

**Executive Summary:**

Castor seed market traded weak during the month of January and more dip from current level is likely as arrival in various markets continues to improve. More pressure from new crop can be seen by the end of February. Cash market may witness arrivals touching peak in March/ April.

However, lower production estimate at around 12.05 lakh tonne for 2013-14, almost 2 to 2.5 lakh tonne lower than 2012-13 would not allow market to have any steep fall in the month of February. Demand for castor oil in the international market is good and India being the main supplier to the world market would continue to enjoy better opportunity throughout the current marketing season.

Short supply in the cash market may be seen May onward when maximum arrival from farmer's end begin to diminish and major portion of stock by then would be in strong hand. They can retain stock for 5 to six months and would try to push market up as much as possible in the lean season. Overall outlook for medium and long term remains bullish.

**Major Development In January, 2014:**

- Farmers in Gujarat demand MSP for castor seed like wheat, rice and other crops. Higher production cost and realization from castor seed against other commercial crops discourages farmers to grow more castor seed.
- Castor oil export demand from EU and China continues at \$1250 to \$1260 per tonne. More buying interest is expected in March-April when arrival reaches its peak. China, EU would remain the major buyers for castor oil in 2014 as usual.
- Govt.'s production target for 2013-14 is 15.81 lakh tonne against the first advance estimate of 18.59 lakh tonne. As area coverage has been extremely lower at 9.84 lakh ha. against 11.77 lakh ha. last year, production is expected to be much lower than the set target this year.
- Market participants have expressed varied opinions on seed production this year ranging from 10.50 lakh tonne to 11.5 lakh tonne. Whatever may be the case, this year's total availability for seed would not be able to meet annual demand (around 17 to 18 lakh tonne).
- Fresh supplies from Gujarat's producing regions supported by lower meal demand have led castor seed to trade lower in last one month. Despite lower production estimate (around 12 lakh T) prices are bound to inch down in the weeks ahead. Stockists have liquidated their positions in the near month futures market on expectation of higher arrival in mandis.
- Major stake holders like Rucci, Adani and M.K are actively buying seed for stock purpose in the range of Rs 3700 to Rs 3950 per qtl. and would continue building stock sensing shortfall in the medium and long term.

**Castor Seed Demand & Supply:**

All units in lakh tonnes	2011-12	2012-13	2013-14(E)
Carry in	1.5	4.3	4.34
Production	15.8	14.04	11.27
Imports	0	0	0
Total Availability	17.3	18.34	15.61
Consumption	13	14	15
Exports	0	0	0
Total Usage	13	14	15
Carry out	4.3	4.34	0.61
Av Monthly Consumption	1.08	1.17	1.25
Stock to Month Use	3.97	3.72	0.49
Stock to Consumption Ratio	0.331	0.310	0.041

Agriwatch preliminary estimate.

**High lights of S&D:**

- Castor seed production is expected to dip from 14.04 lakh tonne (2012-13) to 11.27 lakh tonne in 2013-14 mainly due to lower acreage and crop loss in Gujarat and Andhra Pradesh to some extent. rough weather condition during Sept-Oct.2013 adversely impacted the coverage area and farmers had no option to go for other cash crop.
- 2013-14 started with 4.34 lakh tonne carry in stock. However, likely lower production this year and increasing consumption in domestic as well as international market might create short supply in the medium and long term.
- Total availability this year comes to 15.61 lakh tonne against the basic requirement of 15 lakh tonne seed. Major portion of stock is expected to remain in strong hands and they have capability to hold stock for a long time, so cash market might face demand –supply gap June onward.
- As per current consumption pattern and availability carry out stock would dip drastically to 0.61 lakh tonne in 2014-15.
- All these indicators and figures hint bullish outlook for castor seed market this year. Private trades estimate is even lower (below 11 lakh tonne). Market participants who have holding capacity are bound to gain considerable profit in castor seed,oil and oilcake business this year.

