀ Intermittent emergence of export demand form Middle east countries like Dubai and the neighboring country – Pakistan is assisting the rise in prices
- ☀ Spot rate in the major markets of Nizamabad is has reached Rs 7800 per quintal while at Erode the spot rate is Rs 8100 per quintal, still at a premium as compared to futures prices
- ☀ Strengthening domestic demand near the festival seasons across the country, but high retail prices may affect the demand especially after festivals

TURMERIC FUTURES:

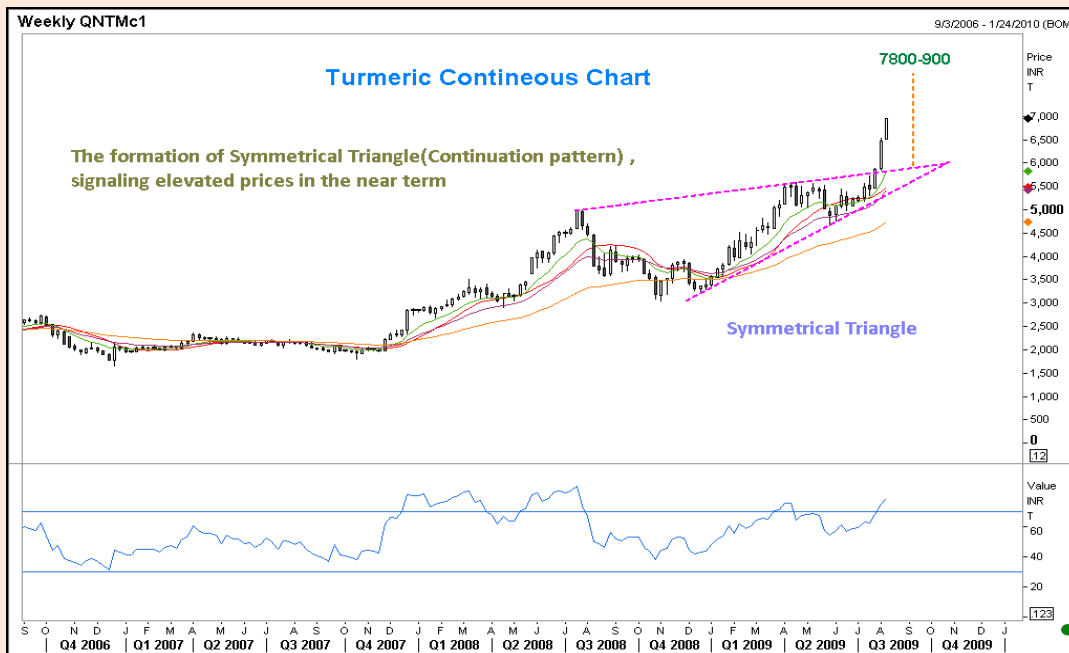
- ☀ NCDEX has imposed a special margin of 5 percent on all long positions effective from 03 August'09, this is in addition to the current initial margin of 5 percent
- ☀ Turmeric prices have undergone unprecedented movements in the year 2009
- ☀ Futures have doubled since 1 January 2009 to touch all time high of Rs7000 per quintal

OUTLOOK

Turmeric futures are expected to maintain its uptrend and the potential upside is Rs **7200-7500** per quintal, supported by the above mentioned fundamental factors of lower stocks, advancing domestic as well as export demand. The effect of increase in acreage is getting balanced by the reports of deficient rains in the major growing areas.

But as a precautionary measure, investors should be cautious at Rs7500 levels. Prices might undergo significant correction on the downside, if monsoon recovers to normal in coming months.

TECHNICAL OUTLOOK



The turmeric future prices were seen trading higher on NCDEX platform after witnessing a low of 3065 (December 2008) and trading currently at 6775 levels by gaining as much as 88.26% compare to previous month close. The formation of "***Symmetrical triangle***" in weekly chart showing potential towards higher and market has given upside breakout signaling elevated prices in nearby term. The gap between moving averages and prices have been widened too much and likely to reduce the gap shortly. The momentum indicator RSI (14) weekly is trading at 0.74 levels signaling prices are trading in overbought zone and expecting a mild lower correction before resumption of its uptrend. The supports are at 5590 levels then 4750 levels. ON the higher side resistance is at 7240 then 7780 levels. Overall trend is looking bullish and expecting prices to extend its gains further in the vicinity term. However, lower corrections cannot be ruled out.

Trend: Bullish

Support: 5590, 4750

Resistance: 7250, 7700

A smart lower correction can not be ruled out

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