



# Turmeric Seasonal Report

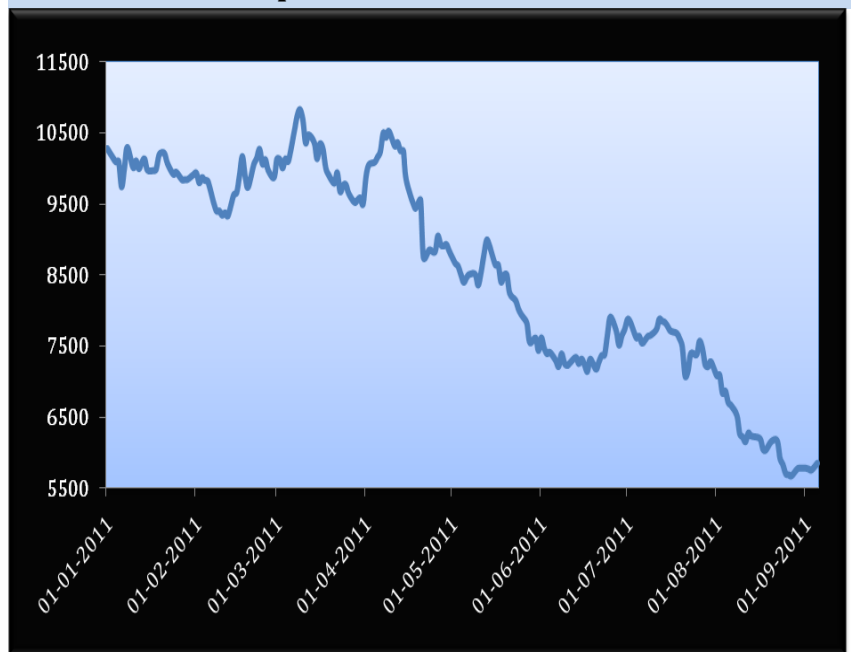
## Post Sowing

Almost 100% turmeric sowing has been completed in India for next season. Therefore, this report throws light on post sowing changes in turmeric prices. This year turmeric acreage has been increased by 2% against the normal acreage, which is expected to result in a bumper crop again. Thus, overall trend is projected to remain bearish for turmeric in medium to long term.

**TURMERIC OCTOBER/NOVEMBER- NCDEX: SELL AT 5300 -5700 TARGET 4000 AND 3800 STOP LOSS 6700**

**T**urmeric the yellow spice lost its shine in year 2011. In CY 2010, turmeric prices have appreciated by 120% to test their all time high level which provoked farmers for increasing the acreage under turmeric crop. Therefore, in 2011 prices fell by 46.59% due to record high production. Futures prices started the year at ₹10270 and since then prices are on falling trend due to huge supply this year. As it is known, India is the largest producer and exporter of Turmeric across the globe, so export demand during February- March supported the prices to touch 10,980 levels.

**NCDEX Turmeric prices trend**



Sources : Bloomberg & KCTL Research

However, April onwards prices started falling due peak arrival season. Stockiest were not interested in bulk buying due to supply surplus. Moreover, from July onwards next season sowing started which also added to the down side. According to Andhra Pradesh Agriculture Department, till August 31<sup>st</sup> total area sown under turmeric in Andhra Pradesh is 0.64 lakh hectares against 0.63 lakh hectares of normal acreage. Thus, in anticipation of a bumper crop again stockiest are not interested in further buying which has pressurized the prices to trade below 24 months' low.

### Seasonality

Turmeric sowing in India starts in the month of June-July and continues till August-September. Therefore, this report throws light on post sowing, as sowing season is coming to an end in India. It is a 3-3.5 month's crop and hence harvesting for fresh crop starts during December and ends during March. Significant arrivals start from January mid to March and continue till May.

