

Jeera futures at NCDEX are in bull cycle since launch of futures trading in February 2005. It has gained 225 percent in this six years of trade and has touched Rs 17520 per quintal in March 2011. The biggest gain was seen during 2006 and early months of 2007. Thereafter, market has been moving up steadily. Despite higher production year-after-year, prices have been moving up on strong domestic demand and rise in exports.

Supply and demand 2011 in India**

Domestic supply	MT	Demand	MT
Production (2010-2011)	170000	Exports	37750*
Carry forward stocks	30000	Domestic demand	120000
Total supply	200000	Total demand	157750
		Surplus	42250

*Export estimates including 7750 MT already exported during April – July 2011.

**Based on trade sources

Indian Jeera production in 2010-2011 season estimated at 1.7 lakh tonnes, marginally down from previous output of 1.77 lakh tonnes.

At the beginning of the new season in April 2011, the carry forward stocks were about 30000 tonnes.

Exports during financial year 2010-2011 had fallen sharply to 32500 tonnes, down by 34.7 percent. In the current financial year (April-July 2011), the exports from India were lower at 7750 MT against 12950 MT in the same period last year.

Assuming, India exports about 37750 MT (including 7750 MT exported in April-July) in 2011-2012 that is before next crop arrives in April 2012, country still left with surplus of about 42250 MT for next season. Normal annual domestic demand is around 120000 MT.

Given the supply and demand for 2011-2012, the country is likely to have excess of 42250 MT at the end of April 2012. However, the normal carry forward every year is around 30000-40000 MT.

Global scenario*

	2011	2010	% change
China	12000	15000	-20
Syria	40000	35000	14
Turkey	15000	20000	-25
	67000	70000	-4

*Figures are based on trade sources

India faces strong competition in the global Jeera market from Syria, Turkey and China. The new crop from Syria starts as soon as Indian arrivals end in July, followed by harvest from Turkey and China. So, fresh crop supply in the world market start from April with India and ends in December.

The global production (excluding India) 2011 is estimated at 67000 MT, slightly less from last year. Although, the production in Syria, the second largest producer is expected to increase substantially, the output is likely to decline in Turkey and China. Reports of unfavorable weather in China have affected the production.

Market view

Despite, better production in 2010-2011, the price trend in jeera since new harvest in April has been broadly uptrend. Although, it fell initially by 17 percent from Rs17000 levels to Rs13700 levels in June month, it recovered sharply to Rs17350. However, thereafter it traded mostly sideways between Rs15000-16700.

Given the global and domestic supply and demand situation, Jeera prices are expected to remain bullish till end of 2011. Fall in output for second consecutive year in India and estimated fall in global output in 2011 are likely to support bullish trend. Fresh supplies in major producing countries decline from September onwards. Among major spices traded in India, jeera is yet to see major bull cycle and it is likely to happen in 2011 and

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2012. Seasonally, Jeera prices tend to show strength during October – December and from June to August.

In futures market, it is likely to cross previous high of Rs17500 and may touch psychological level of Rs18000 per quintal by end of December. And in the second quarter of 2012, it is likely to touch Rs24000 per quintal that is 250 percent gain since launch of futures trade.

Price analysis

Among five major spices traded in domestic exchanges, cardamom and turmeric have gained more than others. Cardamom has gained more than 7 times since launch of futures trading and touched Rs2100 levels in 2010. Among these, only Jeera has underperformed and has seen stable rise. Chilli was among the first to see the bull cycle, but steep rise was seen only 2011. Pepper prices gained sharply 2006 and remained stable till end of 2010 and had seen steep rise in 2011. Cardamom prices moved sharply in 2010 and fell over 70 percent 2011. Turmeric prices remained in bull cycle in 2009 and 2010 and have corrected about 75 percent in 2011.

