

Sesame Seeds Market Report

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By Bora Agro Foods – Pune, India.

Dear Customers,

Abnormality has become a normal thing in the Sesame Seeds market these days.

This crop year, i.e. October 2008 to September 2009, is again appearing to be an unusual one. In November – December 2008, most of us were expecting a substantial correction in prices due to a fairly good crop especially in the continent of Africa.

However, during October – November 2008, the prevailing prices were high because India was the only source. Warehouses of most of the end-users were empty by then & due to physical shortage at their end, almost everybody was looking for immediate shipments.

During all these months, due to high price level, everybody was procuring hand to mouth & not only buyers but also the suppliers were expecting the market to cool down especially after January 2009.

In recent years, it has been observed that Chinese demand slows down after their New Year festival in January & February. As a result, the supplier community in India also opted to hold moderate quantities in view of the likely correction.

But strangely, China bought sizeable a quantity in February & March which gave good support to the African market - especially Ethiopia & hence, the sentiments of African exporters became bullish. Again in April & May, it is understood that China bought around 35,000 – 40,000 tons from Ethiopia.

If we closely analyze this buying pattern, we have a reason to say that they were fairly aggressive even after February unlike earlier years. Most analysts believe that China will buy not less than 40,000 – 45,000 tons more from June thru September end.

Based on this estimation, a correction in Ethiopian prices seems unlikely. On the contrary, the present stock level in Ethiopia is fairly low. We estimate this to be between 25,000 to 28,000 tons. If this is correct, a price hike of 5 – 8% in July / August cannot be ruled out.

In November & December 2008, it was estimated that Ethiopia & Sudan will harvest a bumper crop & the market would definitely see a bearish trend.

Unfortunately, looking at the actual export figures to this date, coupled with present stock level, we have a reason to believe that the crop estimations were on higher side by around 12 – 15%.

The scenario in Sudan:

This year, Ethiopia was a prime source for China & Israel, whereas the requirements of the Middle East, Gulf & Mediterranean were taken care by Sudan.

Before 2003-04, India used to have a fairly large crop & it was catering to most of the requirements of Egypt, Turkey & Syria etc. But the size of Indian crop is shrinking rapidly & nowadays it can hardly spare any cargo for these traditional buyers.

So these countries were left with no alternative but to rely on Sudan as a prime source. This offered consistent support to Sudanese prices even at USD 1350 – 1400 PMT.

The stock level in Sudan is better as compared to Ethiopia and analysts estimate it to be between 40,000 – 45,000 tons.

But considering the following facts, we don't see a substantial correction in prices. On the contrary, a firm trend till the harvesting of the next crop is most likely.

- ❖ Sudan & Ethiopia will harvest their next crop in November 09 & will be ready for shipment in December. So till then they have to survive with the present combined stock of around 75,000 tons.
- ❖ ***The demand for the holy month of "Ramadan" from countries of the Middle East & Gulf will not be less than 40,000-50,000 MT & they will mostly have to procure the same from Sudan.***
- ❖ Considering this demand of China, Israel, Gulf, Middle East & the Mediterranean, this stock level of 75,000 – 80,000 tons in Africa is not too big.
- ❖ Apart from the above, summer crop in India is of about 60,000 to 70,000 tons & at least 30,000 tons of this will have to be spared for domestic consumption till mid October.
- ❖ From the observations of last 4 - 5 years, it is evident that the domestic consumption in India is growing by at least 10% as it is second fastest developing economy in the world with 1.2 billion people.
- ❖ The remaining 40,000 tons will be used partly by hullers to cater the demand of the western world which is buying around 6,000 to 8,000 tons of hulled sesame seeds per month.
- ❖ In addition to this, Korea normally procures 5,000 – 6,000 tons PM from India. Recently, a tender of 9,000 tons was awarded to India & a few more tenders are expected to be floated before October 2009. So the aggregate off-take by Korea will not be less than 12 - 15,000 tons apart from the current tender that will ship from the present summer crop.

Considering the above factors, even the new Indian summer crop will not be able to cool down the sesame seeds market.

Out of the world population of 6.5 billion, Asia alone is home to 4 billion people. People in developing nations are increasingly opting for jobs in the rapidly growing organized sectors such as manufacturing, infrastructure & services. These sectors offer them consistent & assured returns as opposed to the un-predictable income & un-organized nature of the agricultural sector.

Growing urbanization in developing Asian nations coupled with decent disposable incomes has ensured good demand for various commodities irrespective of their high prices. Thus, we expect the prices of sesame seeds along with other products such as rice, sugar, pulses, edible oil etc. to remain high most of the time in the coming years.

After going through the above report, one may think we are trying to portray a bullish scenario for sesame seeds as well as other commodities. But this is a critically analyzed truth.

In fact, we will be happier if the price level of sesame seeds remains low. This will boost demand and the size of investment will also be significantly lower. Unfortunately, it appears that we all will have to live with these harsh facts in the years to come.

Best Regards,

*Rajendra Bora,
Bora Agro Foods.*

Important Note: *Uncertainty prevails regarding the arrival of **monsoon** in India. It has already been delayed by 2 weeks. The impact of this serious factor has not yet been considered in this report and this is a matter to be tracked duly.*

Disclaimer: *While the above mentioned predictions are based on rational thoughts & observations, the actual situation may not be the same. This is our personal view of the Sesame Seeds Market in particular and on agricultural products in general.*