



CROP REPORT 2010

OILSEEDS & SPICES

www.agrocrops.com

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Oilseeds & Spices Report

GROUNDNUTS – THE INDIAN CONTEXT

The production report for groundnuts this year has been very exceptional across all producing areas. India had over 101% of rainfall and the monsoon is already pulling back at the right time. Major producing areas of peanut are: Andhra Pradesh, Tamil Nadu, Karnataka and Gujarat. Overall there is a jump of over 13% in the total sowed area; i.e. from 4366000 hectares (2009) to 4937000 hectares (2010). The 13% jump on excess interest from farmers is certainly due to the boost in prices, the peanut crop had during the summer season 2010 which triggered the crop shift.

Regional Growth

Although the 13% overall jump is still a substantial improvement, individual region wise reports are ever staggering. For example, Andhra Pradesh increased its sowing by 34% and Tamil Nadu improved its sowing by 71%.

Price Factor

Now, let's look at the Indian price situation. Like we mentioned earlier, the key reason for farmer's shift to peanut crop is due to inflationary prices which resulted a set of international market positions.

The price of peanut moved excessively to about 48% for the commercial runner grades which created this interest. The higher beta on the price took place very early in the summer season 2010 which mooted even new states to commence sowing for peanuts. What we now look forward the 'price to be' for the upcoming season in October 2010 is somewhat sideways with a negative bias. As peanut prices and farming outputs are always cyclical.

Quality Aspects

The quality of the yield during the previous season was somewhat mixed with bigger counts in excess availability and the smaller counts relatively scare and commanded prices as equal to the bigger counts. During this new season, we expect similar situation to persist. We expect good availability of sizes from 30 CPO till 80 CPO for both round and long types, while the counts such as 140160 & 90100 may become scarce.

Khariff Oilseeds Sowing 2010

| | |
|-----------------|--------|
| Groundnut | ^ 13% |
| Sesame Seeds | ^ 09% |
| Soya Bean | v 02% |
| Sunflower Seeds | v 51% |
| Niger Seeds | = 0% |
| Castor Seeds | ^ 14 % |

Data for week ending Sep 12 2010

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You can access our e-catalogue with Indian and Global agri calendars at our website after 30th Sep 2010

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GROUNDNUTS – THE INTERNATIONAL CONTEXT

The international position for groundnuts does not look all that good besides the Indian situation. With due respect to my Chinese and US business friends, we believe the Indian crop has fared lot better than any other crop around the world this time around.

Flood Damages

There is news about flood damages in China resulting to some shortages. Although there are no clear and factual news about the quantity of damages for peanuts, our sources confirm flood damages are there for other crops such as sesame seeds and chillies. However, like India, China too had excessive sowing and therefore it might compensate on the flood damages. Other than China, Pakistan too had flood damages. Pakistan flood damage on agri sector is estimated to be 8 billion US\$. The aftermath of these flood damages are yet to be realised in market behaviours, hence it is too pre-mature to conclude a bullish choice for the market. Other than India and China, the US is having a good farming this 2010 with a jump of over 17%.

Price Outlook

The international price situation should start mellowing down in the very near future. At present Indian round type 8090 CPO costs about US\$1225 FOB PMT, we expect this price to soon move down towards the range of US\$ 1050 - US\$1100 FOB PMT levels. Price of 5060 round type from US\$1300 FOB PMT to US\$1150 - US\$1200 FOB PMT levels. In addition, we expect about 3% - 4% upward price momentum due to strengthening of our Indian

currency.

Our above projections are on a stable market assumptions, however we do expect China & Pakistan to become India's customer very soon and perhaps even China's customers too may soon divert their contracts to India on account of price competition. This, if it happens, might trigger price spikes. A clearer picture shall arise during the month of October.