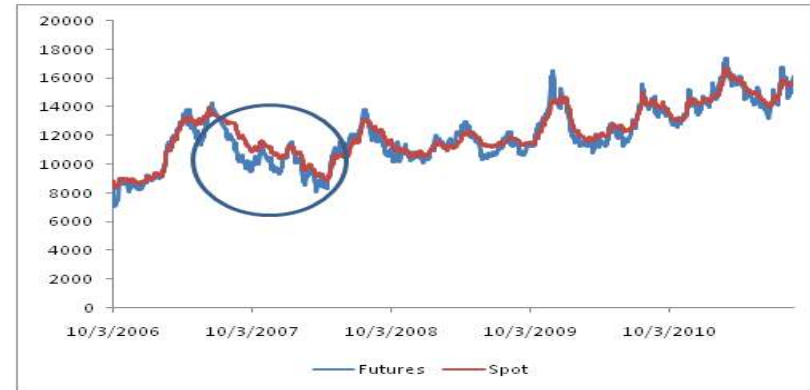
	Price when futures trade started	Highest price	% gain	Major rally
Pepper	8800	35500	303	2011
Jeera	6950	17500	152	2012??
Cardamom	290	2100	624	2010
Turmeric	2600	15650	502	2009
Chilli	3100	11000	255	2011

Jeera spot and futures

The correlation between spot and future prices calculated between October 2006 and August 2011 is 0.97. However, futures are quite volatile than spot prices. Average daily volatility of futures is 1.36 percent against 0.57 percent that of spot prices. The futures prices remain higher than spot prices of about 65 percent of total trading days, means most of the time the market is in backwardation. When market goes into deep backwardation, the trend turns bearish. It is indicated in circle in below

graph, during 2007, market fell sharply from Rs14000 to Rs8000 per quintal, where market was in steep backwardation.

Jeera spot and futures



Source: Reuters

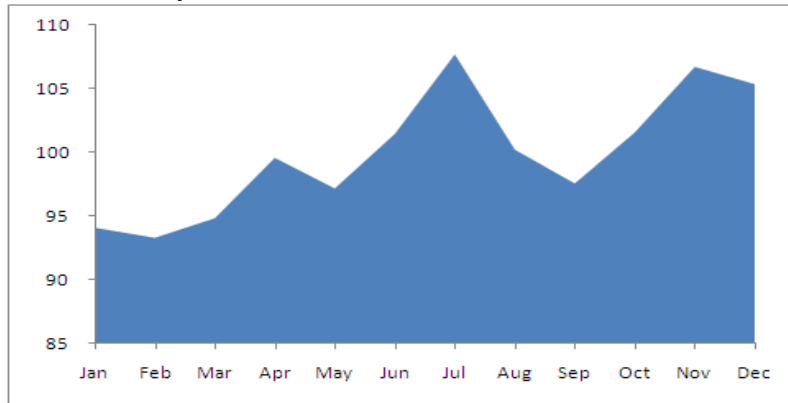
Annual price change since launch of futures trading

Year	Price close	% change
2005	6512.4	
2006	8884.4	36.4
2007	10505.9	18.3
2008	10650.0	1.4
2009	14578.6	36.9
2010	14470.8	-0.7
2011	15639.4	8.1

Jeera futures posted largest gain in 2006 and 2009 with rise of nearly 37 percent. Lower production in 2005 and 2006 led to sharp rise in prices. Output reported around 1.7 lakh tonnes during these two years, against normal output of 1.9-2.0 lakh tonnes. Exports during 2006-2007 increased compared to previous year. However, prices remained stable in 2008 with sharp rise in output in 2008 crop season, which is estimated at 2.6 lakh tonnes. Exports during 2009-10 and 2010-2011 remained slight lower compared to record exports during 2008-09, which kept prices stable in 2010 despite occasional spikes.

