MCX
METAL & ENERGY
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CARDAMOM



Cardamom is known as the "Queen of Spices". It is one of the most highly priced and exotic spices in the world. It is a perennial tropical herb plant belonging to the ginger family (Zingibaraceae) and grows from a thick rootstalk up to around 6-10 feet. It is indigenously grown in the evergreen forests of the Western Ghats in South India.

APPLICATIONS

The commercial part of cardamom is the fruit (capsule) of the plant that is used as a spice and a flavoring agent. It is considered to be a versatile spice, as it is used in both sweet and salty foods. Oil from the seeds and the leftover resin have their usage in processed foods, tonics, liquors and perfumes. The fruit also finds significant usage in Ayurvedic medicines for dental infections, digestive disorders, etc., as it has healing properties.

GLOBAL SCENARIO - DEMAND AND SUPPLY

Cardamom is generally produced in the tropical regions of the world. Gautemala is the largest cardamom producing country followed by India and Indonesia. The total world production of this spice is around 1,84,000 MT per annum (source: World Bank). Consumption of cardamom has sharply increased throughout the world during the last two decades. The major consuming countries of cardamom are the Middle Eastern countries, India, Pakistan and china. Middle Eastern countries such as Saudi Arabia, the United Arab Emirates, and South Asian countries such as India, etc., account for more than 65% of the world's consumption.

INDIAN CARDAMOM: PRODUCTION AND EXPORTS

YEAR	PRODUCTION (MT)	EXPORT (MT)
2000-1	10,480	1,545
2001-2	11,365	1,031
2002-3	11,920	682
2003-4	11,580	690
2004-5	11,415	620
2005-6	12,540	863
2006-7	11,235	655
2007-8	9,450	500
2008-9	11,000	750
2009-10	10,075	1,975
2010-11	10,380	1,175
2011-12	15,000	4,650
2012-13	14,000	2,372
2013-14	16,000	3,600
2014-15	18,000	3,795
2015-16	23,890	5,500
2016-17	17,990	3,850
2017-18	20,650	5,680
2018-19	12,940	2,850
2019-20	11,235	1,850
2020-21	22,520	6,486
2021-22	23,340	10,571
2022-23	24,463	7,352
2023-24	25,230	6,168
2024-25*	20,696	6,728

Source: Statistics,Spices Board of India | *estimate

Saudi Arabia is the single largest importer of Indian Cardamom in the world, followed by UAE. The other major importers of Indian small cardamom are : Kuwait | USA | Japan | Qatar | Saudi Arabia | UAE | UK | Pakistan | Afghanisthan | Canada |USA & Japan

INDIAN SCENARIO – DEMAND & SUPPLY

India is the largest producer of Cardamom followed by Guatemala & Indonesia. Cardamom cultivation is concentrated on the Western Ghats in the country; and the Western Ghats are also known as "Cardamom Hills". In 2023-24, as per provisional estimates, of Spices Board of India's production is around 25,230 MT.Following states are the major producers of cardamom in India: **1.** Kerala – 91%, **2.** Karnataka – 3%, **3.** Tamil Nadu – 6%

Idukki district in Kerala is the major cardamom-producing area and places such as Udumbanchola taluka, Peermede taluka and Devikulam taluka are important centres in Idukki district.

Cardamom is traded as a bulk and graded produce. Cardamom is graded by using sieve and fetches different prices based on their size, colour and freshness, command varied prices. The 7-mm and above grade with fancy green colour commands a premium over other grades.

Cardamom finds its place in every kitchen in the world. Cardamom goes into tea, coffee, snacks, sweet dishes, rice preparations, soft drinks - almost all favorite food items of the world.

INDIAN SCENARIO – PRODUCTION & CONSUMPTION

India consumes almost 85% of the domestic production with almost 50% of the demand coming from the western part of the country followed by the northern India with 35%. As India's production is capable of satisfying the domestic consumption demand, it does not import much from outside countries. However, cheaper Guatemalan cardamom finds its way into the country and is preferred for low value uses like pan masala. The leftover cardamom produce is exported every year. India exports 5-8% of its total production, mostly the premium grade. India also exports by-products of cardamom such as cardamom oil and oleoresins to European countries.

FACTORS INFLUENCING THE MARKET

- Freshness, colour, aroma, and size
- Production in competing countries, mainly Guatemala.
- Annual production in India
- Year-ending stocks at India and Guatemala
- Seasonal variations and time of arrival of new crop in the market
- Domestic consumption, which is influenced by festivals

IMPORTANCE OF HEDGING

Critical for stabilizing incomes of corporations and individuals, reducing risks may not always improve earnings, but failure to manage risk will have direct repercussion on the risk-bearer's long-term income. To gain the most from hedging, it is essential to identify and understand the objectives behind hedging. A good hedging practice, hence, encompasses efforts by companies to get a clear picture of their risk profile and benefit from hedging techniques.

