

12 August 2009

Seasonal Report Cardamom



Cardamom, admired as “*Queen of Spices*” belongs to ginger family Zingiberaceae. It is one of the most exotic and highly priced spices across the globe after Vanilla and Saffron. Indian cardamom has a history as old as human civilization. Cardamom is a native plant of parts of India, Sri Lanka and parts of Southeast Asia, where it occurs in the wild. It has been introduced to other parts of Asia and is widely grown for its aromatic seeds. Cardamom is called as a versatile spice because of its usage in both sweet and salty foods. It is used in Auyurvedic medicine preparations because of its healing effect and other properties. Its usage also in processed food, perfuse, oleoresins etc. There are three typical kinds of cardamom grown in our country viz., Malabar, Mysore and Ceylon type. India was the major feeder of Cardamom to the entire world till entry of Guatemala into the spree.

The major traded varieties of small cardamom in the Globe are the Malabar and the Guatemalan. Indian cardamom is slightly smaller, but most popular because of its aroma. In recent years, production in Guatemala surpassed the Indian figure. Indian cardamom is slightly smaller, but more aromatic. Other than India and Guatemala, it is being grown in Sri Lanka and Tanzania.

Cultivation Practices

Cardamom is grown commercially in plantations under the shade of tall forest trees. It is a very labor-intensive crop to produce. The fruits are picked individually by hand before they are fully ripe, over a period of several months.

In India, cardamom grows under natural conditions of the evergreen forests in the Western Ghats. It thrives best in tropical forests at altitudes ranging from 600-1500 metres, receiving a well-distributed rainfall of over 150 cm and a temperature of 10°- 35°C. Its optimum growth and development is observed in warm and humid places under the canopy of lofty, evergreen forest trees. It is highly sensitive to wind and drought and, therefore areas liable to be affected by these conditions are unsuitable. The crop does not survive in waterlogged or excessive moisture. The ideal site is a sloping land with good drainage.

Fruits mature in about 3 to 4 months after flowering. They are small trilocular capsules, each containing about 15 to 20 seeds. On maturity, fruits turn into pale green. Under favourable conditions of the environment, a healthy adult plant would annually produce about 200 capsules, with a green weight of about 900 g, which on processing yields about 200 g, of dry cap.

Harvesting period

Cardamom plants normally start bearing two years after planting. Throughout the cropping season of cardamom, i.e. from August to March approximately 6 picking is done in each 45 days interval. In most of the areas the peak period of harvest is during October-November. Ripe capsules are harvested in order to get maximum green colour during curing.

The output of cardamom is greatly influenced by climatic conditions. The cardamom plant requires a continuous spell of rain interspersed with periods of good sunshine. The plant is very susceptible to attack by pests and diseases. Besides, the cardamom growing tracts in the country are facing severe ecological degradation over the past two decades due to diminishing forest cover, leaving

the region open to devastation by floods and droughts. Cardamom requires tropical forest conditions for growth and a lack of such areas makes very few states in the country suitable for its plantation.

Varieties and Grades of Cardamom (small)

1. **Bold:** It is popular export grade; 90% and above capsules will be having 6.5mm and above diameter, matured and Greenish color. Lt. Wt. will be 415 gms.
2. **Super Bold:** It is a very special variety. All capsules will be matured greenish and having above 8 mm diameter size. Lt. Wt. will be more than 450 gm.
3. **Extra Bold:** Best in the Export market. All capsules will be matured, greenish and having 7 mm and above diameter. Lt. Wt. will be 435 gm.
4. **Bulk:** This is the grade of cardamom produced as it is. This grade will contain all size, matured and immature capsules, black, yellow and split cardamom. This is to be graded.
5. **Small:** Small size cardamom having size between 5.5 mm and 6.5 mm. Cleaned and removed dust, husk and black capsules. Lt. Wt. will be around 385 gms.
6. **Open / Splits:** More than 60% capsules will be in open condition and the color may be partly greenish/pale yellow. All capsules will be matured and the size are 6.5mm and above.
7. **Seeds:** Black / Brown colour seeds are the original content in every cardamom capsule. The husks were fully removed. Lt. Wt may be around 550 gm to 600 gm.
8. **Fruit:** Fruits are generally over matured capsules with slight yellowish in color and Lt. Wt. over 425 gm