**Oil Demand & Supply:**

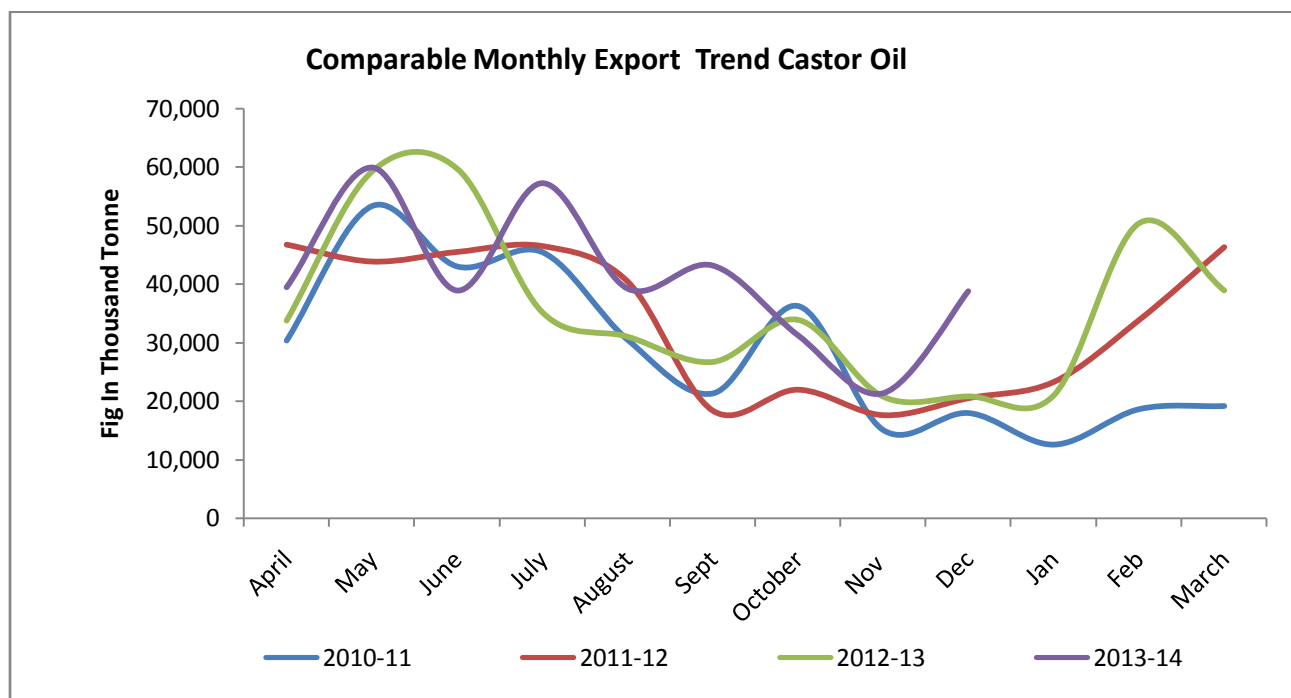
All units in lakh tonnes	2011-12	2012-13	2013-14(E)
Carry in	0.6	0.3	0.3
Production	5	5.7	6
Imports	0	0	0
Total Availability	5.6	6	6.3
Consumption (domestic)	1.3	1.6	1.7
Exports	4.2	4.1	4.5
Total Usage	5.3	5.7	6.2
Carry out	0.3	0.3	0.1



### High lights of S&D:

- Agriwatch expects 13.5 to 14 lakh tonne seed crushing in MY 2014-15 (April to March) and assuming overall oil recovery at 45 percent oil availability would be around 6 lakh tonne slightly higher than last year(5.7 lakh tonne).
- India would export around 4.5 lakh tonne in MY2014-15 assuming average yearly export of over 4.15 lakh tonne for last two years. Domestic consumption would increase from 1.6 lakh tonne to 1.7 lakh tonne considering the rapid growth of soap and paint industry. Thus total usage might touch to 6.2 lakh tonne against the oil availability of 6.3 lakh tonne.
- Despite lower seed production oil availability would increase slightly due to higher demand and price. India being the main supplier to the world market, price fluctuation would not impact export volume adversely.
- Carryout would dip from 0.3 to 0.1 lakh tonne. This indicates oil price would rule higher in the medium and long term.