Production of Oilseeds FY0910 and Estimate FY1011

| Oilseeds | FY0910 (in MT) | FY1011 (in MT) |
|-----------------|----------------|----------------|
| Groundnut | 5.12 | 5.79 |
| Sesame Seeds | 0.76 | 0.77 |
| Soya Bean | 8.50 | 8.49 |
| Sunflower Seeds | 0.99 | 0.48 |
| Niger Seeds | 0.08 | 0.08 |
| Castor Seeds | 0.93 | 1.06 |

SESAME SEEDS

The Indian sesame seeds farming is also a winner this Khariff (monsoon season) with an overall jump of over 9% compared to 2009 sowing data. All major producing states have fared marginally higher in their sowing report with as exception to Rajasthan and Uttar Pradesh with an average 21% improvement in sowing.

Agrocrops is awarded as the NO. 1 exporter in India in the field of Groundnut exports for the year 2009-2010

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Price Factor

The prices of sesame seed jumped with a big leap during the summer crop 2010 with about 30% spike. The market firmed up during August 3rd week to September on rumours about Chinese sesame crop damages on account of flood. We expect an estimated 25% less crop in the Chinese farm sector although this news is not fully confirmed. There are speculations that the flood damages can be as high as 50% in some regions. The African new crop is due this November, the crop yield/production is said to be good and prices may cool down from the current levels.

We expect the prices of the new crop to be about US\$1125 to US\$1175 FOB PMT levels. Buyers at present are all importing on hand to mouth basis. We assume there aren't much of carry forward stocks at buyer's end. Although this may boost the new crop prices instantly and may lead to a technical bull run for a while, we are bearish on the overall price trend of the Indian cargo if the flood assumptions are wrong. Other major news our team gathered was that Iran, who is one of the major importer of sesame products may have increased import duty to as high as 40% with their local crop due to arrive shortly and span during the next 2 months.

With a fair amount of carryover stocks in the Indian market, sesame prices may start cooling down from its current levels starting October 2010.

DRY CHILI

Chili production in key producing countries such as India, China, Peru, Bangladesh, Hungary and few others, is growing with a modest pace at CAGR 5.2%. World trade in chilies is put at 400,000 metric tons.

Indian share in global production range from 50 to 60 percent, China and Peru are growing fast and Hungary showed de-growth. Peru and China are dominating world paprika trade. However, India is the only one source for hot chilies.

Higher Production

The Indian productivity in Chilies has been showing positive signs showing rise from 1544 kg per hectare in 2005 to 1550 kg per hectare in 2009. Production of chilies during 2005 was estimated to be 1185,000 tons. In 2006 it was 1014 tons and in 2007 it rose to 1242 tons. In 2008, the production came to the level of 1297 tons and in 2009 to 1167 tons. The 2010 crop is expected to be normal. The area under cultivation was 737,000 hectares in 2005, which came down to 654,000 tons in 2006, but rose to 737,000 tons in 2007. In 2008 the cultivation recorded was 805,000 tons and 750,000 tons in 2009.

Chilli production for 2010 is expected to go up by 10-15% owing to the increase in acreage. Production of chili in Guntur belt is estimated to go up by 17-20%, Shortage of labor and weather has kept the farming area in India more or less stagnant at 600000 - 700000 hectares, though productivity rose rapidly because of use of hybrid seed varieties.

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Current Condition of the Market

At present there are about 4.2 million bags in Guntur cold storage. Considering the Guntur storage capacity of about 6.5 million bags, and crop size to be about 12.5 million bags, and a presumed carry forward stock of 1.5 million to 2 million bags, there should be heavy choking of supplies and stock liquidation. The growing respite is again the Chinese market where flood damages are reported to be more than 50%, however the sowing acreage also had improved about 40% hence compensating. Despite these damage notices, Chinese demand-based enquiry on oleoresin and other specialty chili products have tremendously increased during the past 2 weeks. And once again to mention, Bangladesh and Pakistan demand due to flood damages might give some safe guard position for a market crash in the Indian Territory.

