

Monthly Report On **SPICES**

FEBRUARY 2022

10th February, 2022

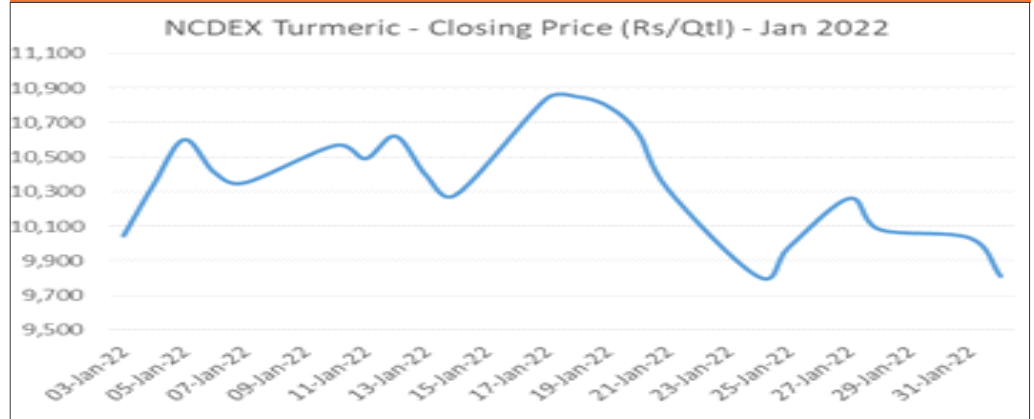


Moneywise. Be wise.

Factors to watch

- Domestic and Exports demand
- Arrivals in the spot market
- Harvesting progress and quality of turmeric received in the physical market
- Damage in crop in key producing region like Nizamabad and Erode

NCDEX Turmeric - Jan-2022



Source: Reuters & SMC Research

Fundamentals

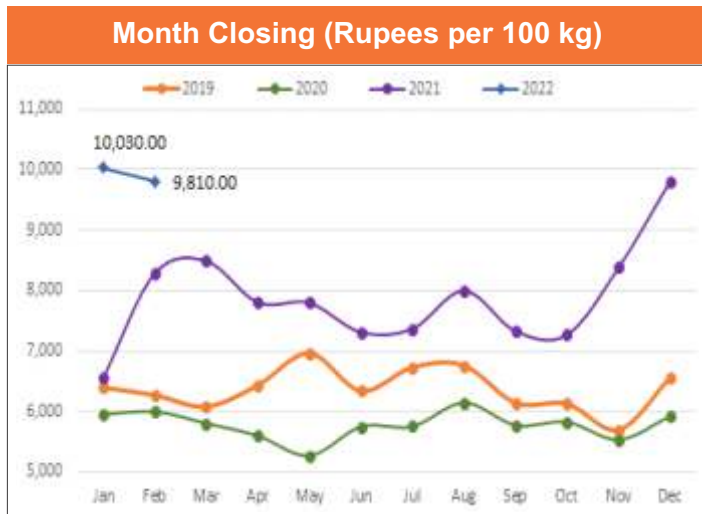
- We have witnessed volatile market in January 2022 as it touched all-time high of 11148 and then corrected due to selling pressure from the higher levels. The demand for turmeric was restricted at higher prices while anticipation of new season turmeric crop also pressurizes prices at higher levels. Turmeric futures traded in the broad range of 9700-11148.
- Prices in the physical market are higher this year compared with last year, when, for example, they ruled between ₹5,600 and ₹6,350 during the same period. While in Nizamabad spot prices quoted by NCDEX were ₹8,875 while at Erode APMC, the finger variety turmeric was quoted at ₹7,318 per quintal.
- In the NCDEX, the most active April contract is trading higher by about 44% y/y on expectation of lower production and anticipation of higher demand. Traders in the Nizamabad region of Telangana expect 40% of the crop has been damaged due to rains. However, the area under the crop has increased in other areas such as Nanded in Maharashtra.
- Overall, the crop could be 15-20 per cent lower than last year. In the Nizamabad region, the damage to crops is about 20-30 per cent, but the exact damage will be known once arrivals of the new crop begin. The crop is normal in Tamil Nadu, but the production could be 10-15 per cent lower in the State.
- Export of turmeric has been lower in FY 2021/22. As per the government data, in the first 8-months (Apr-Dec) of FY 2021/22, exports down 20.7% to 1,16,400 tons compared to last year but higher by 8.8% compared with 5-year average. The major export destination for turmeric is Bangladesh, Iran and UAE.