TURMERIC (HALDI)												
COUNTRY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INDIA	Harvesting	Harvesting	Harvesting			Sowing	Sowing	Sowing				
CHINA	Harvesting					Sowing	Sowing	Sowing				Harvesting
MYANMAR			Sowing	Sowing								
BANGLADESH		Harvesting	Harvesting					Sowing	Sowing			
PERU		Sowing	Sowing				Harvesting	Harvesting	Harvesting			

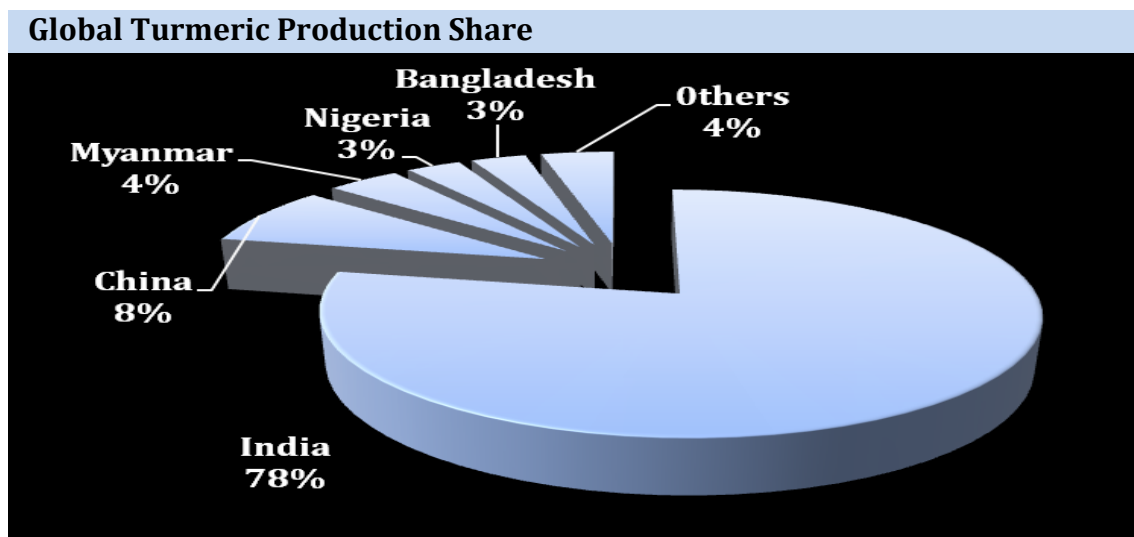
- Harvesting      - Sowing

The other major producing countries are China, Bangladesh, and Myanmar. In China and Bangladesh it is sown during June mid to September and Harvested in the months of January –march. In Myanmar

and Peru the crop is sown in the month of Feb- March and comes to market by the month of July. Thus, showing cycle starts from India followed by China and Bangladesh while Peru and Myanmar has just opposite sowing schedule.

### Global Scenario

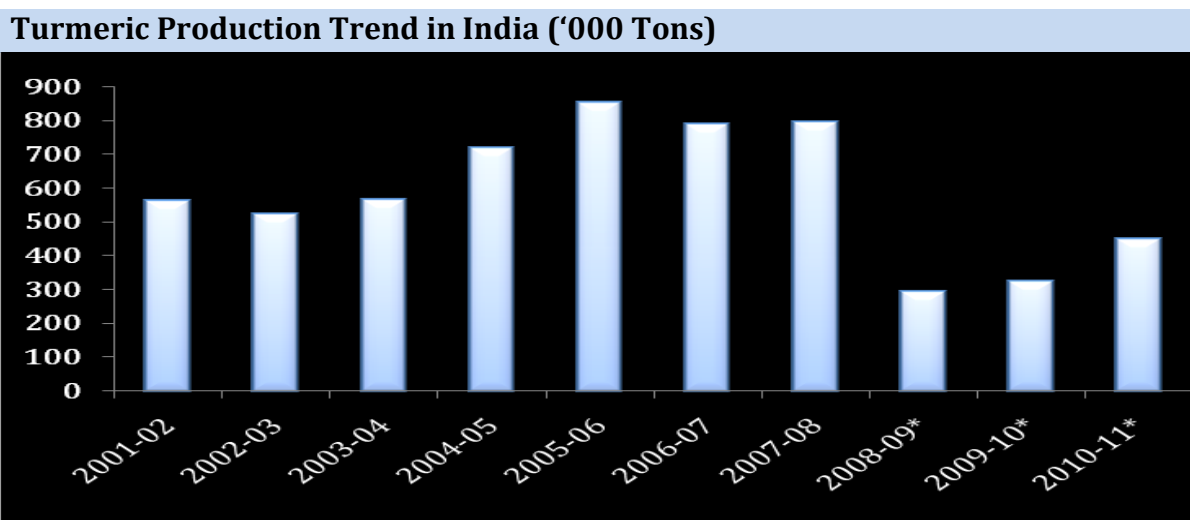
India contributes about 78%-80% of the world production and 60% to the total trade. Contribution of other major producers is as follows: China (8 %), Myanmar (4 %), Nigeria (3 %) and Bangladesh (3%). The increasing demand for natural products as food additives makes turmeric an ideal produce for a food colorant. Additionally, anti-cancer and anti-viral properties of turmeric may also increase its demand from the pharmaceutical industry.



