

Monthly Report On

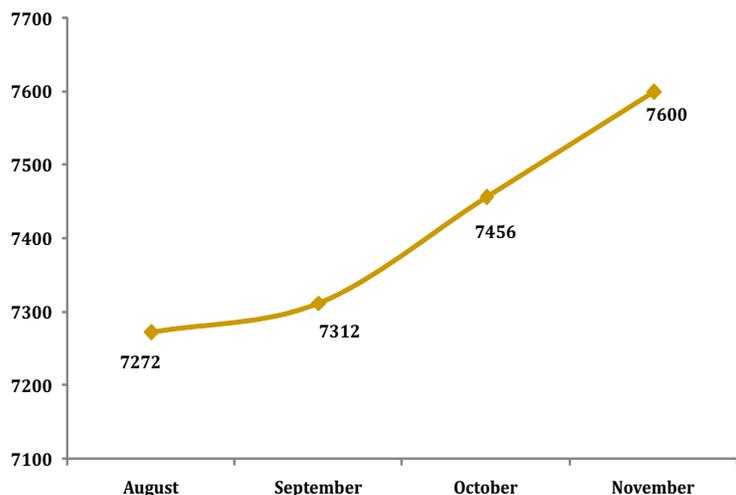
1st August, 2018

# SPICES

August 2018



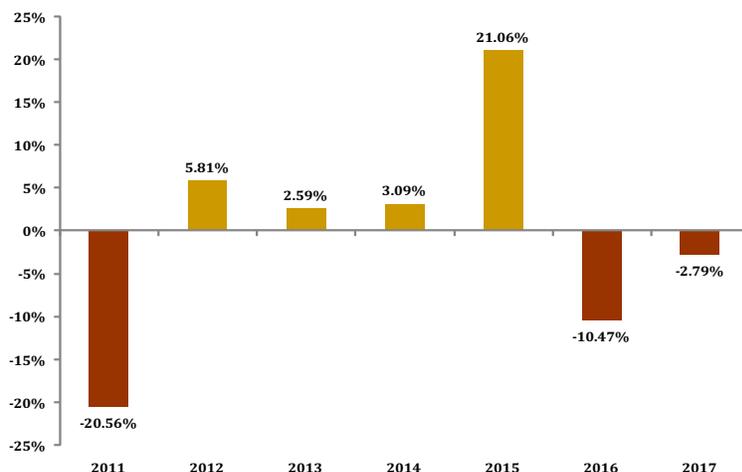
## Forward curve of Turmeric futures



Source: NCDEX

Closing as on 31st July, 2018

## Historic returns of Turmeric futures during month of August



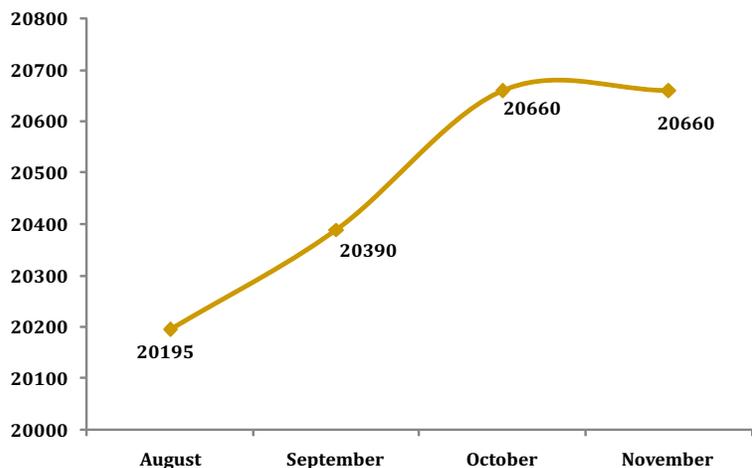
Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
6684	6998	7236	7550	7788