Global Scenario

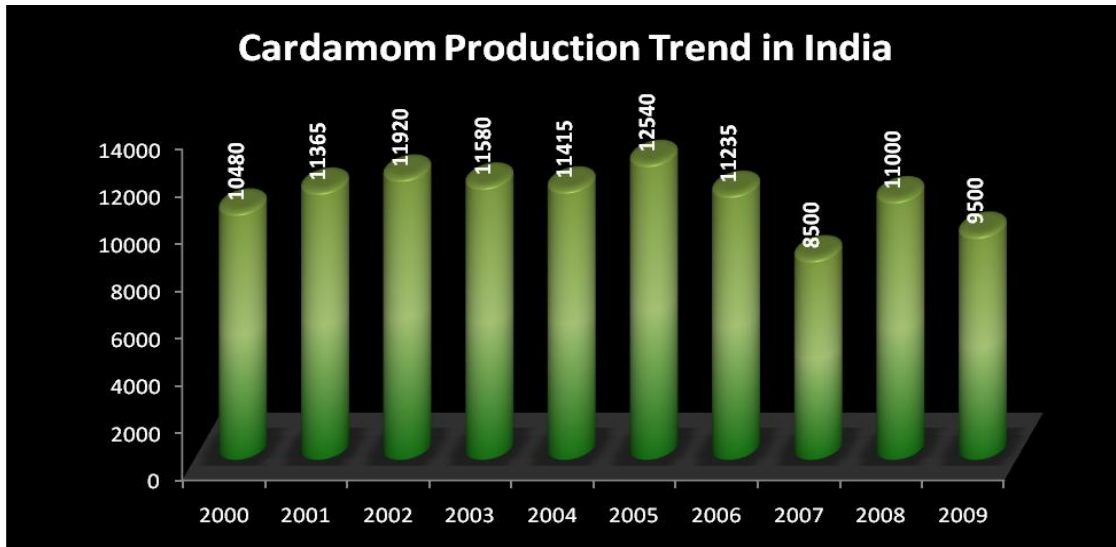
World production of cardamom is estimated at 30000 tons. Presently major producer is Guatemala recording an average annual production of 18000 to 20000 tonnes. India is the second largest producer with an average production of 9000 to 12000 tonnes. Other major producing countries are Sri Lanka and Tanzania. Indian cardamom is considered as superior quality but in the international markets, India has always been out priced by Guatemala which has negligible domestic consumption responsible for low pricing.

Despite its numerous applications in the cooking styles of Sri Lanka, India and Iran, 60% of the world production is exported to Arab (South West Asia, North Africa) countries, where the larger part is used to prepare coffee. Cardamom-flavored coffee is almost a symbol for Arab hospitality.

Indian Scenario

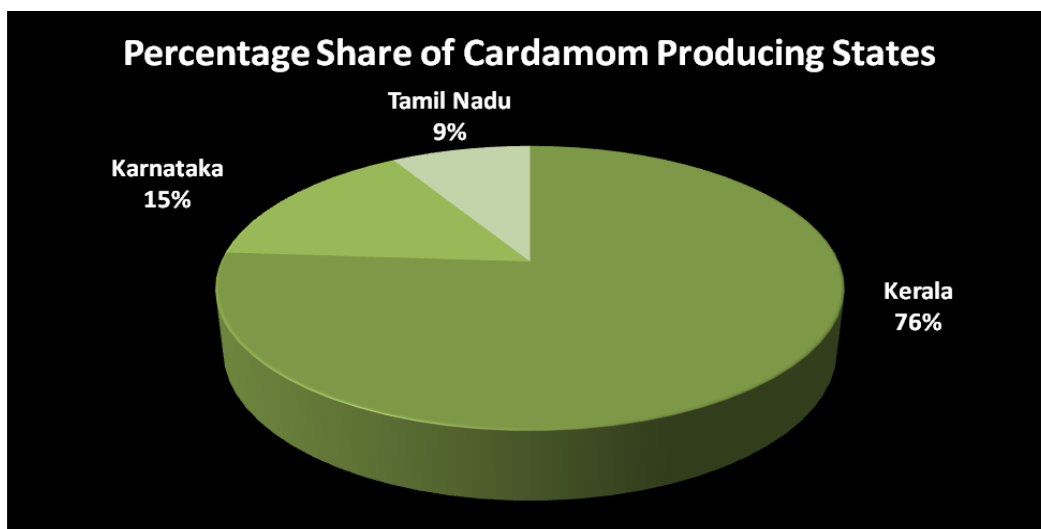
Earlier India was the single largest producer and supplier of Cardamom to the world. But from 2002 onwards, Guatemala replaced the India by taking first position in production. Even though, India pushed to second place, it plays vital role in international trade because of its aroma and flavor.