Sources : Spices Board of India & Trade Sources\*

### Indian Scenario

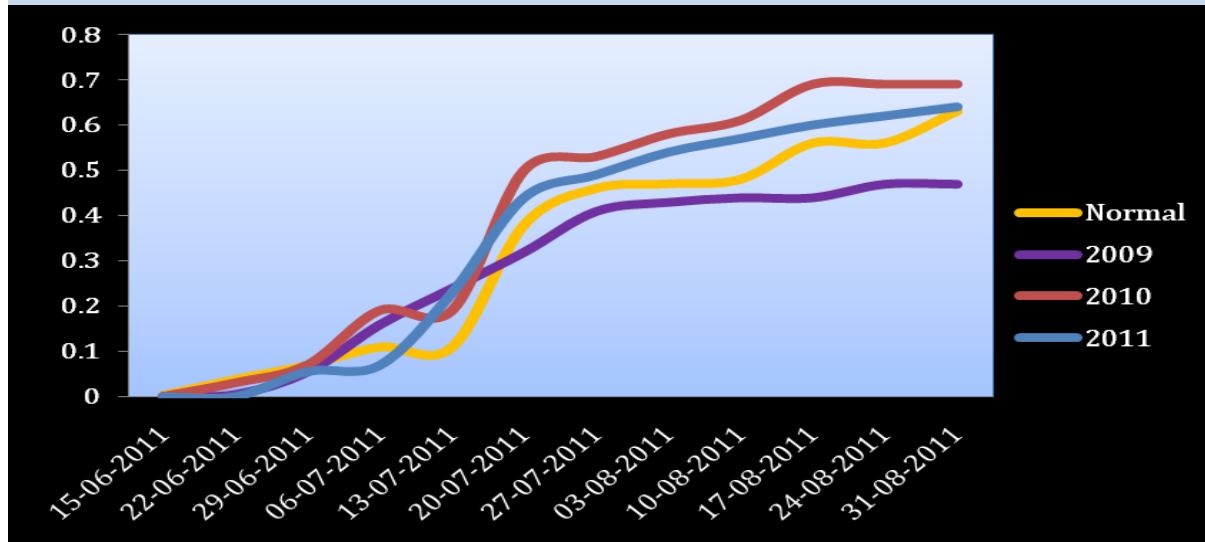
Indian is the largest producer and exporter of turmeric in the world. Thus, India holds the major chunk of World’s turmeric trade. Average annual turmeric production in India is around 45 to 55 Lakh bags (each bag= 70Kg.) i.e. 3.15 lakh to 3.85 lakh tons. In 2010-11 turmeric production is estimated around 64 Lakh bags (4.48 lakh tons) up by 38-40% from last year’s production.



Sources : Spices Board of India & Trade Sources\*

As per trade sources, acreage in Andhra Pradesh has increased from 59,000 hectares in 2009 to 65,000 hectares in 2010. Current season sowing is still in progress. Andhra Pradesh contributes 61 percent to the domestic production in the country followed by Tamil Nadu (17 Percent).