Outlook

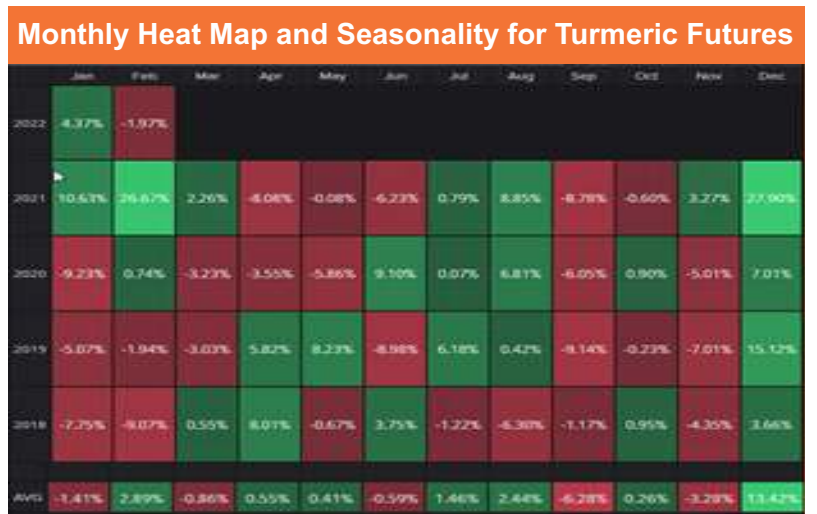
We expect NCDEX turmeric (Apr) prices are expected trade higher towards 10800 in coming weeks on expectation of lower than expected production and pick up in the export demand. The local demand will start from mid-Feb and peak in March. Export demand has not yet started. As per the seasonality chart, the turmeric prices may trade in a range with very less volatility during next two months due to new season arrival of turmeric. Prices are likely to rule around 9600-10500 levels at least until April, after which the trend will depend on domestic and export demand.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Apr	10,020.00	8,840	9,430	10,290	10,880	11,740
May	9,934.00	8,850	9,390	10,310	10,850	11,765



Source: Reuters



Source: Reuters

Factors to watch

- Damage concerns due to excessive temprate climate
- Low stocks with the farmers and traders
- Expectation of Higher domestic and export demand
- Currently India is the only source of cumin for the world

NCDEX Jeera - Jan-2022



Source: Reuters & SMC Research

Fundamentals

- Jeera futures closed higher for the SIXTH consecutive month in January 2022. In January, prices have moved a whopping close to 20% on reports that the production will be lower on more than 50% reduction in the planting area in the country.
- In NCDEX Jeera Mar contract increased from 16000 rupees per quintal to 19950 levels. Prices of jeera (cumin) have perked up as farmers in Rajasthan and Gujarat — the two large producing States — have shifted some of their area to oilseed crops such as mustard and castor this rabi season.
- In 2021/22, according to the officials at Spices Board the area under jeera has come down by about 30 per cent in Rajasthan at 5.39 lakh hectares (lh) this year compared with 7.7 lh last year. In Gujarat, the area is down to 3.40 lh compared with 4.70 lh last year.
- The decline in the area under jeera is more in Rajasthan, where farmers have shifted to mustard, as prices of the oilseed crop was attractive during the sowing season. Similarly, the shift is towards castor seed in Gujarat.
- According to second advance estimates, production expected to fall by 41% to 2.37 lakh tonnes compared to 4.0 lt last year. The potential losses in crop are mainly due to due to untimely precipitation and hailstorms. Moreover, during the crucial stage of seed development there are reports of crop damage due to excessive dew in the state of Gujarat and Rajasthan.
- Due to higher existing prices doing the FY 2021.22; the jeera exports have been limited. As per Govt. data, exports of jeera for Apr-Dec down by 24% Y/Y at 1.74 lakh tonnes compared to 2.30 lt last year. The major export destination for the Indian jeera is China, Bangladesh and US, which account for about one-third volumes of export. Jeera is exported to 151 countries in the world during 2021/22.

