**MENTHA OIL**

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INTRODUCTION

About Mentha Oil

Mentha is an aromatic herb plant having pleasant odour leaves, which is familiar with the name Japanese Pudina. The native Place of Mentha is Japan. So Mentha is also known as Japanese Mint. Mentha oil is the major derivative of Mentha leaves and obtained by steam distillation process. Mentha Oil is a colorless or pale yellow, clear liquid. It has a characteristic, pleasant aroma and has a pungent taste, followed by a cool aftertaste. It is practically insoluble in water.

Seasonality

The sowing of the crop starts from January and continue till March while is harvested during May-June. The end product–mentha oil–is abstracted from the leaves by processing and steam distillation. The arrival of the oil to the physical market starts from July and extends till November. Two to three cuttings can be done for one crop. About 350-400 drums (1 drum = 180 kg) arrive into market during June-November, and the arrivals decline in the off season.

Mentha Oil: Extraction

Mentha Oil is extracted through steam distillation method. After filtration, a golden yellow volatile oil is carved. The leaves and flower tops are used in extraction process. After the cooling, one can separate 50% of menthol. The remaining oil can be used as peppermint oil. One can find several small distilleries located nationwide.

USES

The oil is either colorless or pale yellow in color and contains 75% menthol and is widely used in chocolates, cosmetics, cough drops, mouth fresheners, confectionary, tooth pastes, cosmetics and many other uses. It is also used for several purposes like in the food, perfumery, flavouring and pharmaceutical industry. It is used in manufacturing of products like lozenges, toothpaste, pain balm, cold balm etc. It is also used in medicines related to seasonal diseases like cough and cold, stomach pain. Moreover, it is also used in toffee, Paan, Guttka, perfumes etc. Strong industrial growth over two decades and increasing off-take from tobacco industry has pushed up the consumption of menthol.
Global Scenario

The native Place of Mentha is Japan. After Japan, its cultivation began in Argentina, Brazil and China. Then it started in India. On global front, India remains in top position in terms of Mentha oil production and exports are concerned. Apart from India, Brazil, China, U.S are also major producers of mentha oil. Whereas China is the biggest importer of mentha oil and they market it after processing it further. Other producer countries are also showing their presence with production of the by-product.

Out of total Mentha oil produced, 75% is contributed from Mentha arvensis (mainly to produce menthol), 18% is peppermint and 7% is spearmint. Out of total M. arvensis oil produced: India contributes 73%, China 18% and others 9%. About 30-40% of total Mentha production is consumed by India, followed by China, US and European countries.

India is contributing to 75-80% of total production and rest is contributed by China (15-18%) followed by Brazil and USA. Global output and consumption has shown steady growth over a period of time. In recent years, the global output has firmed up further and the output from India alone is estimated to be close to 35,000 tons in 2009-10. Exports of mint products from India are increasing over the years, which include menthol flakes, menthol crystals, mint oils. This could mainly be attributed to rising overseas demand for India produce. The major destinations of export for India includes countries such as Argentina, Brazil, France, Germany, Japan, UK, USA etc.

Indian Scenario

Now India is the leader in its production as well as in its export. Presently India is the largest producer of Mentha oil in world contributing while rest is contributed by China followed by Brazil and US. Regarding productivity on an average, 20-25 tonnes of green herb per hectare can be obtained in three cuttings yields to 125-200 kg of Mentha oil/ha. According to a survey, about 1, 25,000 hectares are input in the farming of mentha in Indian land.

The large scale commercial cultivation of Mentha is done in UP (Bilaspur, Rampur, Chandausi, Sambhal, Barabanki, Bareilly, Sitapur etc.), Punjab (Jalandhar), Haryana (Ambala), Himachal and Bihar (Muzaffarpur). India produces about 27,600 tons of mentha crude oil per annum (avg. for last five years). The output is increasing in recent years and a record production close to 35,000 tons was seen in 2009.

Between 1965 and 2006, the Indian mentha oil market grew from 2 MT to 32,000MT, registering an incredible production increase. Besides being the leading producer, India is the largest consumer of menthe oil, using an estimated 7500 MT in 2006-07, compared to
the rest of the world’s consumption of about 20,000 MT. Fifteen years ago India raced ahead of Brazil and China in mentha oil exports and, in a remarkable success story, India now dominates 75-80% of the world market.

Source: www.ficciagroindia.com, trade sources

UP produces about 80%-90% of mentha in the country with Bara Banki, Chandausi, Sambhal, Rampur and Badaun districts being major growing areas. Last year, in UP the total sowing acreage of mentha crop was about 2 lakh hectare of land, which was about 80,000 hectare more than the previous year. This year, the land under mentha cultivation has been reduced to about 1.50 lakh hectare, 50,000 hectare less than the previous year, the UP agriculture department sources stated.

Moreover, the poor availability of agriculture labour and the danger of rains have compelled the farmers to shift to other crops which do not augur well to the state. In the current season, the cane farmers of Uttar Pradesh, who had shifted to Mentha cultivation, have now started reverting to sugarcane cultivation, due to high agricultural inputs and vagaries of weather. This cash crop with large export potential has lost favour of the farmers in the recent past, thus witnessing the lower production of mentha in the state. The farmers, who were traditionally growing wheat, paddy, pulses and oilseeds, had switched over to mentha but this year the trend seems reversed.

Therefore, the total crop size of the mentha oil is this year is likely to be around 25000-27000 tonnes in the current year against 38000 tonnes reported last year. Hence mentha production is expected to fall by 20-25% as — apart from the reduced acreage — the heat wave in North India has caused damage to the water-intensive crop which will affect oil extraction.
CONSUMPTION & EXPORT

In the consumption front, mentha oil has witnessed the steady pace from last two years. India's domestic consumption of mentha oil is hovering in the range of around 8000-10,000 tonnes with annual growth of around 7-8% while export demand is ranges around 18000-22000 tonnes(inclusive of menthol, menthol crystals and mint oil), growing by 10-12% annually.

