

Session 1: Crops & Markets

*World Spice Congress
February 2012*

NCDEX

- Launched in 2003
- Volume of USD 1 Billion a day
- 90% market share of agri futures trading
- NCDEX prices serve as benchmarks for physical markets
- Manage over 1.2 million MT of commodities at delivery points
- Over 60, 000 MT of deliveries being managed each month
- NCDEX Prices for Pepper, Chilli, Turmeric, Cumin and Guar serve as an international reference for global trade as the only exchange in the world trading these products

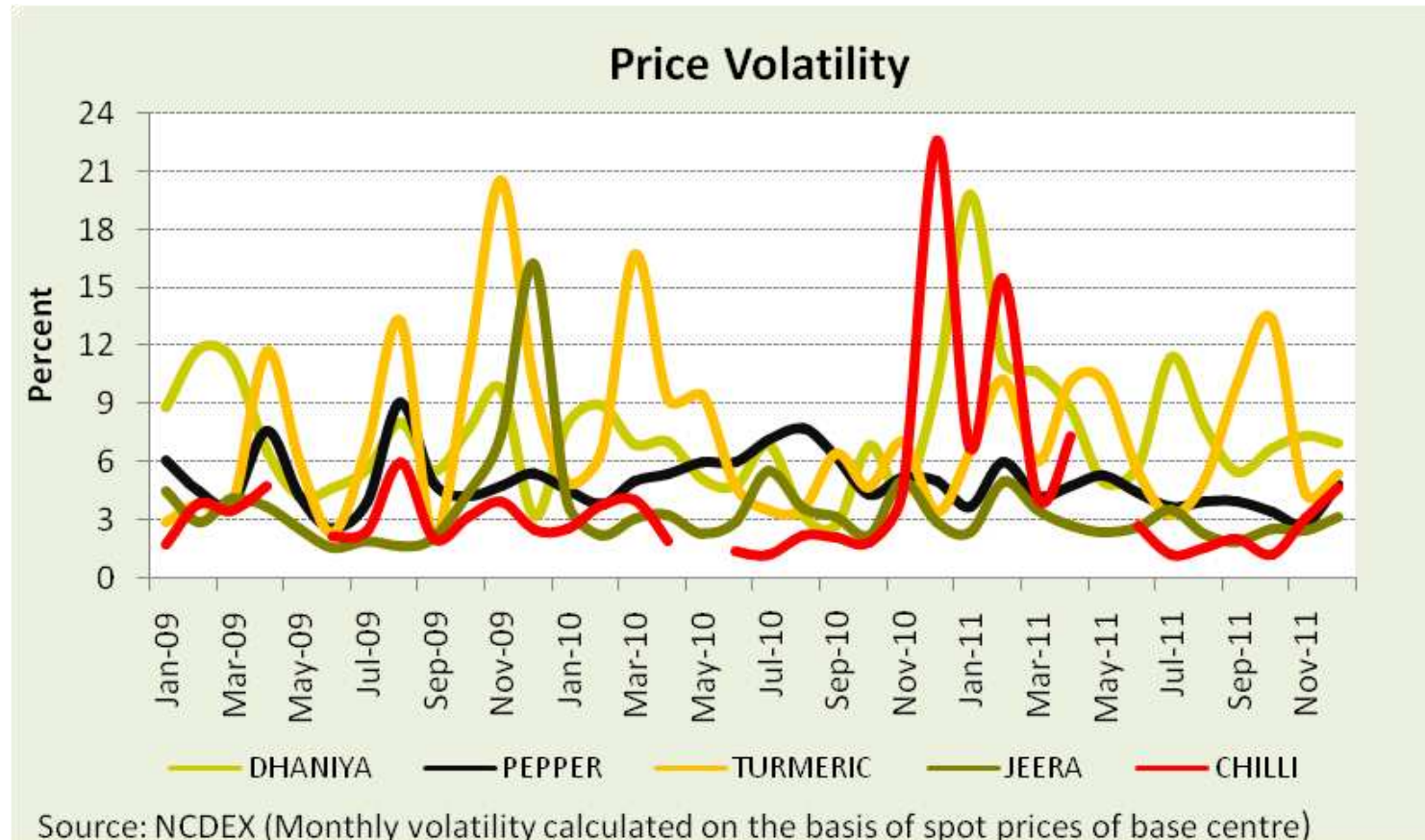
The world of spices

- India has always held a prominent position in the world spice market
- India grows a wide range of spices and produces more than 40 lakh tons of spices annually
- NCDEX futures contracts provide benchmark prices for the most actively traded spices. They also enable risk management for those who wish to hedge their price risks.

