

“T-U-R-M-E-R-I-C”

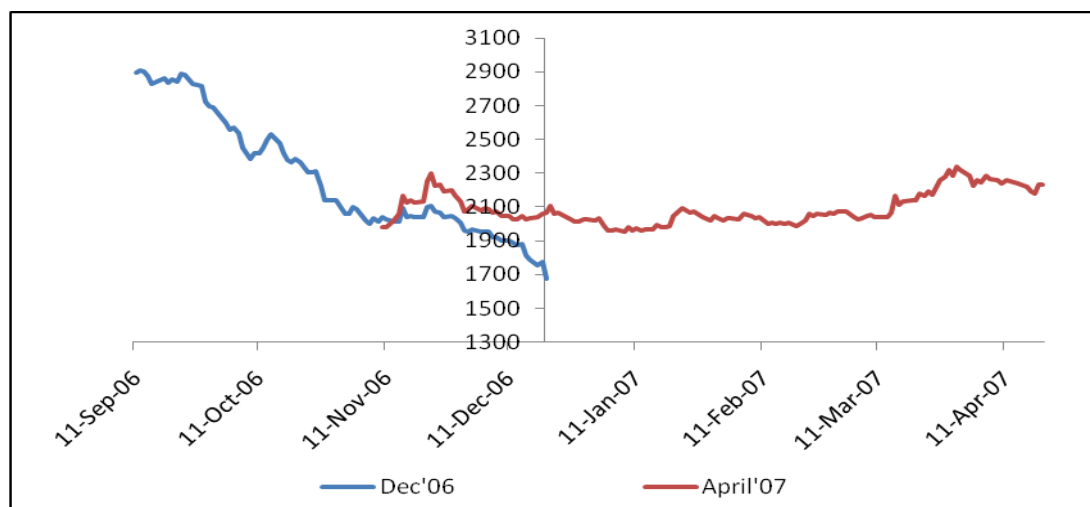
-Now what!

In commodity futures market a very popular saying is “History repeats itself”. This saying suits best in case of Turmeric when we analyze the price movement from December 2006 till date and hence we have been able to formulate a beautiful strategy for our clients. Prior to implementing that strategy lets us go through the ground work done in deriving the same.

Let's first start with December 2006 and April 2007

Underlying Fundamental: Turmeric acreage during Kharif 2006-07 season was higher by 6.2% as compared to previous year to 183.9 thousand hectares. Weighed by the factor of higher acreage December'06 contract futures price was on a continuous decline. December'06 closed at 1673 levels on the electronic platform, down by 42.2 percent from the launch of the contract at 2860 levels on 11 Sep'06.

Chart: Futures prices for Dec'06 and April'07



Source: National Commodity and Derivatives exchange Limited

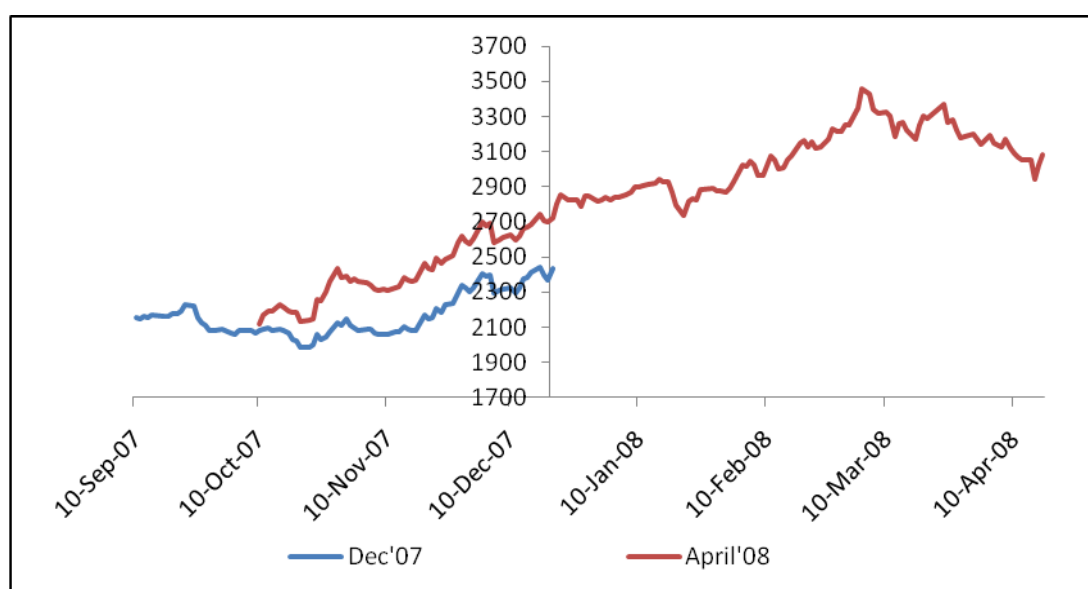
But, despite the higher acreage, crop damage led to the fall in production by 1.2 percent to 856.4 thousand tonnes in 2007 and hence the uptrend in April'07 prices was maintained. April futures opened at 1950 levels on 10 Nov'06 and expired with a gain of 14.4 percent on 20 April'07 at 2231 levels.

