

Cardamom at 14-month low, outlook seen more bearish

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Cardamom future prices hit fresh 14-month low thanks to favorable weather which revised higher production from earlier estimated lower added by poor export demand due to financial crisis and higher crop predicted at global competing country. Domestic demand also seen limited since last days as stockiest offloading there stock in anticipation of crop might be higher than earlier estimates while buyers remain sideline in expectations of further fall in prices.

As per current rates at Guatemala, main competing country for Indian exports, rates are lower than India and even some local traders find it parity to import from there rather than local buying which also hurt sentiment here. Festivals season demand from Asian neighbor country is over and in near future no major export deal expected while on other side arrivals seen consistent at local market which turn scenario more bearish here.

After looking all above, stockiest now decided to start offloading commodity at every rise and to remain sideline for fresh buying time being.

Production side :-

At beginning of the season, local traders estimates Cardamom production to fall by 25-30% due to scarcity of fertilizers & insufficient rains but after looking later favorable weather and consistent arrivals, some now revised its estimates from earlier 7500-8000 tns to now between 9,000 - 10,00 tns. However some traders are more optimists and expect it might cross 11,500-12000 tns in coming season.

Earlier, Government has approved a scheme during 11th Plan with an outlay of Rs.122.23 crores for increasing production and productivity of cardamom through a Special Purpose Fund Scheme of replantation and rejuvenation.

Under the scheme, it is proposed to cover small cardamom- replantation of 10,000 hectares in Kerala & Tamil Nadu and 15,000 hectare in Karnataka. Rejuvenation of 15,000 hectares in Kerala & Tamil Nadu. Large cardamom- replantation and rejuvenation of 10,000 hectares each in Sikkim and Darjeeling district of West Bengal.

Spices Board figure for India Cardamom production

2007-08 - 9450 tns
2006-07 - 11,235 tns
2005-06 - 12,540 tns

Exports :-

According to Spices Board latest report, India's April-Nov Cardamom exports (for S-grade) register 315 tns higher from 300 tns last year same period (+5%) and against Board Target of 550 tns for 2008-09 year. While Cardamom exports for L-grade register 1050 tns from 805 tns last year same period (+30%) and against 1300 Board target for 2008-09.

Till now S quality achieved 57% of total export target estimated for 2008-09 while L quality achieved 81% of same.

Arrivals :-

Total arrivals during the current season showed an increase of over 1,900 tones to 4,798 tones as on December 24 from 2,897 tones. Correspondingly, the sales also shot up to 4,501 tones from 2,713 tones during the previous season from August 1 to Dec 24, 2007.

Cardamom at vandanmedu, benchmark spot market in the country traded ard 510-540 per kg, almost 25-30% lower than peak of 2008 ard 720 and lower after mid Nov 2007. While cardamom future price rulling ard 500 per kg fall from ard 770 just 4-month ago.

Technically MCX cardamom future makes continue lower Top lower Bottom formation since hit all time exchange high of 773 in mid sep. the fall was fast after breaks of important supports of 868/621/600 and 540. Also, it had attended 23.6% retracement of (496) rally from 551 low (19-3-2008) to 773 high (15-9-2008) and if rally sustain expect price towards 465 and 438 in coming days.

Factors against bearish run

Only if good demand comes from Asian neighbor country and if weather turns unfavorable, than only sharp fall will be capped by huge buying at lower levels, else for near term sentiment remains bearish at every rally

Also, some support expected from Tamilnadu Govt Spices distribution announcement which includes Cardamom, pepper etc and requires to bought ard 40-50 tns of medium variety Cardamom followed by also Ponducherry govt decision to buy 10-15 tns cardamom for same purposes.