**Turmeric Acreage in Andhra Pradesh (Lakh Hectares)**



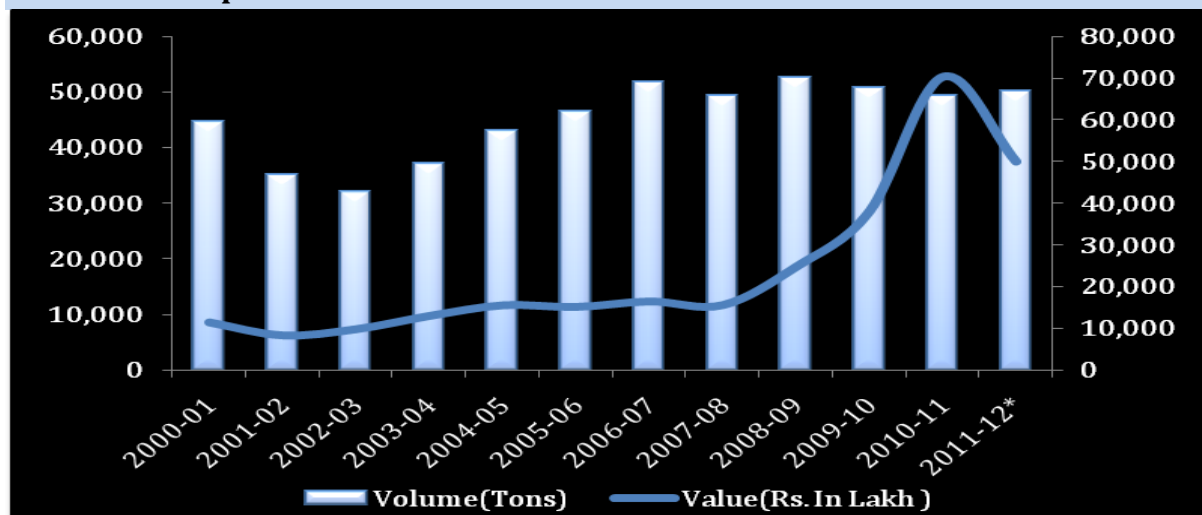
Sources : [www.agri.ap.nic.in](http://www.agri.ap.nic.in)

According to Andhra Pradesh Agriculture Department, till August 31<sup>st</sup> total area sown under turmeric in Andhra Pradesh is 0.64 lakh hectares. Though acreage has been declined from last year's acreage; still it is 2% up than the normal acreage. Thus, overall production estimates are higher.

**Exports**

India is the major exporter of this yellow spice. Exports of turmeric from India during 2008-09 were at all time high both in volume and value. The export has been 52,500 MT valued Rs. 248.58 crore. However, later on till March 2011 there was slight decline reported in exports due to prevailing higher prices during November- December in 2010. The major reason for decline in export during end of the 2010 was an insufficient stock. The major buyers for Indian turmeric are UAE (8988 MT), Malaysia (4330 MT), Japan (3066 MT), USA (2664 MT) etc.

**Turmeric Exports from India**



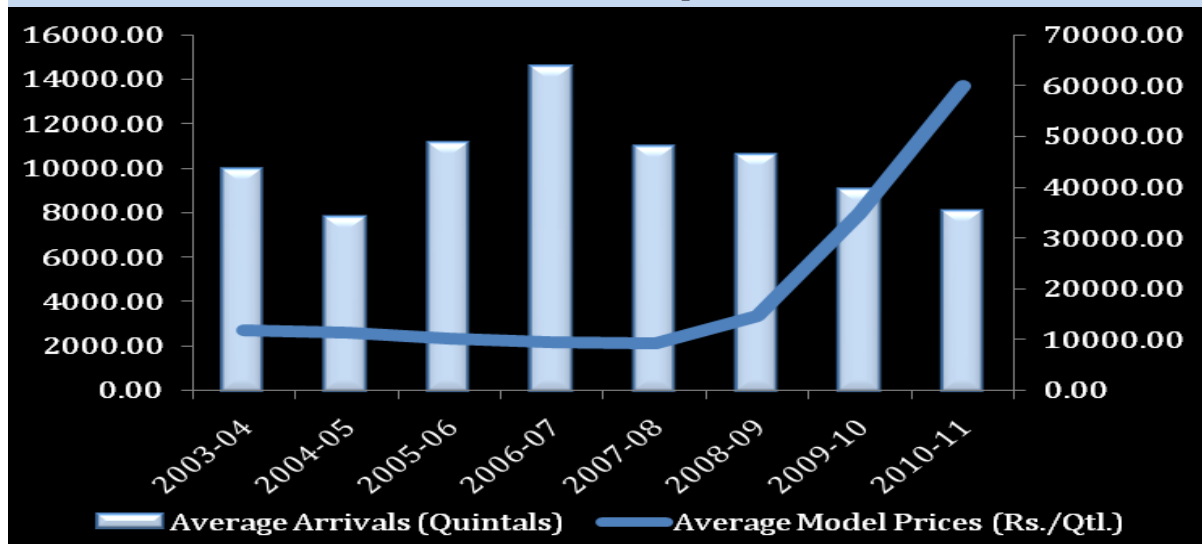
Sources : [Spices Board of India](http://Spices Board of India)