December 2007 and April 2008

Underlying Fundamental: Turmeric acreage during Kharif sowing season for the year 2007-08 was lower by 22.3% as compared to previous year to 142.85 thousand hectares. According to trade sources, the production was also lower in 2007-08 to 364 thousand tonnes.

Hence, the uptrend from December'07 was carried forward by April'08. December'07 contract opened at 2179 levels on 10 Sep'09 and closed with a gain of 11.75 percent at 2435 levels on 20 Dec'07. While April'08 contract opened at 2000 levels on 10 Oct'07 and closed with a gain of 54 percent on 17 April'08.

Chart: Futures prices for Dec'07 and April'08



Source: National Commodity and Derivatives exchange Limited

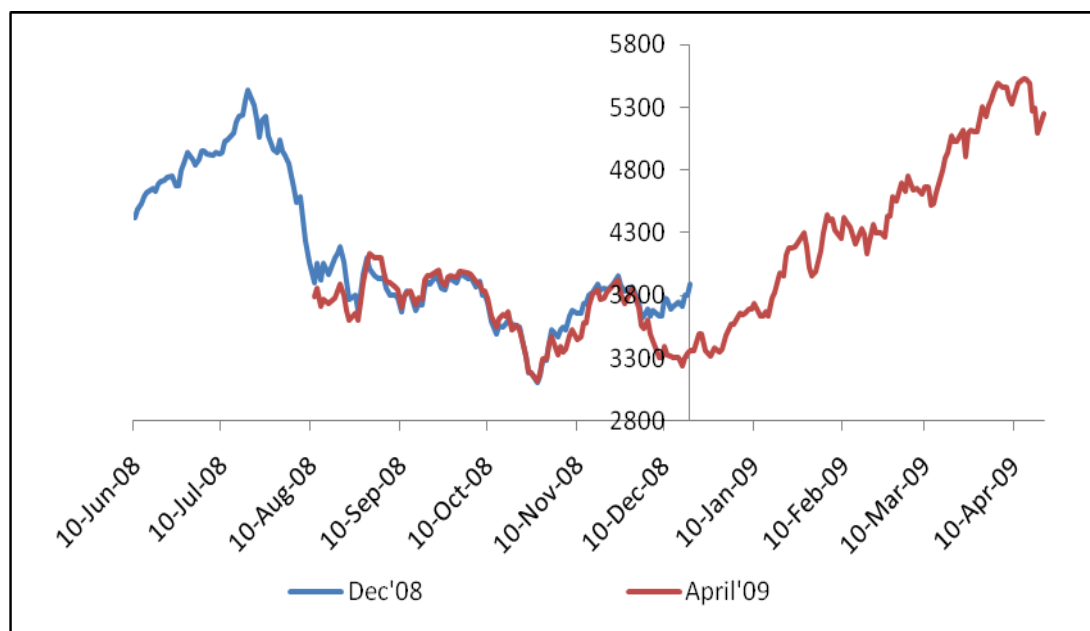
December 2008 and April 2009

Underlying Fundamental: The downtrend in acreage for this spice was continued for this year as farmers were switching over to other remunerative crops. The acreage was down by 30 percent to 100 thousand hectares in 2007-08. Production was down by 19 percent to 294 thousand tonnes during 2008-09.

December'08 contract opened at 4401 levels on 10 June'08 and expired on the lower side with a fall of 11.5 percent at 3894 levels on 19 Dec'08. April'09 contract opened at 3900 levels on 11 August'08 and closed with a significant gain of 35 percent at 5254 levels on 20 April'09.

Note: The production figures from Spices Board of India are not available beyond 2006-07.

Chart: Futures prices for Dec'08 and April'09



Source: National Commodity and Derivatives exchange Limited

Despite the global economic recession, export demand for this spice has been good since the beginning of the year and hence the export for Turmeric during April-August 2009 has been 25.5 thousand tonnes as compared to 24.875 thousand tonnes during April-August 2008. The export of Turmeric during April-May 2009 has been 10.5 thousand tonnes valued Rs.64.50 crores as against 9.01 thousand tonnes valued Rs.35.40 crores in April-May 2008, registering an increase of 17% in volume and 52% in value. Exports were higher by 6.6 percent in 2008-09 to 52.5 thousand tonnes.

