Research Paper Management

Jeera (Cumin Seed) Prices - On way to Scale Mount Everest

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ABSTRACT

Jeera is the second most important spice in the world after Pepper. It is used as flavouring agent and has medicinal characteristics. India is the largest producer and exporter of Jeera and has leading role in determination of World Jeera prices. Jeera prices have been highly volatile during the past years. The commodity futures markets have been unable to reduce the volatility of prices. Moreover, they have increased the speculative trading in the commodity. People do not have any estimates to future prices and no research backing to support their trades. The present research is done with an objective to help people understand the predictability of commodity prices. The study is based on the cyclical price trend of commodities and uses technical analysis to estimate the future prices. The study shows that Jeera prices are likely to remain strongly bullish in the coming months.

KEYWORDS Futures, Jeera, Technical Analysis, Volatility.

Introduction

Jeera or cumin seed is a dark coloured, oblong shaped and sharp flavoured aromatic spice. It is dried fruit of an annual, thin-stemmed cumin plant, scientifically known as Cuminum cyminum, belonging to the parsley family (Wikipedia, n.d.). The plant has white to red coloured flowers which produce the fruits for the plant. These fruits are consumed as a flavouring agent in whole or grounded form all over the world. The seeds come as paired or separate carpels and are 3-6mm long. They have a striped pattern of nine ridges and oil canals. They are oblong-shaped, brownish in colour, hairy, tapering at each extremity, with tiny stalks attached. They are available dried, or ground to a brownish-green powder. The cumin seeds are nutty, pungent, slightly bitter and hot. Jeera has been used since historic times dating back to 200 BC. It was originally grown in Egypt, India, Iran and the Mediterranean region.

Jeera Cultivation and Production

Jeera plant basically thrives in a hot, tropical or semi-tropical climate, but can also be cultivated in the cooler regions in a green house. Jeera crop can be produced on almost all soil types but the best soil for this crop, is a well-drained, fertile sandy soil. Jeera plant has a good tap root system that makes it a drought resistant plant. Temperature range of about 25-30ºC is best for its growth. It requires minimum of 3 to 4 months of duration period after which it is harvested.

Jeera is grown from seeds and is vulnerable to frost damage at flowering and early seed formation stages. To safeguard from frost damage, measures such as spray of sulphur dust and sulphuric acid (0.1%), creating early morning smoke cover, irrigating crop before frost and setting up of windbreaks are used. About 5-6 kg per acre of seeds is required for optimal production. The plant is also susceptible to pest attacks and requires proper use of pesticides for seeds to grow well.

In India, the Jeera plant is grown as a rabi crop, i.e., it is sown in the winters in the months of October to December and is harvested in the months of February, March and April. The plant becomes mature and ready to harvest when it turns yellowish brown. After the crop gets harvested, the cumin seeds are cleaned up through the winnowing process.

Jeera is cultivated in Southern Asia, North Africa and southern parts of the North American continent. The major Jeera producing countries are India, Turkey, Syria, China, United States of America, Iran, Indonesia, Sudan, Egypt, Morocco, Algeria and Libya. India is the largest producer of Jeera in the World with production of up to 2 - 4 lakh tons of Jeera per year (Spice Board of India, 2015). India produces 80% of the world production and consumes 90% of its own production. The other major producers are Syria 7%, Turkey and Iran 6% each and other countries remaining 7%.

Gujarat is the largest Jeera producing state in the country. It contributes around 65% of the country's production and also has the maximum area under Jeera cultivation i.e. around 4 - 5 lakh hectares. Rajasthan is the second largest cumin seed producer in India. Rajasthan and Gujarat contribute approximately 99% of the production in the country.

Jeera Markets and Consumption

India is also the largest consumer of Jeera in the world. The major trading centres or 'mandis' of Jeera in India are Rajkot and Unjha in Gujarat; Bhawani Mandi, Jaipur, Jhalarapatan, Jodhpur, Kekri, Kota, Nagaur, Nimbahera, Niwai, Pali, Pratapgarh, Ramganj Mandi and Rani in Rajasthan; and Delhi. The domestic consumption demand of the spice in the country is around 2 – 2.5 lakh tons and the rest of the production is used for export purposes. The by-products of cumin seeds like oleoresins of cumin seeds and cumin oil are also exported from India. The major Jeera consuming countries include India, Mexico, Portugal, Spain, Turkey, China, Japan, Netherlands, France and Morocco (Spice Board of India, 2015).

Uses of Jeera

Jeera has significant demand as a spice all around the globe, especially in the countries where spicy food is preferred. It is an essential component of the recipes in various cultures. Jeera is the second most important spice after Pepper. For heightened aroma, the whole seeds are roasted for a couple of minutes in a dry skillet or toaster oven before grinding. Jeera in grounded form forms part of various spicy mixtures, the most important being 'Garam masala' (extensively used throughout South Asia), which are again used to add pungency to dishes and cuisines. It is used in chilli and curry powder blends, fish, lamb, pickling, sausages; Middle Eastern, Asian and Mediterranean recipes.

