

## *Cardamom turn bullish on Supply Crunch as New Crop may Arrive Late than Expected*

- *Prices plunge about 40% in calendar year but prices recover about 20% in 5 sessions*
- *Expectation of bumper crop results in price plunge*
- *Good weather and rains during the summer in cardamom growing regions*
- *Arrivals have been lower this season*
- *Exports of cardamom lower but imports higher than last year*
- *Near term supply deficit pushed up the prices*
- *Prices to stay volatile on expectation of late arrival and good export demand*

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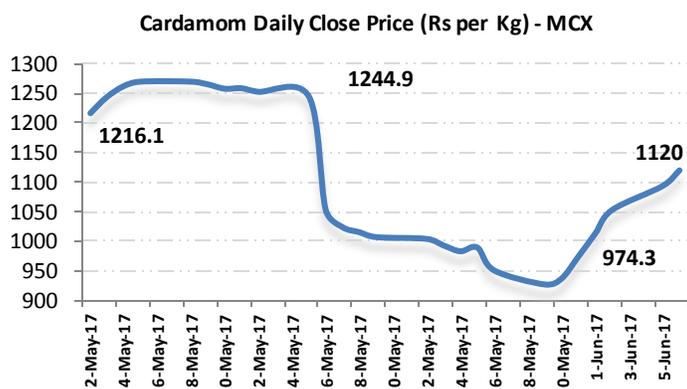
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**Price Performance**

Cardamom futures plunged to its lowest since July last year **in the last week of May 2017** as on expectation that the production during the coming harvesting season might be higher. For the same reason, the producers as well as the stockists have brought their stocked cardamom for auction during the last month (May 2017) has pressurized the cardamom prices in the local as well as futures market.

Cardamom futures plunged about 13.6% in April and more than 19% during the month of May as growers and traders were trying to liquidate stocks before the start of harvest the next season. Thus, Cardamom futures on Multi Commodity Exchange (MCX) plunge about 40% in five months to touch lowest levels for the year at Rs. 927 per kg in May.

However, during last week of May the cardamom futures rapidly recovered and surged as the new crop arrivals may be delayed by almost one month due to lower rains during the month of May in Idukki district of Kerala where the spice is grown the most. Recent heavy showers in cardamom growing areas may result into production loss. **The most active June Cardamom Futures on MCX jumped about 19.5% per cent or Rs. 183 per kg in last five trading sessions to currently trade at Rs. 1,120 per Kg.**



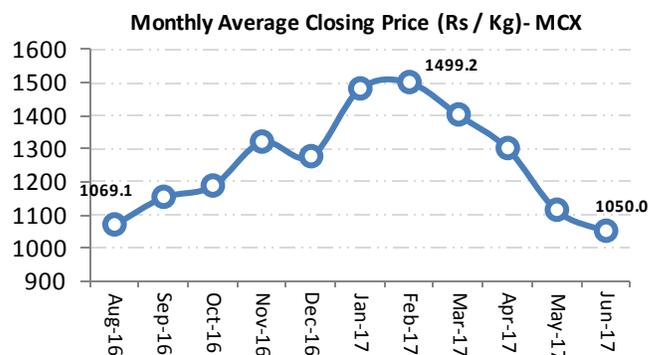
Some market participants have anticipated that the cardamom prices have moved up due to constant decline in weekly arrivals during the last four consecutive weeks and a sluggish start to the monsoon.

Cardamom needs periodic rains for growth of the plant in Jan-June, followed by good monsoon rains during the flowering and fruit formation stage in July-August. Harvesting is done in four pickings starting late August until February. Various market participants have pegged small cardamom output in 2017-18 at about 25,000

compared to last year production of 19,625 tonnes, and 23,890 tonnes 2015-16.

In the beginning of the year, cardamom prices on MCX were at its five-year highs. The prices started to trend higher since August last year till January this year, as production has been affected last year due to drought like situation in the cardamom growing areas in Kerala during summer. Higher prices during last year have negative impact on the cardamom exports. As per the government data, country exports 24% less cardamom during the first 11 months as compared to last year. Thus, export demand takes a hit due to higher prices.

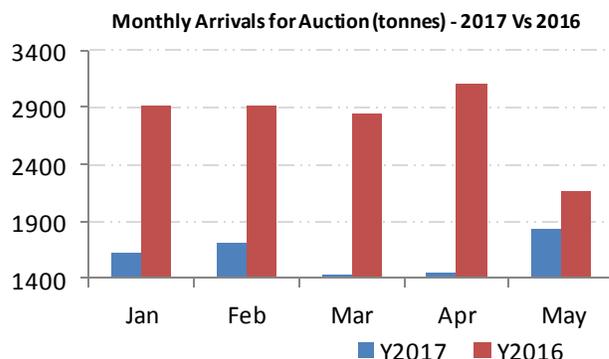
However, the prices start correcting in the subsequent months as imports started to pick up, higher by 50% y/y, during the month of January-February. At the same time, the exports were down by more than 50% during the same month.