## Fundamentals

- Turmeric futures (September) is expected to witness a consolidation in the range of 6800-7800. In days to come, not a much of a downside can be seen as the demand for the yellow spice is expected to emerge with festive season knocking the doors. Since past month, the counter is stuck in a tight range as the market participants are keeping are cautious & closely watching the sowing progress.
- The market participants of the spot market are optimistic that owing to festive demand from August, buying may emerge in for the yellow spice. As far as supply is concerned, this year, a shortage is being seen in it. Prices can be seen higher in the coming days due to the decrease in supply in proportion to the demand.
- In Maharashtra this year, there are production estimates of 30 to 32 lakh bags while in Erode 10 lakh bags, in Nizamabad 18 lakh bags, in Durgirala and Cuddapah 7 lakh bags, in Warangal and Kesamudram 4 lakh bags and also 4 lakh bags in other states. It means total production may be at 75-77 lakh bags. If the rainfall remains good, then the output figure can reach up to 80 to 82 lakh bags but if the rainfall remains weak, then there is a cut of 10 percent in estimates, which can restrict the production figure up to 70 to 75 lakh bags.
- The acreage in Telangana, the largest producer, is seen rising. The area under turmeric in the state is pegged at 30,000 ha in 2018-19 (Jul-Jun), up 20% on year.
- Weather was favourable throughout the sowing period and rains were also good which has boosted area under turmeric almost across all major producing states.
- This year, sowing of turmeric in Maharashtra can reach at the record level as farmers benefited more than other crops last year, so they are now showing more interest in turmeric sowing. This year, turmeric sowing has already been started in Jalgaon, Dhulia, Jalna, Aurangabad, Akola and some other districts, which can result in more production.
- According to traders, sowing is expected to increase in the coming days in other producing states due to good prices this time.
- According to the sources, about 30 to 32 lakh bags of turmeric can be produced in Maharashtra this year from about 22 to 24 lakh bags last year.
- In 2017/18 turmeric production was about 60 lakh bags, while carry forward stock was about 22 to 25 lakh bags, with the total estimated supply of 82 to 85 lakh bags.

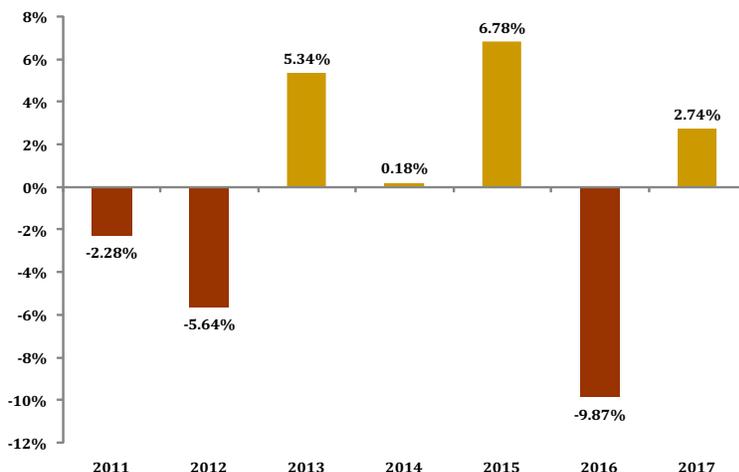
## Forward curve of Jeera futures



Source: NCDEX

Closing as on 31st July, 2018

## Historic returns of Jeera futures during month of August



Source: Reuters & SMC Research

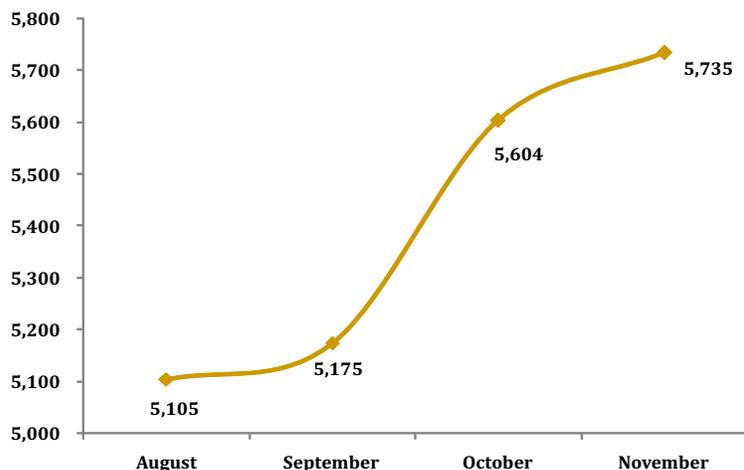
S2	S1	Pivot	R1	R2
17453	18922	19853	21322	22253