India is the largest exporting country for mentha oil. Mint products including mint oils, menthol crystals and menthol powder, is the single largest product group in the export basket accounting for 22-27% of spices export from India. Mint products are exported to USA and China and these two countries together accounts for more than 53% of total mint exports. The other major buyers are Singapore, Germany, Netherlands and Japan. The slowdown in major consuming markets such as EU and US had adversely affected export of value added spices including mint products like mint oils, menthol crystals, and menthol powder from 2007 to 2009.

Export of mint products in 2009-10 has been 19,000 tonne valued at ₹1189.72 crore as against 20,500 tonne valued at ₹1420.25 crore in 2008-09. As per latest release by Spice Board of India, Mint exports in April- August 2010 surged by 2 percent to ₹723.95 lacs against ₹595.57 lacs reported last year in the same period. This year, strong demand was seen in international market as the export prices of mentha bold were quoting at around $20-20.5 per kg against $ 16 per kg reported last month. Traders are estimating the total export of 2010-11 is likely to be around 22000 tonnes against 19000 tonnes of 2009-10 due to resurgence of demand from US and Europe. Export from India has crossed the level of around 10,000 ton per annum and that is likely to increase in coming years.
ARRIVALS
As per market sources, the total daily arrivals of mentha oil to be ranging between 300-350 drums (1 drum = 180 kgs) against 500-560 drums reported earlier at the major mandies of Uttar Pradesh such as Sambhal, Chnadausi and Rampur. This has propelled the buoyancy in spot market. The spot prices of mentha oil have touched new season high of ₹1038 per kg at Chandausi mandi. Moreover, rumours of strong export demand in international market and flood situation in Uttar Pradesh have echoed the stockiest buying and also restricted the selling of farmers at major mandies

SEASONALITY
The sowing of the crop starts from January and continue till March this is the time when prices are on sideway move. While it is harvested during May-June, the harvested figures keep the prices volatile during this period.

Seasonality chart of Spot Mentha oil prices above depicts a typical uptrend in prices beginning from end of October. The trend depicted through seasonality chart is in tune with the market fundamentals of supply and demand. This is because prices are seen making highs during end of every year as this is the time when mentha export & winter demand gains helping it to make new highs during the end of every year. Upon drying up of domestic demand January onwards, export demand remains the major driving factor.
Mentha oil prices remained submissive till mid-2008 and started to rally from July 2008 to make new high of ₹770 per kg within one month period. The prices then fell on account of rising arrivals due to handy production in India. Then the seasonality winter demand lifted the prices to ₹608 per kg by end year. It had then been quite volatile for few months. Prices were stabilizing in the range of ₹550-640 in mid 2009. Mentha oil prices on spot and futures market were on bearish trend till August 2009. Spot prices had fallen by 19% since the beginning of 2009. The major reason for the decline in price was lack of demand amid supply pressure in the spot market. Export demand in 2009 was also hand-to-mouth, hence, added further bearish sentiment to the market.

From August 2009 onwards, prices started moving upwards and gained by 30% to ₹830 per kg as on 27th April 2010 supported by rejuvenating demand and easing arrival pressure. Gains in export demand further assisted the rise in prices. Winter season is considered to be the demand season for mentha oil as the industrial demand emerges during this period. But, during 2009, the pace of winter season demand for Mentha oil was very slow and hence reflected as the gradual rise in prices. Mentha oil prices have been on a rise since March 2010 and are now trading around ₹970 per kg, surpassing record high of ₹898 per kg set in 2005, on the heels of strong export demand coupled with weak crop projections of the current year.
OUTLOOK

FUNDAMENTAL OUTLOOK
Amidst receding stocks in the physical market and the strong demand the mentha oil futures bagged some unpretentious gains. Reports of low arrivals and prospects of rising demand are expected to support the prices in the near future. Overall trend is expected to remain bullish for the short term. Expected fall in production is likely to keep sentiments up, traders are also reportedly holding back stocks in anticipation of a rise in price in the coming weeks.

We hold a bullish overview in the medium term on expected further pickup in domestic and export demand ahead of winter season. The trading activities are expected to rise in coming weeks with domestic demand expected to increase further.

TECHNICAL OUTLOOK

On Weekly Chart the prices of Mentha are trading on a positive note from last 2-3 weeks. A sustainable trading above the trend line has turned the bias positive for Short to Medium Term.
Mentha oil started its uptrend since 17th October and has been making new highs then onwards. Currently at 970 it has crossed its lifetime highs.

It has given a trend line breakout above along with a spurt in the volume on 6th October as it opened gap up giving confirmation of the bullish trend.

Trading above major moving averages and RSI and Volume breakout respectively gives positive signal.

The interim support is situated at 650 and renewed bearish trend will occur once the market sustains below 650 on the closing basis.

In the bigger picture, the downside momentum is clearly diminishing as seen in bullish Trend Line breakout in Chart.

The next resistance is at 1130 and closing above that could take the price to 1260.

Mentha prices could halt at 1130 as there is a small resistance. It’s advisable to book partial profit at that level.

The preferred strategy favors buying on Dips around 870-880 for the Target of 1120-1230 with a near term Stoploss of 720 and a far Stoploss of 645.

**On the whole the Short and Medium Term trend is positive for Mentha and a move above 1250 is not ruled out.**

**KEY LEVELS TO WATCH OUT: (CMP- 965)**

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