Source: MCX

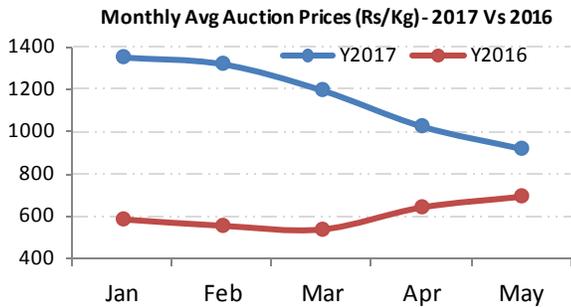
**Low Arrival - high price in 2017**

The arrival of cardamom during the first 5 month of current calendar is lower than the last year arrivals. According to spice board, the arrivals have been at 8,055 tonnes, down about of 42% on year. Last year about 13,952 tonnes of cardamom arrived for the auction.

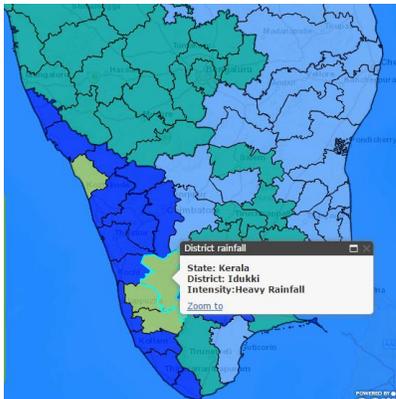


In May, cardamom arrivals for auction increase by 26.7%

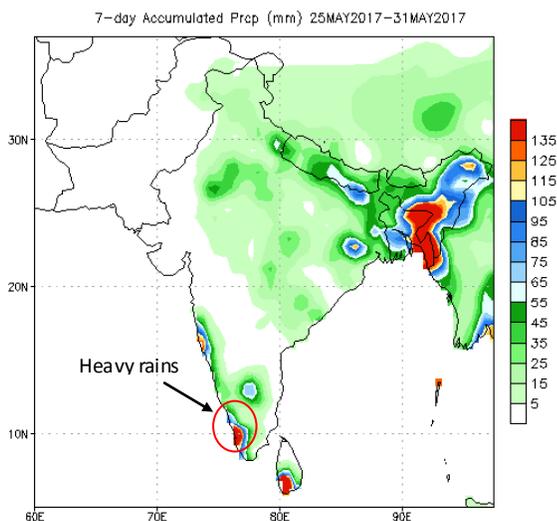
to 1,836 tonnes compared to 1,449 tonnes arrived in April 2017 while average auction price of cardamom were down to Rs. 918 per kg from Rs. 1024 per kg in April. The average auction price during the first five months in 2017 is about Rs. 1,157 per kg against Rs. 609 per kg during the last year.



During the last week (May 29- Jun 04) the average auction prices of small cardamom increase to Rs. 911 per kg compared to Rs. 866 during the previous week. The arrivals have also down in the current week to 264 tonnes against 359 tonnes last week.



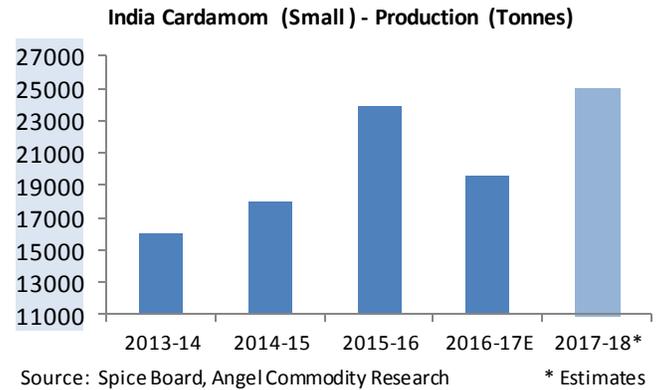
But as the heavy rains lashed the Kerala state during the end of May in the Idduki district, the cardamom futures started to trend higher so as the auction prices.



**Production expected to rebound in 2017/18**

Cardamom, considered the queen of spices, is grown across the southern States of Kerala and Tamil Nadu

In the coming marketing year which starts in August, cardamom production is likely to bounce by at least 25-30 per cent due to sufficient rains during February-March-April. However, erratic monsoon during May and June in Kerala’s key growing areas may affect expectation of bumper crop in the country.



According to spice board, the total production of small cardamom last year was lower by 18% to 19,625 tonnes as compared to 23,890 tonnes in the previous year. Last year, low rains in Kerala and Tamilnadu during summer affected the growth of new plantation and thus despite good monsoon rains the productions have been down. However, the production is expected to be higher this season.

On the other hand, the production in Guatemala, largest cardamom producing country, during 2016/17 was about 35,000 tonnes which was lower as compared to the production in the previous year. In 2015/16, the production was about 37,000 tonnes but the supplies were close to 42,000 tonnes. Guatemala cardamom is cheaper than the Indian cardamom and thus imported into the country to mix it with the good quality Indian cardamom.