## Fundamentals

- Jeera futures will possibly continue to maintain its bullish trend as it has the potential to test 21000-22000 levels. A dip towards 20000-19500 levels in the September contract can be used as a buying opportunity for long terms gains, as the counter is expected to take support near 19000-18750 levels.
- Jeera futures hit a four-month high of 20,580 because of robust demand from overseas and domestic buyer & lower arrivals.
- Uptrend may continue in spot prices as futures prices have already crosses over the key 20,000-level on the back of strong fundamentals on the demand side.
- Daily arrivals of jeera in Gujarat's Unjha market have halved to 4,000-5,000 bags (1 bag = 55 kg), from 10,000 bags in June.
- Traders expect exports of jeera to rise to a record 175,000 tn in 2018-19 (Apr-Mar), compared with 143,670 tn a year ago.
- According to traders, India is likely to have exported over 70,000 tn of jeera in Apr-Jun, up nearly 63% on year.
- Jeera export is expected to rise due to a fall in supply from Syria and Turkey, where production is likely to be low this year following adverse weather conditions.
- Export demand is rising consistently due to low supply/availability in other key producing countries and weakness in Indian Rupee.
- According to traders, there are reports of good export demand from China, Taiwan and Bangladesh. Apart from this, the rain has damaged crops in Turkey and Syria due to which they are unable to supply the spice in the global markets.
- The advantage of weakness in the Rupee is being taken by China, Bangladesh, Taiwan and Dubai because the import becomes cheaper when the Indian Rupee weakens. Therefore, as long as the Indian Rupee will remain weak, demand may remain in export.
- On the other hand, due to poor domestic conditions in Syria and Turkey, they could not produce in the right quantities. And considering the situation there, the importers are not willing to import from Syria, which is increasing the demand for the spice in the Indian market. There are no competitors left in the global market as heavy rainfall in Syria and Turkey has led to crop damage there
- Rising exports of cumin seed or jeera, led by India's unprecedented dominance in the international market, are expected to lift local prices of the spice to a record high around Diwali, when domestic demand also peaks.
- On the supply side, if rains are good in Gujarat and Rajasthan in the latter part of monsoon, it will ensure good sub-soil moisture and spur 5-10% rise in acreage. Jeera sowing is done from mid-October to November-end and harvesting starts from January. Currently, rains have been good in Saurashtra region, which also grows jeera in good quantity.