### Castor Oil Export Trend:



**Source: SEA**

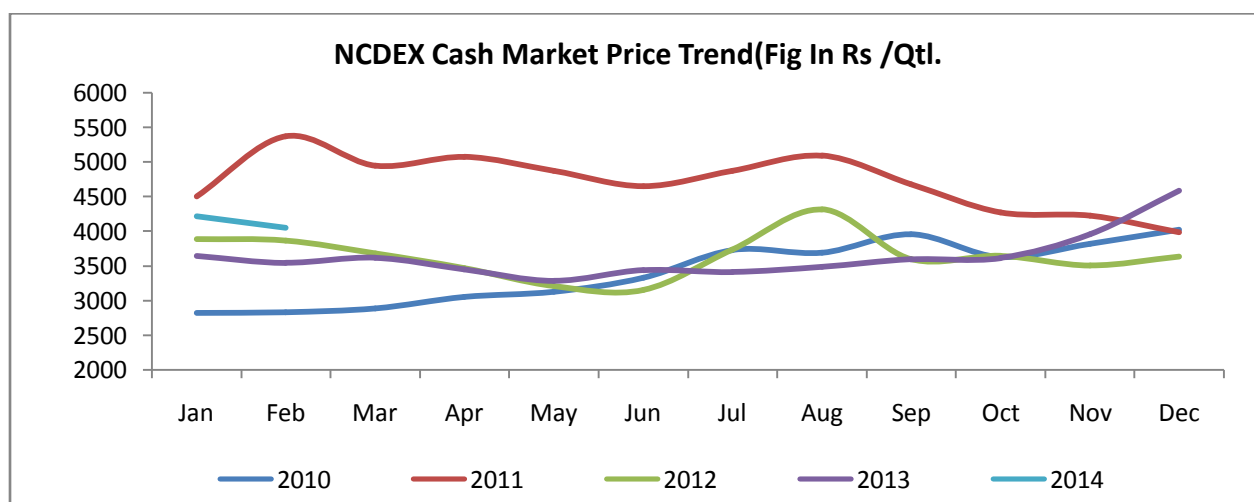
Castor oil export generally follow seasonality as we see during last four years. However, production, demand and parity direct market movement. This year(2013-14) in Nov-Dec oil export demand increased suddenly due to crop loss news in Gujarat and Andhra Pradesh in the month of Set.-Oct 2013. Major buyers sensing uptrend in the market struck immediate delivery deals for higher quantity and this reflects in export volume during Nov-Dec, 2013 in the above given line chart. Export volume is expected to increase in Feb-March as these are the peak arrivals months and prices of seed get stabilize during these months.

**Castor Oil Meal Supply & Demand:**

Oil Meal/lakh T	2011-12	2012-13	2013-14
<b>Carry in</b>	<b>0.5</b>	<b>0.75</b>	<b>0.3</b>
<b>Production</b>	<b>6.75</b>	<b>6.5</b>	<b>7</b>
Imports	0	0	0
<b>Total Availability</b>	<b>7.25</b>	<b>7.25</b>	<b>7.3</b>
Consumption	3.25	3.5	3.5
<b>Exports</b>	<b>3.25</b>	<b>3.45</b>	<b>3.6</b>
Total Usage	6.5	6.95	7.1
<b>Carry out</b>	<b>0.75</b>	<b>0.3</b>	<b>0.2</b>

**High lights of S&D**

- India produces 6.5 to 7 lakh tonne castor oilcake per year and export 45 to 50 percent depending upon price and parity. We expect around 3.5 lakh tonne export this year. As domestic consumption too is strong and seed production is not increasing up to the mark, it is difficult to encourage export.
- Total usage in MY 2014-15 may touch 7.1 lakh tonne, carryout would decrease to 2 lakh tonne.
- Farmers prefer castor oil cake due to its germicide features. This year prices are likely to rule higher as due to higher seed prices.

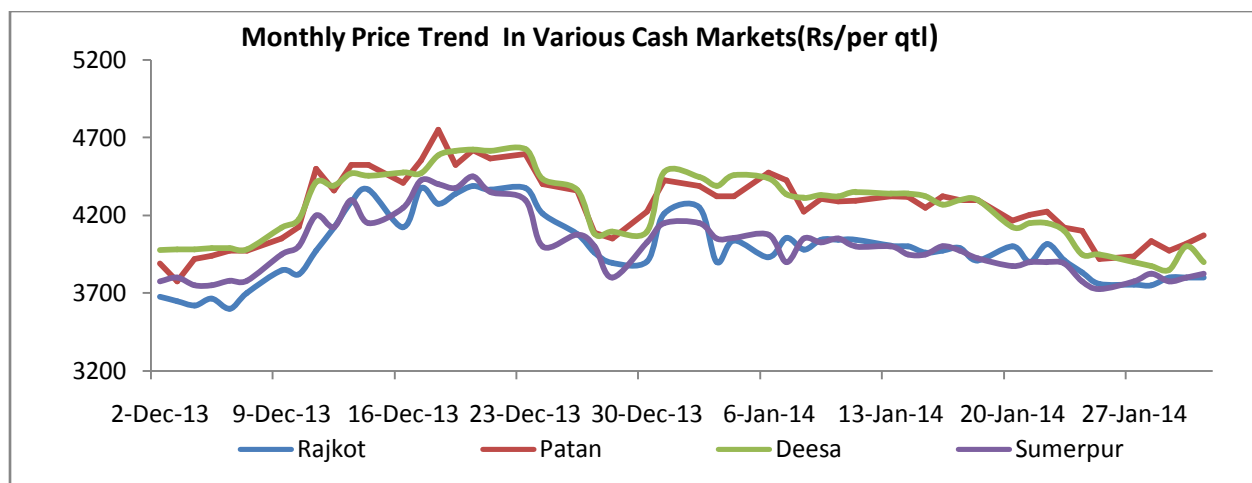
**Comparatively Yearly Price Movement:**