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Price seasonality

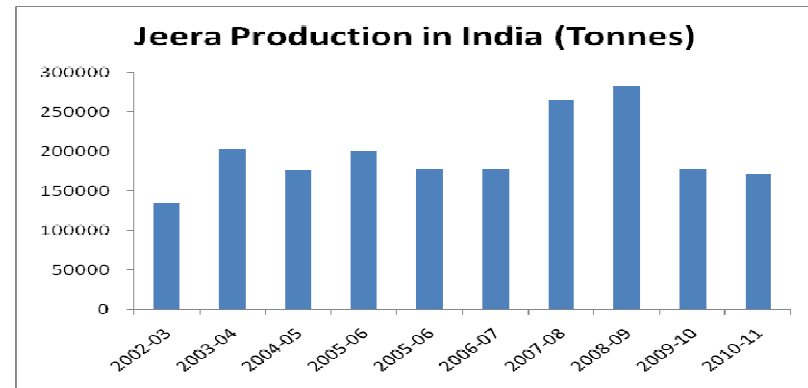


As seen in the above chart, Jeera prices gain mostly with receding arrivals in June. Fresh crop arrival starts from April and end in June. Stockiest buying and lack of supply from other countries normally lead to rise in prices during this period. Prices tend to fall during August – September with fresh crop supply start from Syria and Turkey. Fresh rally happens during October – December with end of fresh supply from all countries. This seasonality was observed in five years out of six years data taken between 2005 and 2010. Prices remain lowest in January – March as stockiest sell off their produce ahead of new crop in April.

Indian scenario

Jeera production is stable at 1.8-2.0 lakh tonnes during last ten years, except, sharp rise in 2007-08 and 2008-09. Production rose to record high of 2.8 lakh tonnes in 2008 season as prices rose sharply above Rs12000 per quintal supported by higher exports. Average output in last ten years worked at 1.96 lakh tonnes. Despite higher prices in recent years, production has fallen in last two years as prices remained stable during this period compared to other crops as well as export fell in two consecutive years.

Gujarat and Rajasthan are two largest producers with share of more than 95 percent. Gujarat is largest producer with share of 60 percent. Major trading centres are Unjha and Rajkot in Gujarat and Jodhpur in Rajasthan.



Source: Spices Board and Trade sources (for 2009-10 and 2010-11)

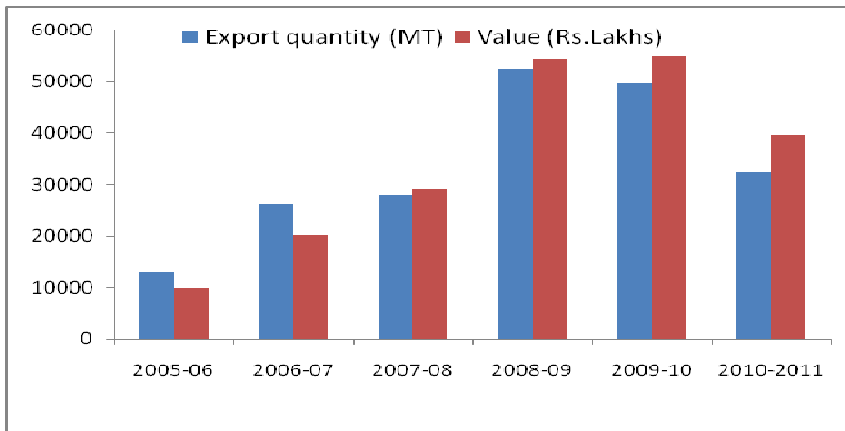
Exports from India

India is largest exporter, but face stiff competition from Syria and Turkey as they have more export surplus. India exports only 20 percent of its domestic production. Exports have seen strong growth in last six years, that is since launch of futures trading and touched record high of 52550 MT in 2008-09, four times higher than 2005-06. Rise in export prices along with quantity is beneficial for domestic farmers. However, exports have fallen in last two financial years as prices hit record highs and supplies from China increased.