FACTS ON HEDGING

- Understand the risk profile and appetite while formulating clear hedging objectives.
- Hedging can shield the revenue stream, the profitability, and the balance sheet against adverse price movements.
- Common avoidable mistake is to book profits on the hedge while leaving the physical leg open to risk.
- Hedging significantly lowers distress costs in adverse circumstances.
- A properly designed hedging strategy enables all participants like farmer, traders, stockists, and exporters to reduce risk. Hedging does not eliminate risk, it merely helps to transform risk.
- To gain the most from hedging, it is very essential to identify and understand the objectives behind hedging and get a clear picture of their risk profile.

PRICE RISK MANAGEMENT

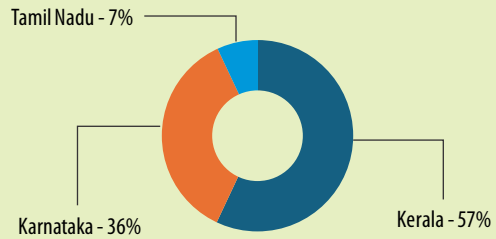
Risk management techniques are of critical importance for participants. Modern techniques and strategies, including market-based risk management financial instruments such as 'Cardamom Futures', offered on the commodity exchange platform can improve efficiencies and consolidate competitiveness through price risk management.

The importance of risk management cannot be overstated; the government too has set up high-level committees to suggest steps for fulfilling the objectives of price discovery and price risk management on commodity derivatives exchanges.

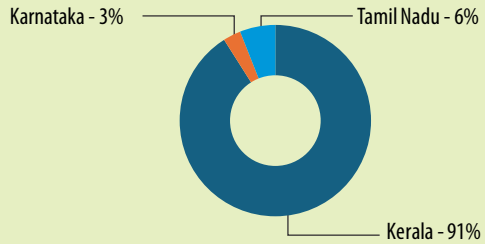
HEDGING MECHANISM

Hedging is the process of reducing or controlling risk. It involves taking equal and opposite positions in two different markets (such as physical and futures market), with the objective of reducing or limiting risks associated with price change. It is a two-step process, where a gain or loss in the physical position due to changes in price will be offset by changes in the value on the futures platform, thereby reducing or limiting risks associated with unpredictable changes in price.

Major Indian States Producing Cardamom (by Area)



Major Indian States Producing Cardamom (by Production)



BENEFITS OF TRADING ON MCX

The MCX Cardamom futures contract is one of the most liquid contracts on the Exchange based on compulsory delivery. As the cardamom crop is highly sensitive to weather, and subject to high price fluctuation, the contract can be effectively used by the cardamom value chain – growers, planters, traders, exporters, and even retailers to hedge price risks.

CONTRACT SPECIFICATIONS OF CARDAMOM

The underlier of the MCX Cardamom contract is Elettaria cardamom, also known as small green cardamom, grown in the southern states of Kerala, Tamil Nadu and Karnataka. Amomum cardamom, also known as black cardamom grown in North Eastern states is not tradable on the MCX platform.

CONTRACT SPECIFICATIONS OF CARDAMOM		
Symbol	**CARDAMOM**	
Description	CARDAMOMMMYY	
Contract Listing	Contracts are available as per the Contract Launch Calendar.	
Contract Start Day	Contract launch date shall be the 1st day of contract launch month. If 1st day is a holiday then the following working day.	
Last Trading Day	Last calendar day of the contract expiry month. If last calendar day is a holiday then preceding working day.	
Trading Period	Mondays through Fridays	
Trading Session	Mondays through Fridays: 9.00 am to 5.00 pm	
Trading Unit	100 KG (1 quintal)	
Quotation/Base Value	Rs. per Kg	
Price Quote	Ex- Vandanmedu, Dist. Idukki, Kerala (exclusive of all tax and levies)	
Maximum Order Size	5000 KG (50 quintals)	
Tick Size (Minimum Price Movement)	Rs 1 per Kg	
Daily Price Limits	DPL shall have two slabs - Initial and Enhanced Slab. Once the initial slab limit of 4% is reached in any contract, then after a period of 15 minutes, this limit shall be increased further by enhanced slab of 2%, only in that contract. The trading shall be permitted during the 15 minutes period within the initial slab limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%.	
Initial Margin*	Minimum 10% or based on SPAN whichever is higher.	
Extreme Loss Margin	Minimum 1%	
Additional and/ or Special Margin	In case of additional volatility, an additional margin (on both buy & sell side) and/ or special margin (on either buy or sell side) at such percentage, as deemed fit; will be imposed in respect of all outstanding positions.	
Maximum Allowable Open Position	For individual clients: 100 MT For a member collectively for all clients: 1000 MT or 15% of the market wide open interest, whichever is higher. Near Month Limits - For individual clients: 25 MT Near month member level position limit shall be equivalent to the one fourth of the overall member level position limit.	
Delivery Unit	100 Kg, and direct multiples thereof.(Weight tolerance limit +/- 0.5%)	
Delivery Period Margin Tender period**	Delivery period margins shall be higher of: a. 3% + 5 day 99% VaR of spot price volatility OR b. 35%	
Delivery Centre(s)	At Exchange designated warehouse at Vandanmedu in Idukki District of Kerala State	
Quality Certification	Cardamom dried capsules (Standard Grade) – Basis 7 mm to 8 mm	
	Size of the capsules	Of the entire quantity of Cardamom delivered, minimum 40% shall remain on a sieve of 7.5 mm. However, up to 5% dropping by count on sieve of 7 mm is allowed.
	Density of stock delivered	Minimum 385 grams per liter (385 gm l/w)
	Extraneous matter (Organic)	Maximum up to 0.7% by weight
	Extraneous matter (Inorganic)	Maximum up to 0.3% by weight
	Empty and Malformed capsules	Maximum up to 3% by count allowed
	Immature and Shriveled capsules	Maximum up to 3% by weight
	Moisture	Maximum up to 9% by weight
	Total Ash on dry basis	Maximum up to 9.5% by weight
	Volatile Oil content on dry basis	Minimum 3.5% by volume/weight
	Insect damaged matter	Maximum up to 1% by weight
	Tips open	Maximum up to 5% by count allowed
	• The natural colour of the capsule may be (a) Light green (b) Green (c) Deep Green. At least 95% of capsules natural colour shall correspond to the respective colour group. • It shall have a characteristic flavor free from any foreign odour, mustiness, or rancidity. • It shall be free from mould, living and dead insects, insect fragments, rodent contamination. • Thrip marks alone should not lead to the conclusion that the capsules have been infested with insects. • The product shall be free from added colouring matter and other harmful substances.	