This year: December 2009 and April 2010

Supported by the factors of strong demand and lower production, Turmeric prices are on a bull run and have risen by 19 percent since the beginning of the year. According to trade sources, the acreage under this spice has gone up by 20 percent to 120 thousand hectares during Kharif season 2009-10. The increase in turmeric area has been due to farmers switching over to this crop for better prices. The acreage has mainly been higher in the states of Maharashtra and Tamilnadu, who received fairly good rainfall despite the submissive monsoon rains across the country. **However, as per the last report for kharif sowing data of Andhra Pradesh Department of Agriculture released on 14 Oct 2009 acreage under Turmeric in this state is 50 thousand hectares lower by 19.3 percent as compared to the area sown till date in 2008.** As per acreage, contribution of Andhra Pradesh is 35 percent to the national domestic production, while production wise the contribution is 46.8 percent in the country.

According to trade sources, the overall production expectations for the coming year are higher by 30 percent to 385 thousand tonnes. However, going by the government acreage figures of Andhra Pradesh, the increase in production in 2009-10 seems a little vague as recent floods have damaged the crops which ultimately lead to crop loss. The confirmed figures cannot be obtained but it is also expected to equally benefit the remaining crop by way of availability of soil moisture.

Due to the shortage of stocks in this year, prices are skyrocketing and have touched Rs 9400 per quintal at Nizamabad. Some farmers are maintaining their stocks in expectations of prices crossing Rs 12000 per quintal. This is expected to result into carry-forward stocks of nearly 14000 tonnes for next year.

Comparison between the scenarios for 2008-09 and the running year of 2009-10

Year	2008-09	2009-10
Acreage ('000 hectares)	100	120
Production ('000 tonnes)	294	385
Ending stocks ('000 tonnes)	7	Not expected*
Total Stocks	301	399
Available stocks by the month of October ('000 tonnes)	77	35

* Due to tight supply situation prevailing in the market the expectations of ending stocks for 2010 is abysmal

Supply-Demand dynamics for 2010

Supply ('000 tonnes)		Demand ('000 tonnes)	
Production	385	Domestic demand	350
Ending stocks	Not expected	Exports	51
Total	385	Total	401
Shortage		16	

Exports 2009

For the year 2009-10, the target set for Turmeric exports by Spice Board of India is 51000 tonnes. Export total for April-September 2009 is 29750 tonnes, which indicates 58.3 percent of the target for the year 2009-10 has already been achieved in last six months.

Exports for the month of September are 4250 tonnes in quantity and Rs 3081.25 lakhs in value terms.

Exports of Turmeric (Quantity in tonnes; Value in Rs lakhs)

September'09		August'09				September'08			
Quantity	Value	Quantity	Value	% Change		Quantity	Value	% Change	
				Q	V			Q	V
4250	3081.25	4750	3325	-11	-7	4750	2288.49	-11	35

The reason for the decline in exports for the month of September is soaring prices. Prices witnessed an increase of 16%, touching Rs 8300 per quintal. The average export rate for the month of September'09 is Rs 72.50 per Kg while the same for August'09 is Rs 70 per Kg and that for September'08 is Rs 48.18 per Kg.

