



Chili

Commodities Special

Key Points

- ♦ Spot markets to be closed from May 14 to June 3
- ♦ Supply-Demand at parity
- ♦ Supply to rise after the spot markets reopen
- ♦ Sentiments in other spices would be important

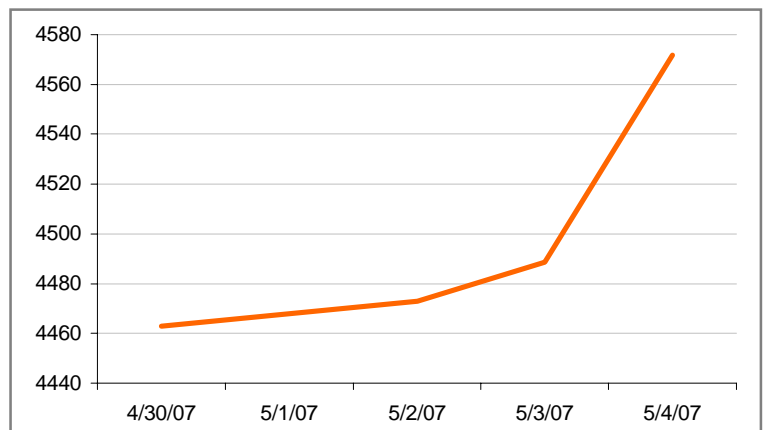
Spot markets to be suspended

Friday would be the last working day at the spot markets in Guntur. Trading in chili in Guntur, Andhra Pradesh would be suspended from May 14 to June 3 due to soaring temperatures in the state. The demand is expected to match up with the supply before trading in Guntur is suspended for 15 days starting from Monday. For the last seven to eight years, in Guntur trading in chili has been suspended during May-June due to intense heat, which makes it difficult for the farmers to bring their produce to the yard. Due to this prolonged suspension, Guntur spot market is not expected to see much activity for the next few sessions before closure. Activity can only be expected from players who would be interested in building up inventories.

During the last week too the prices were lacklustre but recovered somewhat later in the week. The

price movement was in a very tight range of Rs4,460 per quintal and Rs4,580 per quintal.

NCDEX Guntur Spot price for the week April 30 to May 4



Supply expected to rise after the break

According to the spot trading community, supplies are expected to rise once the spot market reopens after the break. Prices would be range-bound, as traders would not take fresh positions owing to expectations of huge arrivals once the Guntur market opens.

Spot market players believe that once the market reopens on June 4, arrivals to the tune of 100,000-150,00 bags (one bag = 40-45kg) can be expected during the week (June 4-8). Since the middle of February, around 4.7 million bags have arrived in Guntur.

Good demand from cold storages was supporting the prices from falling further from these levels. Most of the cold storages in Guntur are already filled with chilies and hence this could increase the selling pressure.

Sentiments in other spices

The prices of other spices like pepper and jeera have also been very weak during the last few weeks. The rising rupee and price reduction by Vietnam traders have affected the pepper prices. Similar weak trend has been reflected in jeera prices too. Chili prices have been affected by the overall bearish sentiments in the spice complex to some extent.

Therefore, price movement of other spices would to some extent give direction to chili prices too in the coming days. Any improvement in the overall sentiment in the spice complex can have a positive effect on chili prices too. Similarly weakness could have a negative impact too.

Conclusion

Since the spot market would be suspended for a couple of weeks, from Monday onwards the rest of the week would be highly range-bound and lacklustre. Fresh positions would only come after the break. In the meantime, supply and demand is also expected to be in equilibrium. Cold storage demand has also tapered down and any emergence of fresh demand from them is also not expected, as they are already stocked.

Sentiments in the spices complex as a whole are also not expected to turn decisively positive in the very immediate term. This can also have a bearing on chili prices. If the arrivals increase after the break, as expected by the trading community, some downward pressure on prices can surely be witnessed.

Taking into consideration the aforementioned factors, chili prices are not expected to move in either direction sharply. NCDEX May contract is expected to hover around the Rs5,000 per quintal mark in the immediate future, with the range for the contract between Rs4,800 and Rs5,200 per quintal.