Outlook

Jeera prices expected to remain higher this season mainly on supply constraints and good domestic as well as export demand. The exports are expected to pick-up in the month of March as the new season jeera hit the markets, as India is the only source for the jeera in the world due to lower production in Afghanistan and Syria last year. We expect jeera (Mar) to trade higher in the range of 20500-21800 levels with major support at 19300 levels. As per price seasonality, jeera prices during Feb-Mar correct due to arrival of new season jeera from Gujarat. However, this years we may not witnessed much correction on anticipation of less supplies and nigher demand from the physical market players.

Contract	CMP	S1	S2	PIVOT	R1	R2
Mar	20,800	15,035	17,250	18,600	20,815	22,165
Apr	19,620	16,140	17,880	18,940	20,680	21,740

Monthly Closing prices (Rs/100 kg)



Source: Reuters

Monthly Heat Map and Seasonality for Jeera Futures



Source: Reuters

DHANIYA (Coriander)

Factors to watch

- Damage of crop due to low temperature and higher dew
- Lower area in Rajasthan and Gujarat
- Export demand in the coming weeks
- New season coriander arrivals in physical market in Rajasthan, Madhya Pradesh and Gujarat

NCDEX Coriander Price - Jan-2022



Fundamentals

Source: Reuters & SMC Research

- Dhaniya futures closed higher by about 11% on Jan 2022 on reports that the production expected to be lower compared to last year mainly as farmers have shifted to other crops due to low returns last year and unfavorable weather in the growing areas of Rajasthan, Gujarat and Madhya Pradesh. We have seen prices moved from 9600 levels to more than 10400 in Jan. The prices closed higher for the fourth consecutive month in January and climb to 6-year high of 10398 rupees per 100 kg.
- A lower production estimate for the 2021-22 (Jul-Jun) in key growing states of Gujarat and Rajasthan are supporting the prices. According to second advance estimate, Gujarat govt pegged coriander production at 2.11 lakh tonnes down from 2.21 lakh tonnes last year.
- Currently prices are higher by 64.5% y/y and up 21.6% since January as there is good demand on expectation of lower supplies in the next season due to lower area and there are reports of production loss due unfavorable weather (low temperature and higher dew). As per traders, the quality of coriander may be affected this year and thus traders are holding on to their last year stocks in anticipation of getting better prices this season.
- As per Department of Commerce data, coriander exports in seeds and powdered form have been down 13% during first 9-month of FY 2021/22 (Apr-Dec) period at 37,500 tonnes compared to 43,100 tonnes last year but 11% higher compared to 5-year average. Similarly, Coriander exports on the calendar year 2021 also down 3.5% at 51779 tons compared to last year.
- Major coriander seed are exported to Bangladesh, Nepal and UAE, accounting for 70% of export volume while coriander in powdered form is mostly supplied to South Africa, UK and USA.

Outlook

- Dhaniya futures are currently trading at 6-year highest levels due to persistence demand and lower than expected production in coming season. New season coriander is expected to arrive in the physical market during the month of March – April and will be peak after wards. As per the seasonality, the prices during February and March tend to correct as new season arrivals put pressure on the prices and likely to correct towards 9500 – 9600. The exports of coriander also happening during the peak arrivals period that will support prices as this season market is expecting lesser than the normal arrivals. Dhaniya (Apr) contract is expected to trade in a range of 9700-11000 levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	10,100.00	8,260	9,180	9,790	10,710	11,320
Dec	10,214.00	8,780	9,500	10,020	10,735	11,255

Month Closing (Rupees per 100 kg)



Source: Reuters

Monthly Heat Map and Seasonality for Coriander Futures



Source: Reuters

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