

AVT McCORMICK INGREDIENTS PVT.LTD.

Turmeric Update - January 5, 2011

Low stock, poor supply to support turmeric for short and medium term

Short term trend in the Indian turmeric prices would remain volatile as traders wait for corrections for buying opportunities.

Stockists reportedly held back stocks in anticipation of a rising demand. Lower stocks and reports of delayed arrivals and prospects of improved export and domestic demand in coming weeks from the unseasonal rains in growing areas are likely to support the rates in medium term too. Some export queries from mid East Asian countries have also been noted.

Overall better crop prospects this year however are expected to cool down rates to some extent. Good rains in the growing areas of Andhra Pradesh and Karnataka raised possibilities of a better crop this year. With sowing area in these two states expected to rise, it can pressurize the prices to some extent. Traders expect production to range between 470-490,000 Mts. Vs. 335,000M Mts. last year. A report by the Tamil Nadu Agricultural University said that the new crop could be higher by 50-55 %. There are expectations of farmers switching to this crop this year as the returns last year had been good.

Arrival of the new turmeric crop normally starts from mid-January and it picks up around March which continues through June. Market is expected to ease a bit from February onwards but do not expect a significant fall in prices until April. The pipelines are almost empty. Initially the new crop will be used to replenish the supply lines.

Scarcity of quality turmeric crop available with the stockists will provide support to prices.

Grinders and extractors are also waiting to replenish their inventory. Stocks in the market are reported to be lower by 40-50% than the normal stock position at this time of the year.