# CORIANDER (September)

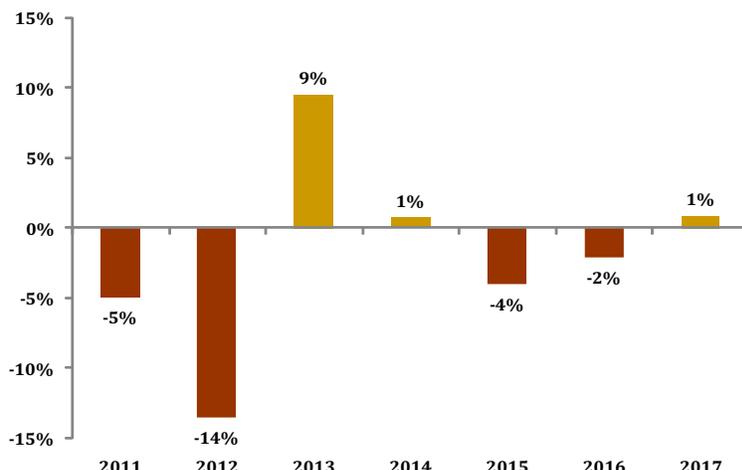
Forward curve of Coriander futures



Source: MCX

Closing as on 31st July, 2018

Historic returns of Coriander futures during month of August



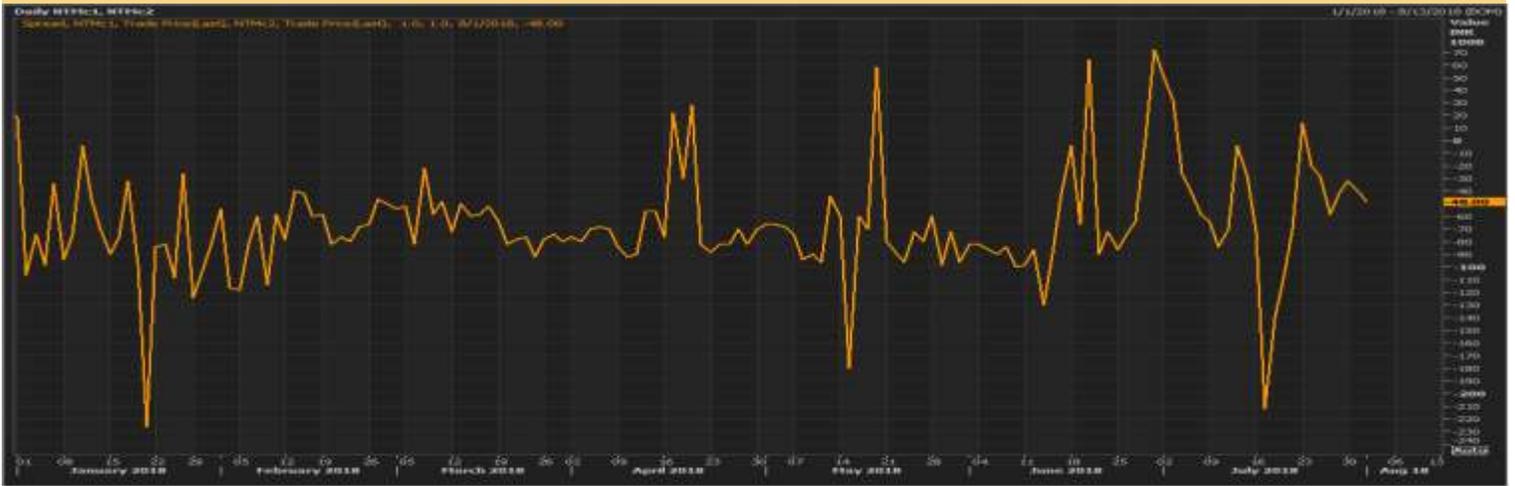
Source: Reuters & SMC Research

S2	S1	Pivot	R1	R2
4419	5067	5189	5837	5959

## Fundamentals

- **Coriander futures (September) is likely to witness a recovery towards 5570-5700 levels, taking support near 4700 levels.**
- Spot coriander prices are ruling strong at major markets in the country amid decline in arrivals and good export demand.
- Coriander may rise further from current levels in August as there is shortage of arrivals in market & also due to rising demand from Dubai and South India.
- Presently, export demand for Indian spice has been rising as output is likely to be halved in other key producing countries. Hence, prices were being seen firm at spot markets due to consistent increase in demand from overseas, weak rupee and lower arrivals of old stock.
- Significantly, the arrival of coriander in India's major markets has been decreasing consistently. Farmers are paying more attention to the farming.
- Moreover, farmers who have the stock, have been refusing to sell their produce in the market anticipating more rise in prices ahead, which may lead to a shortage of good quality stock.
- The prices are likely to remain steady to strong in the coming weeks owing to good export deals and sluggish selling.
- Coriander prices can move higher as farmers and stockists are stocking coriander while expecting an increase in prices. Also, good quality spice is being bought by the masala companies.
- On the other hand, in the rainy season, moisture starts early in the powder of imported coriander, so the masala traders of North India are preferring Indian coriander.
- Although coriander production was low in India in 2017-18, but due to availability of carry-forward stock, excessive imports and weak exports, prices remained mostly weak which are now improving.
- The market participants are expecting that there may be an increase in the demand for Indian coriander in the forthcoming festive season, due to which good rise in prices can be seen.

## Daily Spread Chart of Turmeric futures (August & September)



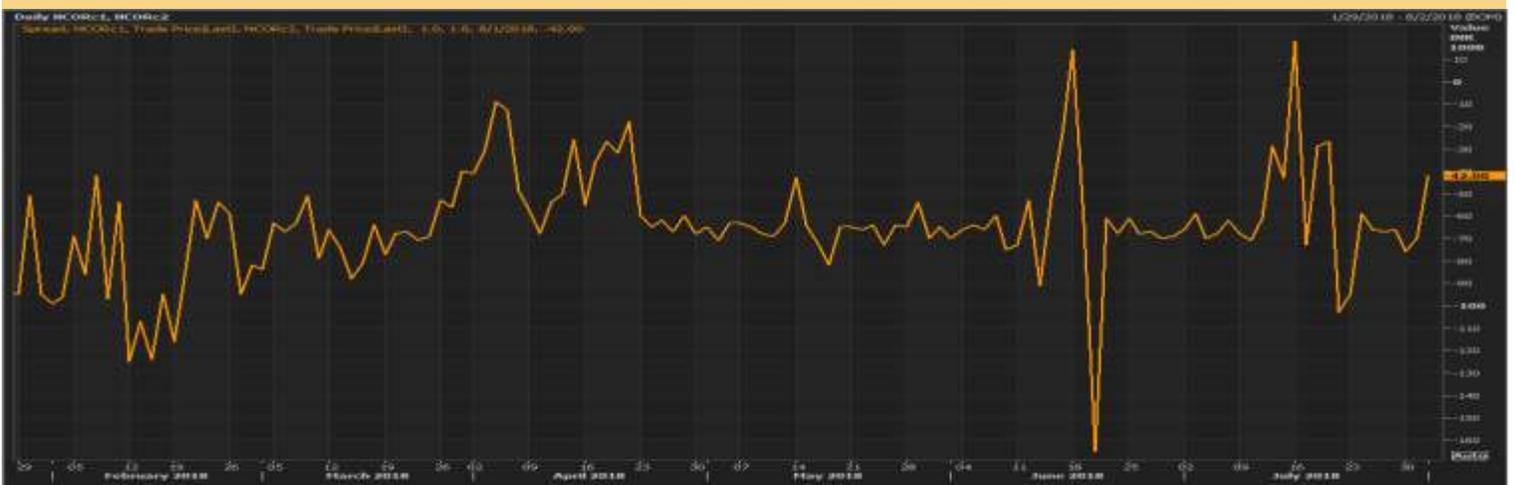
Source: Reuters

## Daily Spread Chart of Jeera futures (August & September)



Source: Reuters

## Daily Spread Chart of Coriander futures (August & September)



Source: Reuters

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