Medicinal and cosmetic uses of turmeric are increasing significantly over the years and leading to the demand and prices of yellow spice to a new horizon. According to Spices Board of India, targeted exports from turmeric in year 2011-12 are around 50,000 tons of Rs. 50,000 Lakh.

### Turmeric Arrivals and Prices

In India Nizamabad (Andhra Pradesh), Erode (Tamil Nadu) and Sangli (Maharashtra) are major physical markets of turmeric. Among them Nizamabad is the main market and turmeric prices in Nizamabad market are taken as bench mark prices for futures trade.

**Turmeric Arrivals and Prices at Nizamabad Spot Market**



Sources : Spices Board of India

From financial year 2003 to 2007 prices remained under pressure due to higher arrivals amid increased production. However, after 2008 prices witnessed a huge rally on lower arrivals at market amid decline arrivals. Even production increased during 2010 but arrivals at spot market declined as farmers/ Stokiest were holding stocks with them in lieu of further rise in price.

### Prices Seasonality

Turmeric prices seasonal index indicates, January onwards turmeric prices start moving lower due to fresh crop arrival season. During April prices witness sharp fall amid peak arrival season. From May onwards end of fresh peak arrival push the prices from those levels. During July-August prices move gradually as sowing for next season crop gets started. However, strong festive season demand at domestic and export front supports the prices to trade higher.

In current year turmeric prices have moved inline with the seasonal index. During March and May 2011 prices

**Turmeric Prices Seasonal Index**



Sources : Spices Board of India

witnessed small recovery on fresh crop buying. Supply this year remained high even after the end of peak arrivals season, which pressurized the prices to trade down till date. However, in current year are expecting prices might not react to the seasonality in later months. According to seasonality prices move up during September – December due to end of stock and festive demand. However, this year carry over stocks are so huge that they will keep the prices under pressure.

## Demand and Supply scenario 2010-2011

Turmeric production in 2011 is estimated around 39% higher to 64 lakh bags (4.48 Lakh tons) Y/Y. Major reason for increased production is higher acreage. Attractive returns during 2009-10 provoked the farmers to put more area under turmeric sowing. However, exports have declined marginally in last 3 years. Projections for 2011 are looking unbalanced with huge carry over stocks due higher production this year.

<b>Turmeric Balance Sheet 2010-11 (Bags) (1 bag=70 Kg.)</b>			
<b>Supply</b>		<b>Demand</b>	
<b>Production</b>	64,00,000	<b>Consumption</b>	50,00,000
<b>Beginning Stocks</b>	1,00,000	<b>Export</b>	7,50,000
<b>65,00,000</b>		<b>57,50,000</b>	
<b>Surplus = 7,50,000</b>			

## Outlook

Turmeric prices are expected to remain under pressure for long term amid huge carry over stocks. Though peak arrival season has been ended still, spot markets are witnessing huge supply. Total production estimates for this year is 64 lakh bags which is 38-40% up by last year's production. According to government sources, next season sowing is coming to an end and it is higher than the normal turmeric acreage. This might lead again to bumper crop production in next year which in turn will increase pressure on prices. In anticipation of higher production stockiest are also staying away from market.