Jeera is also known for its medicinal characteristics and hence, it is used in many Herbal and Ayurvedic medicines. Jeera is antispasmodic, astringent, carminative, diuretic, emmenagogic, stimulant and stomachic. It is useful in diarrhoea, dyspepsia and hoarseness, and may relieve colic and flatulence (Spice Board of India, n.d.). In the West, it is mainly used in veterinary medicine, as a carminative, but it remains a traditional herbal remedy in the East. It is supposed to increase lactation and reduce nausea in pregnancy. Used in a poultice, it relieves swelling of the breasts or the testicles. Smoke in a pipe with ghee, it is taken to

relieve the hiccups. Jeera also stimulates the appetite.

Market Influencing Factors
- Seasonal variations
- Broad range demand
- Weather fluctuations
- Structure of the market
- Flow of information

Research Methodology
The past studies have shown that fundamental and statistical tests have failed to predict the prices of commodities across the globe. With Indian commodity derivatives markets being comparatively naive and imperfect, it is impossible to estimate the prices of commodities with certain degree of reliability using these tools. Technical Analysis has been the only reliable method used for forecasting of commodity prices.

The objectives of the present research are:
- To suitably help predict the Jeera prices over a 4 – 6 month horizon using Technical Analysis
- To draw qualitative inferences considering extraneous factors.

The study will use secondary data collected from the website of NCDEX and websites related to Ministry of Agriculture, Government of India. The study will use future contracts data since 1st January 2011. The data for open, high, low & close price and the volumes for the future contracts will form the basis of the study. The data will be tabulated and moving averages will be calculated. Technical Analysis will then be used to analyse the data for forecasting the Jeera prices. Technical analysis is based on price action. It is assumed in technical analysis that the price of any tradable instrument or commodity discounts everything. All fundamental and other factors influencing the supply and demand condition of a commodity or a security always get discounted in its price. Price also moves in trends and once a trend sets in motion it is likely to continue unless there is a change of trend. Thus, the future price trend can be found by studying past price action of the security or the commodity or the future contract. Therefore, the single most important aspect in trading is to identify the trend of the price of any tradable security or commodity and then to take position in the direction of the trend at a price point where the probability of getting a favourable price movement is high. This entry point and subsequent exit point can be found out by using different technical analysis methods and indicators.

For the study, the daily price, moving average and candle stick charts will be prepared to identify the cyclical trend and the forecasts will be made on the basis of these price trends.

Data Analysis and Interpretation
Fig 1 shows the daily and moving average price chart of Jeera futures with volume and open interest.



Fig 1: Daily and Moving Average Price Chart of Jeera Futures with Volume and Open Interest

Fig 2 shows the candlestick chart for Jeera futures.

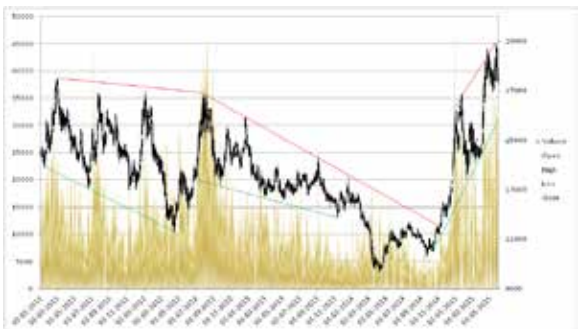


Fig 2: Candlestick Chart for Jeera Futures with Volume

Jeera futures traded around Rs. 14000 levels in January 2011, from where it rose to Rs. 18000 levels in March 2011, retracted back to around Rs. 13200 levels in June 2011, rose again to about Rs. 17500 levels in August 2011 and then retraced to Rs. 13200 levels in November 2011. Jeera futures prices rose to Rs. 17500 levels in January 2012, retracted to Rs. 11500 in April 2012, again rose to Rs. 17500 in August 2012, falling back to Rs. 13500 levels in September 2012. Since then, the prices have been sluggishly range-bound around Rs. 13000 levels till January 2014. Thereafter, the Jeera prices have seen downward movements bottoming around Rs. 9800 levels in April 2014. Jeera prices started moving upward and rose to around Rs. 12000 levels by November 2014 after which in a sharp breakout rally the prices the prices have risen to around Rs. 16900 by 21st January 2015. The prices after a lateral correction to around Rs. 13400 levels in February 2015 have once again sharply rose to Rs. 18900 levels by 21st May 2015.

Conclusion:
The outlook for Jeera futures seems to be strongly bullish for the coming months. With the Jeera prices presently at around Rs. 17500 levels and with weak monsoon and chilling winter predictions likely for the season, the Jeera prices are likely to scale Mount Everest and are likely to reach around Rs. 24000 – Rs. 30000 by the end of year.

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