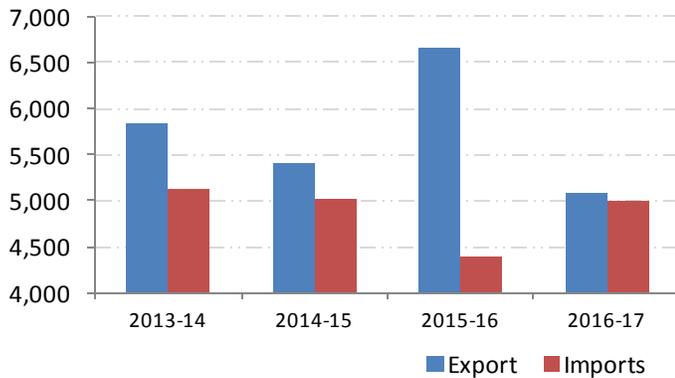
**Exports shunk in 2016/17**

The exports of cardamom plunge about 23.6% in marketing years 2016/17. In 2016/17, India exports only 5,085 tonnes of cardamom compared to 6,660 tonnes in the previous year. While the imports have been about 4,994 tonnes in 2016/17, up by 13.5% compared to last year imports.

Last year, country imported about 4,400 tonnes of

cardamom which were significantly lower than the previous two year imports. Country imported more than 5,000 tonnes of cardamom in 2013/14 and 2014/15. The imports have come down in 2015/16 as government has restricted the import of inferior quality cardamom into to the Indian market. The importers have been instructed to import only the FSSAI approved quality of cardamom into the country.

**Export Vs Import - Cardamom (tonnes)**



As per the above chart, the export –import gap for cardamom decrease significantly in 2016/17. During last financial year the top cardamom destination were Saudi Arabia, Pakistan, UAE and Iran. India exports cardamom in two forms – Whole cardamom and powder (crushed cardamom). The exports of whole cardamom to Saudi Arabia, highest importer of India cardamom, decline by almost 32% in 2016/17 to 2,273 tonnes versus 3,371 tonnes in the previous year.

### High open Interest and Low stocks in MCX warehouse

The stocks of coriander in MCX warehouse at Vandanmedu, Kerala is 19 tonnes as on 5<sup>th</sup> Jun 2017 against 26.4 tonnes last year same time. The open Interest (OI) for June delivery is about 60 tonnes while OI July delivery is 35 tonnes. Thus, there is shortage of cardamom if the OI result into delivery. The tender period for the near month contract started today, 6<sup>th</sup> May 2017.

The OI in the near month delivery contract increase from 366 lots (1 lot = 100 kg) on 30<sup>th</sup> May to 609 lots on 6<sup>th</sup> June, up by 66% in 5 trading sessions.

### Price Outlook

New season cardamom arrivals are expected to be delayed in 2017 due to dry weather during the month of May. Earlier it was expected that cardamom may be harvested a month earlier i.e during June second week but now it may be delayed by a month due to lower pre

monsoon showers in Kerala.

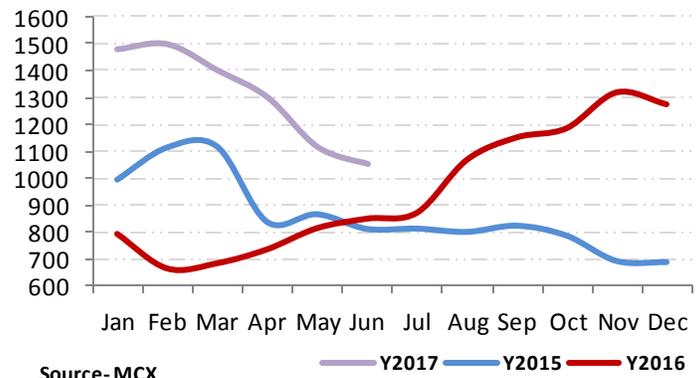
The sudden surge in cardamom price this week is due to fear of production loss for the cardamom crop, which is almost ready for harvest in one month’s time.

There are excess rains in Kerala in first 5 days of the June, according to India Meteorological Department. There is forecast of good rains in June that may enhance production and improve the harvesting of new crop. However, expectations of delay in arrival of the new crop this year may take keep the prices higher.

If the weather remains favourable during the month of June and July, the market is expecting good harvest during the first picking which may put pressure on cardamom prices. On MCX, the prices for August, September and October is close to Rs. 200 per kg lower compared to front month contracts, which itself indicates the bearish market.

As per the below chart, the cardamom prices have been higher during the calendar year 2017 compared to previous two years.

**Price comparison of Cardamom - Rs/Kg - MCX**



Source- MCX

Going forward, the extent of damage to cardamom crop due to irregular pre-monsoon & monsoon rains coupled with the export demand will decide the direction of cardamom prices during next two or three months. The exports will pick up after August but the orders will be place at least one month earlier.

We expect that cardamom prices for July delivery may trade higher towards Rs. 1,100 per Kg (CMP: Rs. 1,005) on expectation of good demand for the new season crop and picking up of export demand.