Production Trend



From the above graph it could be seen that, being a perennial crop, its acreage is more or less same but production is fluctuating depending upon climatic aberrations. This crop is very sensitive to climatic variations. In the year 2007, production fell sharply to 8500 tonnes from previous year's output of 11235 tonnes because of severe sunny days affected the growing berries and when rainy season started that also adversely affected the crop with heavy rainfall along with strong wind by way of washing away the berries. For the current year, production is expected to be down by 20% at 9000-9500 tonnes from 11,000 tonnes produced last year. The fall in production is due to severe dry weather condition in summer season and subdued monsoon in June and July. Though the monsoon set over Kerala prior to normal date, its activity was not satisfactory in June and July.

Producing States



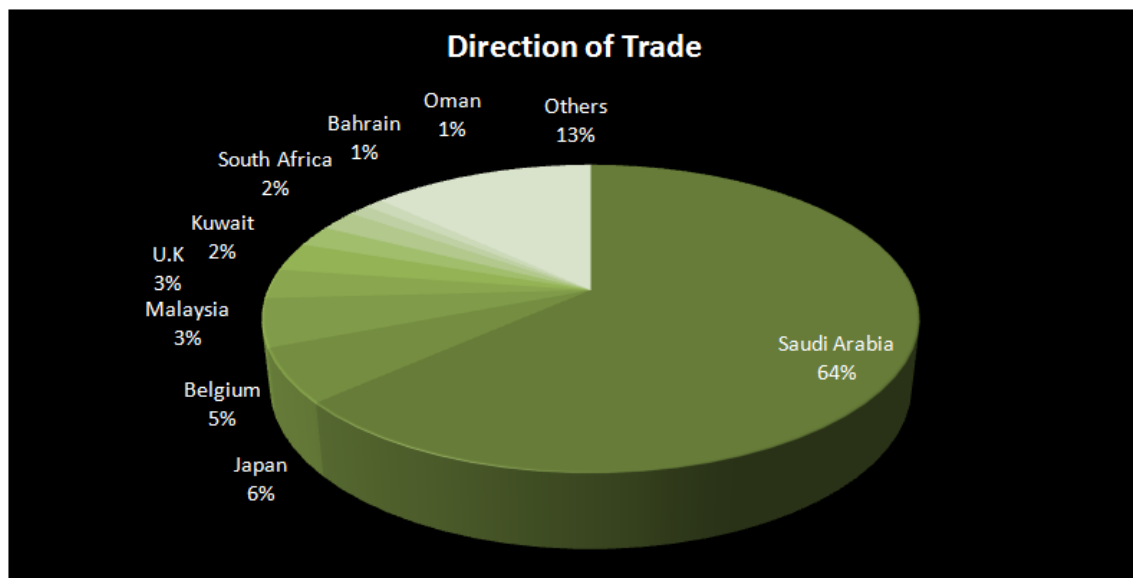
In India, two types of cardamoms are grown viz., Small and Large. Production of small cardamom confined to southern states whereas large one is grown mainly in North Eastern states. Among the

major small cardamom growing states, Kerala has taken the largest pie of 76% to the total production followed by Karnataka (15%) and Tamil Nadu (9%).

Domestic Consumption of Cardamom (small)

At present, India is the second largest consumer of small cardamom in the world after Saudi Arabia. Global consumption of Cardamom is estimated as 15000 Tonnes to 24000 Tonnes. On the other hand the current domestic demand for small cardamom has been estimated at 11000 MT. The retail market size in South India is estimated at around 30% for small cardamom. The share is the highest in West India (45%) followed by the North India (35%) and lowest in East. Industrial consumption of cardamom particularly by the pharmaceutical/Ayurveda and cosmetics is the highest and accounts for over 45% of the total consumption. A clear regional disparity is visualized in cardamom consumption pattern. Though the urban areas contribute large share of its consumption, in recent years rural market is also gaining importance and growing at a very high rate than the urban market. Household uses of this spice are very limited mainly due to the high price, but seasonal buying has been increased.