Castor seed prices start decreasing from February and market gets stabilized in April-May due to peak arrival season. Again it starts moving up in May when maximum stock in farmers hands get exhausted.

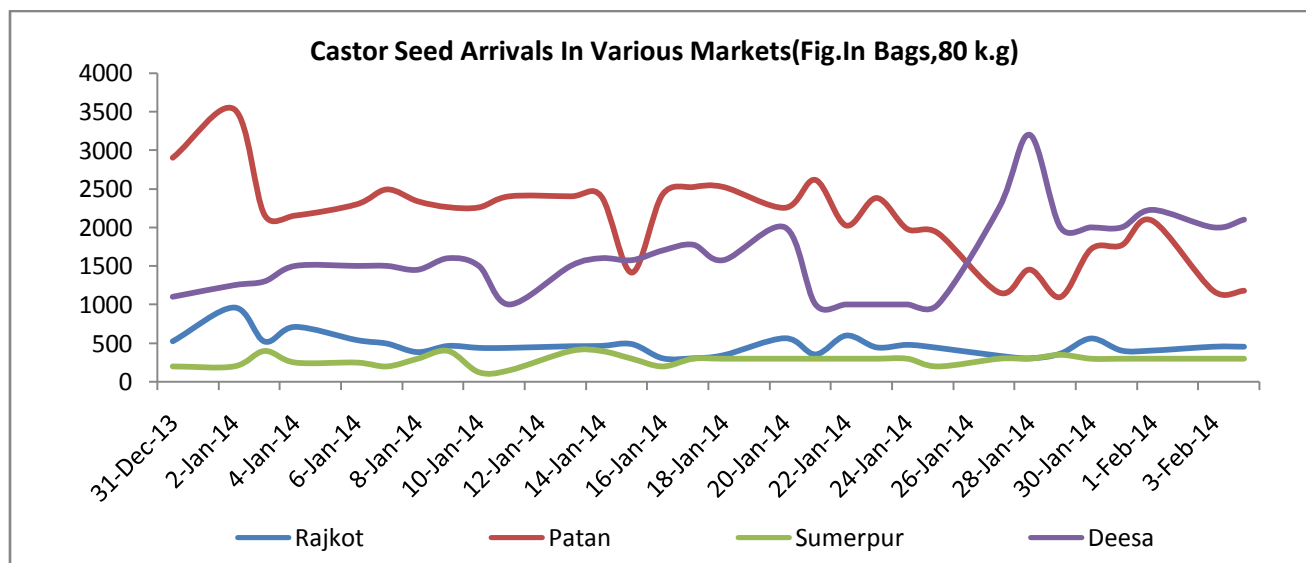
The above given trend line shows it clearly. However this year prices would continue to rule above 2012 level due to lower crop size and good demand from stockists end.

### Comparative Price Trend In Various Markets:



Trend line shows prices have been heading northward from the beginning of January and improved slightly in the beginning of February. However, slight uptrend is considered as correction in the market. Overall, market may dip more in the weeks ahead and stabilize near Rs 3675 to Rs 3750 per qtl. Any steep fall from current level is unlikely as crop size is lower and above mentioned level would attract buyers to build up stock.

### Comparative Arrivals In Various Markets:





### Castor Monthly Technical Analysis:-



#### Technical Commentary:

- Castor prices are still hovering in an uptrend; however, market is taking downward correction to regain the prices further.
- Prices are hovering at neutral region.
- Last candlestick depicts firmness.
- Players are advised to buy above the given level maintaining stop loss strictly at 3975.

#### Strategy: Buy

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	March	3900	3955	4222	4271	4300
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	March	Buy	Above 4030	4170	4272	3956

**Cash Market Outlook:** Cash market is likely to trade lower in the month of February. Fresh buying interest might be seen in the range of Rs 3650 to Rs 3900 per qtl. depending upon various markets and seed quality. overall trend remains bullish.



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## Castor Monthly Report February, 2014

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