CONTRACT SPECIFICATIONS OF CARDAMOM

Tolerance Limits for Outbound Deliveries	**Specifications**	**Basis**	**Tolerance Limit**
	Cardamom dried capsules **(Standard Grade) – Basis 7 mm to 8 mm**		
	Density of stock delivered shall be 385 gms per liter [360 gm l/w] minimum.	385 gm l/w min	+/- 3.60 gm l/w
	Delivery Unit	100 Kg	+/- 0.5%
	Note: This tolerance limit is applicable only for outbound deliveries. Variation in quality parameters within the prescribed tolerance limit as above will be treated as good delivery when members/clients lift the materials from warehouse. These permissible variations shall be based on the parameters found as per the immediate preceding test certificate given by MCXCCL approved assayer.		
Packing	Delivery would be accepted only if the stock is packed in double jute bag with inner black polyethelene lining containing 50 kg net weight of cardamom of specified quality.		
Delivery Logic	Compulsory		
Staggered Delivery Tender Period	The staggered delivery tender period would be the last 3 days (including expiry day) of the contracts. During the tender period, each day sellers' (short holders) shall have options to give delivery intention accompanied with valid quality certificate and proof of deposit of goods in the accredited warehouse/ cold storage.		
Delivery allocation	Delivery allocation will be done by the mechanism put in place by the Exchange. Funds pay-in of the delivery allocated to the buyer will be on T+2 working days i.e. excluding Saturday, Sunday & Public Holiday. The buyer to whom the delivery is allocated will not be allowed to refuse taking delivery and any default in delivery taking will entertain penalty and subject to the penal provisions including conducting online auction by the Exchange. On expiry of the contract, all the open positions shall be marked for compulsory delivery. If the seller fails to deliver, the penal provisions as specified for seller default shall be applicable.		
Delivery order rate	On Tender Days: The delivery order rate (the rate at which delivery will be allocated) shall be the closing price (weighted average price of last half an hour) on the respective tender day except on the expiry date. On Expiry: On expiry date, the delivery order rate or final settlement price shall be the Due Date Rate (DDR) and not the closing prices.		

Due Date Rate (Final Settlement Price)

For contracts where Final Settlement Price (FSP) is determined by polling, unless specifically approved otherwise, the FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz.,E0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0,E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:
	E0	E-1	E-2	E-3	
1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2
2	Yes	Yes	No	Yes	E0, E-1, E-3
3	Yes	No	Yes	Yes	E0, E-2, E-3
4	Yes	No	No	Yes	E0, E-3
5	Yes	Yes	No	No	E0, E-1
6	Yes	No	Yes	No	E0, E-2
7	Yes	No	No	No	E0

In case of non-availability of polled spot price on expiry day (E0) due to sudden closure of physical market under any emergency situations noticed at the basis centre, Exchanges shall decide further course of action for determining FSP in consultation with SEBI.

* A) The Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable minimum MPOR, refer latest circulars issued by MCXCCL from time to time. B) For all the applicable margins, refer the latest circulars issued by the Exchange or Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) from time to time.

** Delivery Period Margin As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/77. dated Sep 01, 2016.

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