

## CHILLI SHORT TERM OUTLOOK

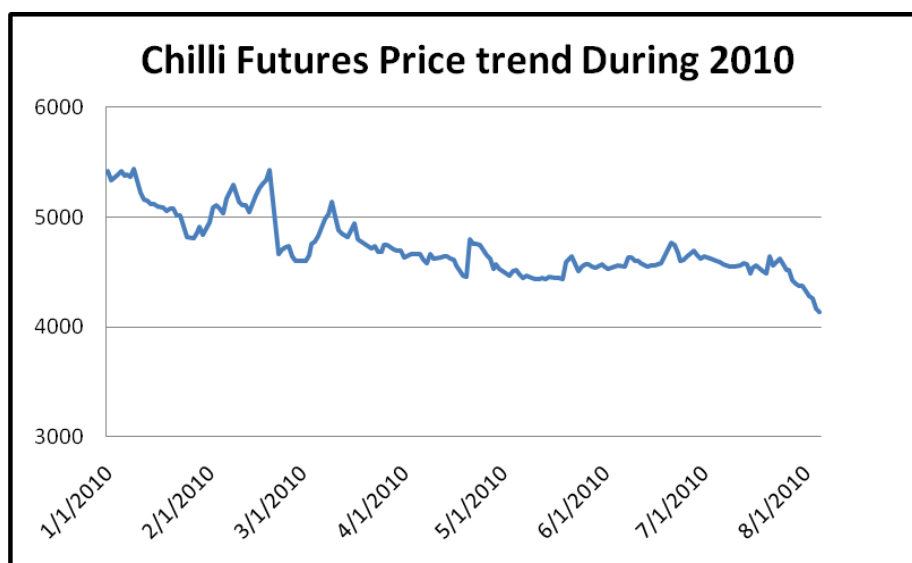
### Chilli Balance Sheet 2009-10

Supply(Tons)		Demand (Tons)	
Production	13,20,000	Domestic consumption	11,50,000
Ending stocks of 2009	50,000	Exports	2,04,000
Total	13,70,000	Total	13,54,000
<b>Balance: 16,000 (Surplus)</b>			

### Review

The Chilli futures on Indian exchanges witnessed an uptrend during first 3-month of CY2010 on good demand in the domestic market. However, starting from March prices showed a declining trend on commencement of fresh harvesting season in India. The chilli production in India for 2009-10 was projected higher on higher acreage. According to Spices Board data, chilli exports in FY 2009-10 were 2,04,000 tonnes against 1,88,000 exported in 2008-09. Though exports were higher vis-à-vis previous year, prices were under pressure because of huge stock and higher production forecast.

The chilli futures prices were in a consolidation during April to June in absence of fresh triggers in the market. On one hand, higher stock in the physical market tried to keep the prices under pressure while on other side strong export demand tried to support the price. There was strong export demand for Bangladesh and Sri Lanka during May to July. Prices started showing a downtrend since last week of July on reports of favourable monsoon for chilli cultivation.



### Outlook

The Chilli futures are expected to trade lower due to weak demand in the domestic market. Higher stocks will hinder prices to rise, instead a steady decline can be observed. An improvement in chilli

sowing after good rainfall in key growing regions of Andhra Pradesh is likely to exert pressure on the prices. China crop is also expected to hit the market during October and November, which will further add to down side.

- Sowing progress can be the major precursor for further price direction
- According to AP Ministry of Agriculture, Chilli has sown in area of 0.38 lakh hectares against 0.14 lakh hectares as on 4<sup>th</sup> August 2010 ( higher acreage)
- Trade sources report the stock position is approximately 1.15 crore bags (40Kg) across Andhra Pradesh with 45 lakh bags in Guntur alone
- As per Spices Board data, exports in April-June 2010 increased by 33% in volume term and by 39% in value term as compared to same period last year
- According to Spices Board of India, during April-June 2010, India exported 56750 tonnes worth of Rs.34,943 lakh of turmeric against 42700 tonnes worth of Rs.25,126 lakh in the same period last year
- Export of Indian chilies has crossed 2 lakh tonnes in 2009-10 due to drop in Chinese production and may witness ample demand until the new Chinese crop comes to the market in October or November

### **Technical**

CONTRACT	SUPPORT		RESISTANCE	
	S1	S2	R1	R2
Chilli Aug NCDEX	3950	3885	4250	4400
Chilli Sep NCDEX	4100	3950	4350	4430
Chilli Oct NCDEX	4360	4280	4550	4600

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