CUMIN

Fresh import demand from the Middle East, Pakistan and Bangladesh is likely to push cumin prices up 10-15% this month and October, the bullish price trend may continue till the new crop arrives in market by next Feb and March.

India is the world's largest producer and consumer of cumin. It uses 75%-80% of the commodity produced. The other cumin-growing nations such as Syria, Turkey, China and Iran export most of their output. When demand rises in the coming months, India may benefit from the fact that Syria and China are left with limited stock. According to market reports, China is likely to have a stock of not more than 15000 tons. Similarly, Syria is said to have a stock around 20000 tons.

Further, crop failure news from Syria is poised to give good gains for the Indian sources. As per reports, the world market for cumin is estimated at 75000 tons of which India is expected to export 60% followed by Syria at 13%, Iran 7%, Turkey 6.5% and others 13%. The Indian variety is commanding a price of around US\$ 3000 per ton in global markets, while the prices of Chinese, Turkish & Syrian varieties are ruling around US\$ 2700 to US\$2900 a ton.

Cumin acreage is likely to touch half million hectares this year as against 400000 hectares last year and the output may cross 300000 tons, thanks to high moisture content in the soil following better rains in this monsoon season.

As per the May 24 edition of "The Public Ledger", report confirms that if the weather conditions remain favourable over the next two months, there should be well enough stock to meet the world's total demand. The crops have been minimal past many times from Syria, Iran and Turkey. It is only due to the availability of Chinese cumin that the prices are low, else it could have touched peaks as high as \$3,500/MT. India's cumin futures traded higher on low level buying supported by a decline in supply and firmness in other spices. Demand is steady in the physical market. Cumin exports in February 2010 dropped 17 percent to 2,500 tons on year as per the Spices Board.

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CORIANDER

Indian coriander prices may jump by a quarter in the next three months on a likely rise in domestic and export demand, amid weak supplies in the physical market.

Traders are holding very little stock compared to last year and demand is likely to go up in coming weeks due to festivals. A popular 12-day Hindu festival of Lord Ganesh has just started and in next two months India will celebrate Durga Puja and Diwali, both major Hindu festivals, when demand for spices usually increases.

Indians use coriander leaf and seeds in curries. Coriander price in Kota, a major spot market in Rajasthan is set to see price increase of between 10%-15% by end November. Coriander price usually ranges between US\$550 to US\$760 PMT FOB, but increasing demand has pushed up prices sharply. Traders are not interested in selling the produce at lower levels anticipating demand and lower stocks. India is the biggest producer and exporters of coriander. Rajasthan and central state of Madhya Pradesh contribute about two third of the total produce.

Farmers will start cultivation from October and new crop arrivals will start only from February. Till then we have to rely on this stock. Prices are likely to move up further till November, but after that it will depend on the sowing progress. Farmers are expected to expand acreage under the spice in coming season due to better price realisation. Good export demand also supported coriander prices.

FENUGREEK SEEDS

Indian fenugreek market arrivals were at its peak during last fortnight. Reports from fenugreek tracts (Rajasthan, Madhya Pradesh and Gujarat) indicate that crop size is lower by 25-30%. Average fenugreek crop size ranges between 225 to 250,000MT. It is estimated to be lesser than 175,000 MT. this year. Price is expected to remain firm due to this. Fenugreek prices remained steady over the past years on account of a steady crop. We expect price trend to be steady and firm.

AGROCROPS PRODUCT PORTFOLIO

OILSEEDS

- Peanuts
- Sesame Seeds
- Rapeseeds
- Dill Seeds
- Niger Seeds
- Bird Feed
- Peanut Butter
- Edible Oil
- Castor Oil

SPICES

- Whole Dry Chili
- Cumin Seeds
- Fenugreek Seeds
- Fennel Seeds
- Coriander Seeds
- Turmeric
- Spice Powders
- Seasonings
- Spice Pastes
- Oleoresins
- Curcumin

OTHER RAW MATERIALS

- Guar Gum
- Guar Meal
- Guar Splits
- Chick Peas

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