Trade Direction



Largest export destination for Indian cardamom is Saudi Arabia that accounts for 64% of the total cardamom exports from India followed by Japan (6%), Belgium (5%), Malaysia (3%).

Present trend

The arrival of freshly picked cardamom has been flowing to the auction centres in small quantities. At present, daily average arrivals are around 15-20 tonnes and is expected to increase in coming days. The demand is quite good at present from upcountry and exporters to Gulf nations. The production of cardamon is expected to fall by around 20% to 9000-9500 tonnes due to unfavorable weather condition.

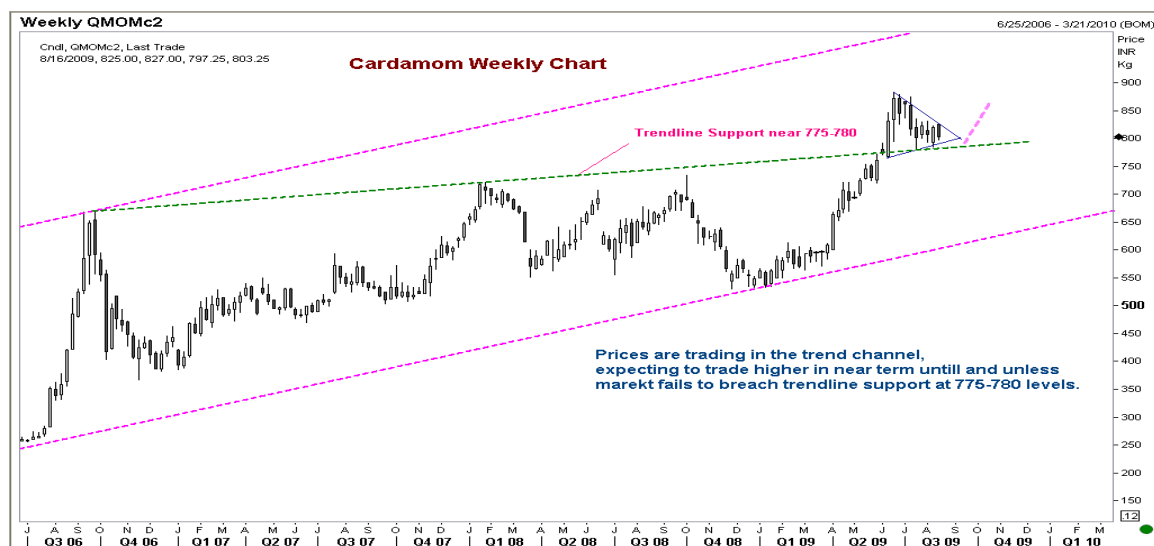
Price Outlook

In the current season, Cardamom prices are forecast to rise on strong demand and lower production estimates. According to trade sources, cardamom production in India is likely to decline by 20%. Though the onset of monsoon was earlier, its activity in June and July was subdued due to unfavorable conditions. Hence, we recommend buying September contract on dips.

Technical Analysis

The Cardamom futures were seen trading sideways to lower from the past two months after it made a rally from low of 530 to 881 levels. Overall it increased as much as 39.8% from a low of 530(November 2008) and currently trading at 803 levels. Market seems to be in a consolidation phase and waiting for a breakout on either direction. Moreover, prices are trading in trend channel and expected to continue the same trend in the near term. Market is witnessing a crucial support at 775-780 levels sustain above the same confirms an uptrend and likely to extend its gains. The supports are at 765 then 734 levels. Conversely, on the higher side resistances are at 840 then 900 levels.

We expect market to trade sideways to higher, supported by prices trading above the short (10, 20) and Medium (50) term EMA. The momentum indicator RSI (14) is trading at 0.60 levels and likely to see a mild lower correction before resuming its uptrend.



Our stance:

As per the analysis and chart pattern, the cardamom prices are expected to remain higher in the medium term. However, a marginal lower correction cannot be ruled out. Having said the supports are at 765, 730 and the resistances at 845, 900.

Recommendation:

Buy September in the range 770-780 targeting 860 then 890 with stop loss below 730

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