	Export quantity (MT)	Value (Rs.Lakhs)	Appx. Export price/Kg	YoY Export growth (%)
2005-06	12879	9819.1	76.2	
2006-07	26042	20224.1	77.7	102.2
2007-08	28000	29150.0	104.1	7.5
2008-09	52550	54400.0	103.5	87.7
2009-10	49750	54824.5	110.2	-5.3
2010-2011	32500	39597.8	121.8	-34.7

Source: Spices Board

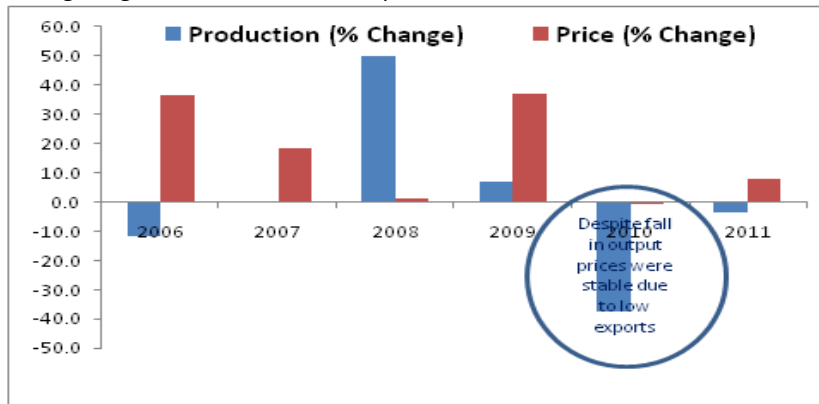
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Source: Spices Board

Production and prices

The production and prices have strong negative correlation as observed in the chart. Prices have gained whenever there is fall in production or vice-versa. However, when production rose sharply in 2008, prices remained stable. During 2010, there was sharp decline in production, but prices saw a marginal gain due to decline in exports.



Current scenario

Spot and futures are mostly stable in recent weeks and hovering around Rs15000-16000 per quintal. Arrivals at Unjha, the largest spot market, have

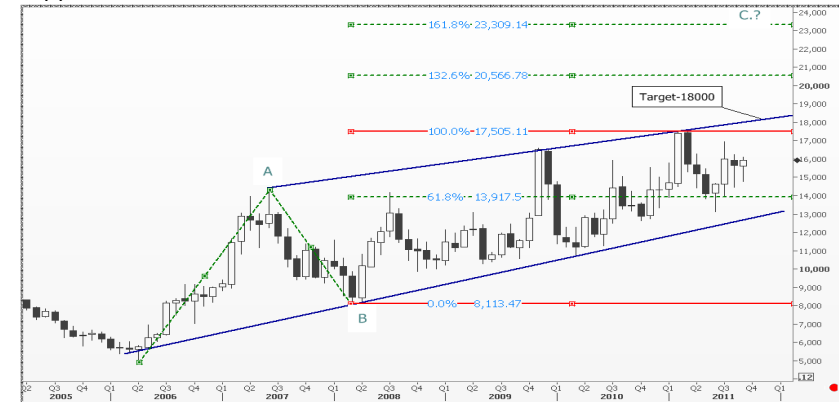
fallen significantly with season is in lean period and daily inflow reported around 4000-6000 bags. Current demand from exporters as well as stockiest remains subdued due to supplies from Turkey and China.

Present stocks with the farmers and traders are estimated around 1.4 lakh tonnes, which is sufficient to meet the demand till next crop in April 2012. Sowing is likely to delay by few weeks in Gujarat and Rajasthan due to delay in harvesting of kharif crops like cotton, edible oil seeds. However, acreage is expected to increase in this season due to better moisture level in soil with more than normal rains in growing regions during south-west monsoon, but actual output depends on weather factors especially in February – March.

Technical view

Jeera futures started moving up from 4877 (April 2006) and gained over 200 percent to all time high 17500 levels in March 2010.

The market is moving with ABC zigzag bullish pattern and has stiff resistance at 17500 levels, which is 100% Fibonacci extension from all time low. If market breaches and sustains above the same may test trend line resistance at 18000. Above this key resistance, the market might test 20500, the 132.6 percent Fibonacci extension and then 23300 levels, that is 161.8 percent. Key support is at 13000, the longer term trend line support.



NCDEX- Jeera	S2	S1	R1	R2
	13000	14800	17500	18000

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