Outlook

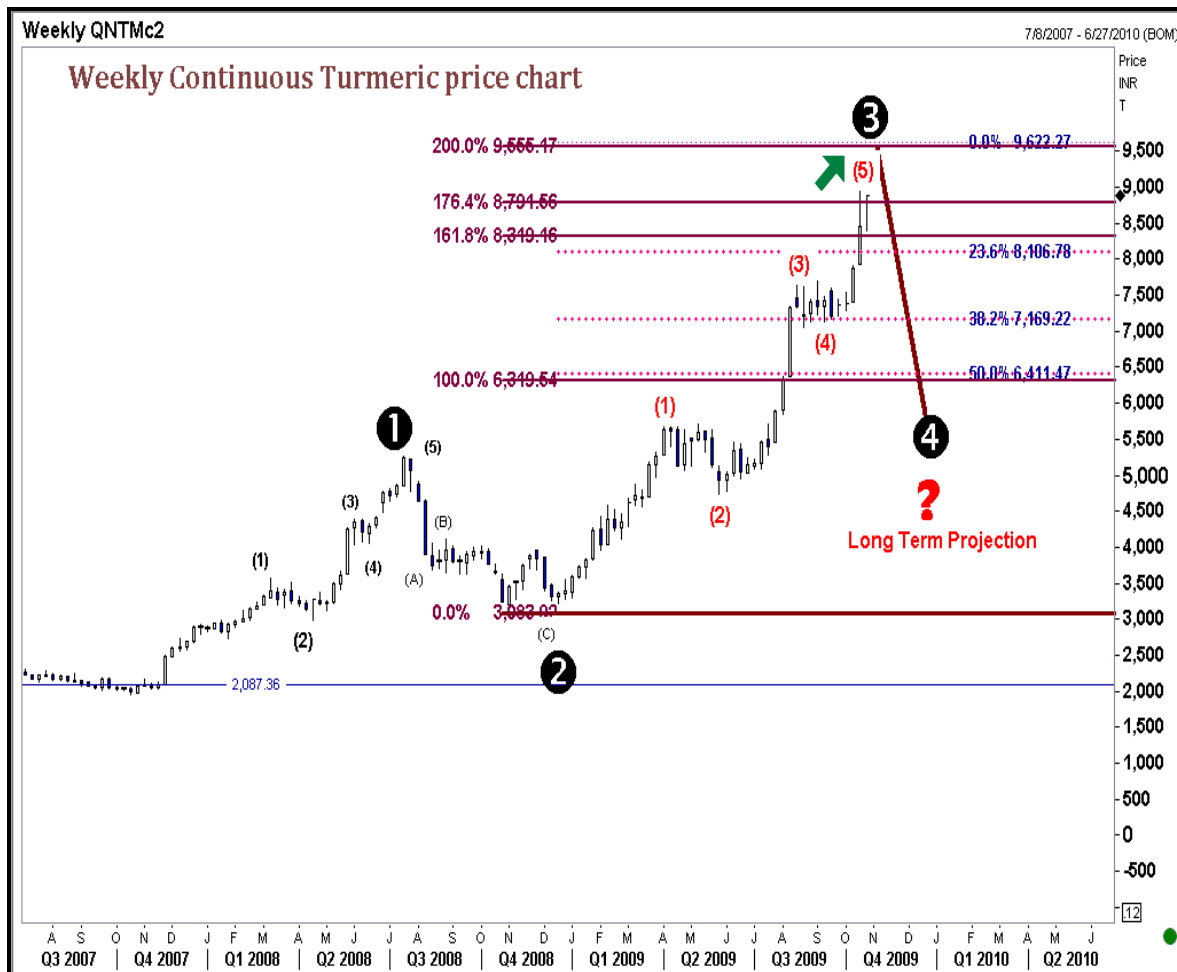
Analyzing the above mentioned factors the betterment in current situation is a farsighted scene. The slight cooling in prices is only expected if improved yield levels result into significant increase in production. Although, as per our calculation the shortfall is expected to be around 16 thousand tonnes only but it will limit the significant cooling in prices on account of fresh arrivals starting from the month of February-March2010.

Moreover, nothing can be predicted about the vagaries of nature, if everything remains supportive, prices are expected to remain around 7000 to 7500 levels by the month of April-May.

Technical Analysis

Turmeric is in a perfect bullish rally from 3rd quarter of 2007 and still continuing the same and prices are having potential to test up to 9300 and then 9600 levels. (If it is able to close above recent highs of 9030)

Chart-1



Technically, prices are trading near upper Bollinger Bands in Daily & Weekly Charts.

(9070-8730).The momentum indicator RSI (14) in Weekly Charts is treading at 0.84 levels in overbought zone may limit further higher side movement. However, RSI (14) in daily charts had taken some correction from 0.84 levels to 0.67 levels and is currently hovering

around 0.74 levels suggesting potentiality for prices to trade higher if able to break the recent highs.

Chart-2



Elliot Wave Theory → Application

Turmeric is currently in Minor 5th wave of, Intermediate wave (5) of, Primary wave 3. The Current wave has potentiality of traveling up to 9600 levels if it is able to break recent highs.

Scenario 1:

If the prices are unable to break recent highs, Intermediate wave 5 of Primary Wave 3 would end at these levels and Intermediate Wave 4 a corrective wave will resume.

Scenario 2:

If prices able to break recent highs, Intermediate wave 5 of Primary Wave 3 may extend up to 9300 and then 9600 levels and then an intermediate corrective wave 4 will begin.

Outlook:

We expect prices to create an initial new high and later on it may take a steep price correction on the lower side.

Recommendation:

High Risk long term Strategy (scenario-2): Sell 1st lot around 9250-9300 levels, 2nd lot at 9500-9550 levels targeting 8400 & 7800 with stop loss above 9800 (December)

Short term Strategy (Scenario-1): Sell on break of 8400 targeting 7800 then 7200 with stop loss above 8850 (December)

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