Market Structure

- Spices add flavour to food – constituting an important ingredient for a fast growing food industry
- Estimated growth rate for global demand of spices is around 3.19 percent annually
- Removal of tariff barriers; survival of players depends on international competitiveness
- Emerging demand for value added, quality and organic products
- Both commodity and currency derivatives available (in India) for market participants involved in foreign trade

Price Swings



Reducing Volatility – Focus Areas

- Buffer Stocks – reduces supply uncertainties
- Warehouses - reduces storage, quality uncertainty
- Reduce inter-state trade barriers
 - Licensing, Taxes – uncertainty
- Integrating spot and futures markets
 - Symmetric information flow – reduces supply uncertainty
 - Standardised Contracts - reduces quality, location, time uncertainty
 - Provides Liquidity – reduces trade execution risk
 - Enables hedging – reduces defaults, trade uncertainty
- Smooth Policy/Regulatory guidelines – reduces uncertainty

Spot the Future

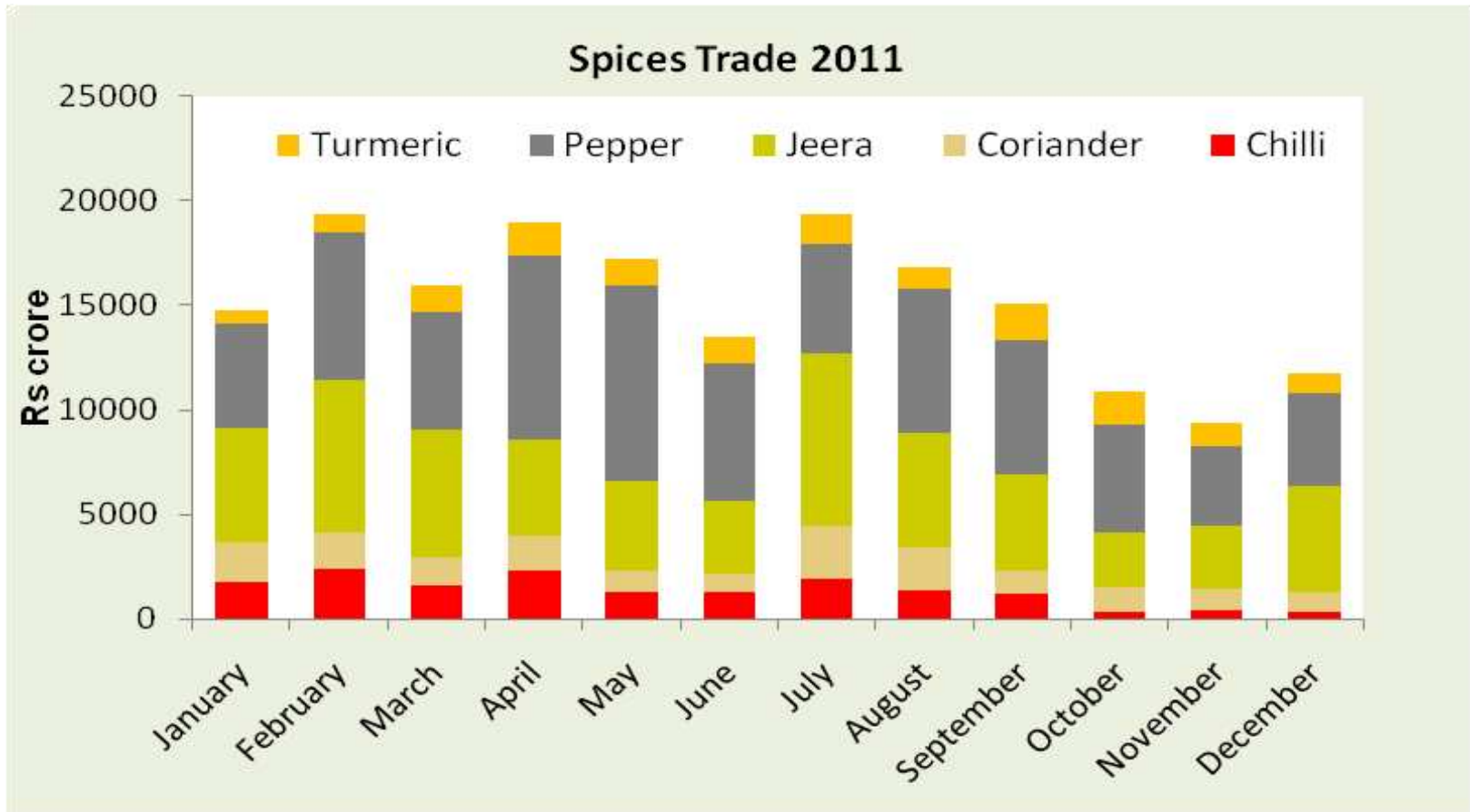
- NCDEX offers futures trading in the following spices:
 - Pepper April 2004
 - Turmeric July 2004
 - Jeera February 2005
 - Chilli March 2005
 - Coriander August 2008
- NCDEX volume in spices futures during 2011:
Rs. 1.83 lakh crores

Spices at NCDEX

INDIA - Crop size and Open Interest

Commodity	Exchange	Crop size(MT)	OI(MT)	OI/Crop size
Chilli	NCDEX	12,65,000	5180	0.4%
Turmeric	NCDEX	3,29,000	22,980	7%
Pepper	NCDEX	48,000	11,186	23%
Jeera	NCDEX	1,80,000	25,557	14%
Coriander	NCDEX	2,36,720	26,110	11%

Trade at NCDEX



Focus Areas

- Make spice production lucrative
- Improve the present post harvest processing and storage systems
- Educating the farmers and traders in handling/processing the produce hygienically
- Encourage state-of-the-art processing facilities for safe products for consumers
- Use of risk mitigation tools to protect margins

Outlook

- Spice processing industry has the potential to provide significant opportunities for income and employment
- Spice Parks benefiting the growing community through grading, packing, warehousing - for value addition and better prices
- Once the FCRA Amendment is passed, NCDEX to introduce new instruments like options and indexes for more effective risk management
- NCDEX Spot platform to offer a pan-India trading platform for spices

Thank You