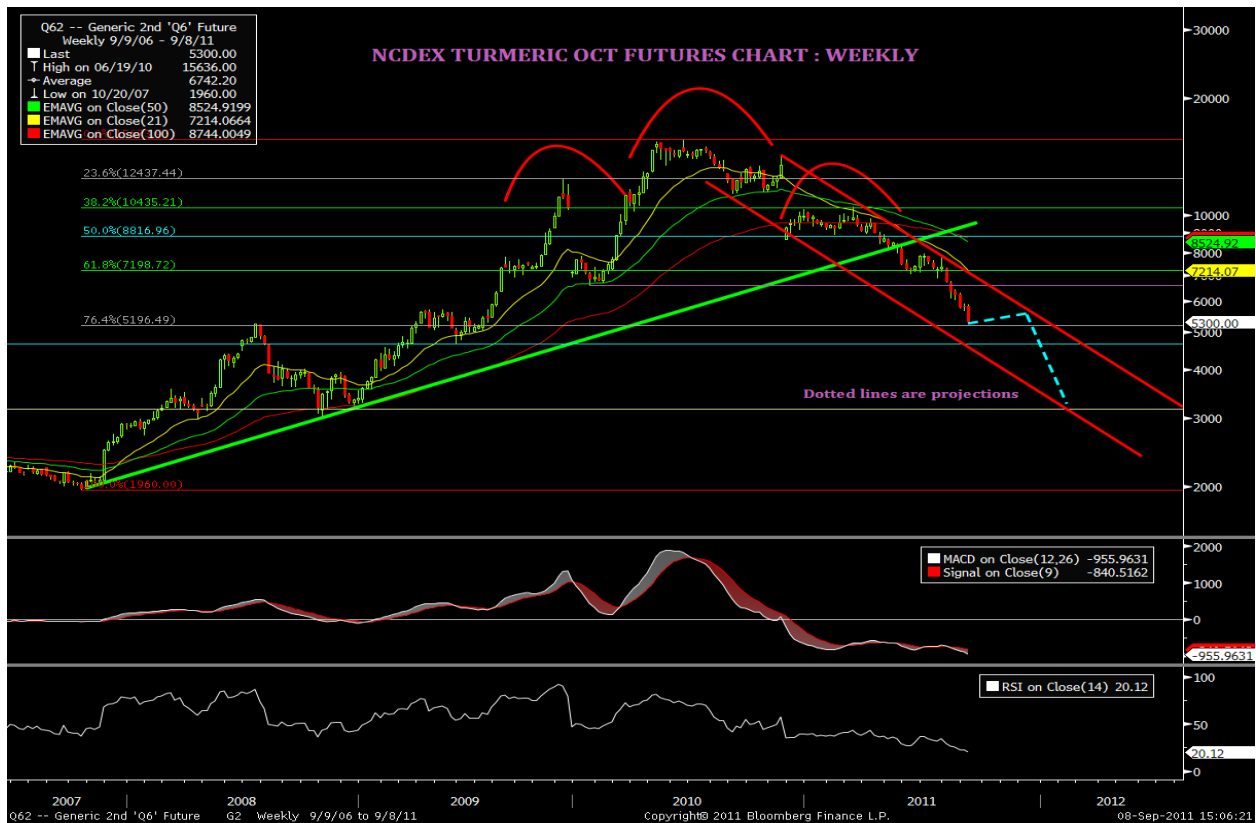
Due to the record high production and poor demand, farmers are having huge carryover stocks and next season crop is expected to hit the market January onwards. Therefore, farmers are dumping their old stocks in market which is creating supply glut in market and ultimately adding to the bearish trend in turmeric prices.

However, we can see a small recovery in short term on domestic demand due to ongoing festive season. Nonetheless, it might create further selling opportunity in market as good carry over stock along with anticipated rise in production is expected to keep prices under pressure in long term.

## Technicals

Turmeric prices witnessed huge weakness this year on absence of buying interest. Charts reveal that prices were in a strong long bull run from 2006 to 2010. After NOV 2010 prices have started to consolidate and fell continuously. From NOV 2010 to SEP 2011 till date prices have fallen from 14270 to 5310 down by 169 per cent.

Chart patterns suggest that overall trend of Turmeric still remains weak and may edge lower further in the coming days. Traditional indicators like MACD are trading well below zero level indicating weakness. Price behavior also reflects Dow Theory of making lower lows and lower highs indicating downtrend. Trend analysis suggests that prices are trading below the broader trend line. Average analysis reveals that prices are trading below long-term averages like 50 days EMA and 100 days EMA. Immediate support lies at 5000 where we can expect a slight consolidation before further fall. A fall below 5000 would pull down prices towards 4000 and 3500 in the near future (see chart)



**RECOMMENDATION:**

**TURMERIC OCTOBER/NOVEMBER- NCDEX: SELL AT 5300 -5700 TARGET 4000 AND 3800 STOP LOSS at 6700**

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