

**Executive Summary:**

The price outlook, expected global demand for oil and data regarding APY presented in global castor conference on 22<sup>nd</sup> Feb.2014 in Ahmedabad organized by SEA remained the center point of attraction for the stake holders engaged in castor seed, oil and its derivatives business in the month of February.

Expected shortfall in seed availability hints market to move northward from June this year. However, peak arrival season is just to start and market is expected to decrease from current level in March & April.

Pankaj Kumar, vice president Agro Commodities, Adani Wilmar Limited has estimated 11.80 lakh tonne production in 2013-14. The season started with 3.71 lakh tonne carryout stock.

Thus total availability of seed comes to 15.51 lakh tonne against 18.70 lakh tonne last year. Lower production estimate has been attributed mainly to lower acreage and yield.

Against this Agriwatch estimates 11.49 lakh tonne seed production in 2013-14 against 14.04 lakh tonne last year. As per Agriwatch estimate the season started with 3.84 lakh tonne carry out.

Thus total availability comes to 15.33 lakh tonne. At 46 percent oil recovery the total oil availability would be around 7.00 lakh tonne against the expected total global and domestic demand of 7.5 lakh tonne of oil. It clearly indicates short supply in the medium term.

It may be noted that there is a clear mismatch between oil demand and supply. The impact of tight supply position may be felt June onward. Foreign buyers are expected to build up stock before first half.

Speculators may drive price in the second half by cornering stock in the first half. Currency fluctuations have ability to impact normal course of trade.

Tight supply position would not allow market to have a drastic fall like previous year in the month of March and April.

Demand for oil is expected to go up by 8 to 9 percent due to expanding paint and lubricant industry. It will continue to support seed prices once arrival pressure begins to diminish (After April).



### Major Developments (Domestic) In Feb, 2014:

- Govt has revised down castor seed production estimate from 18.59 (1st adv. Est.) lakh tonne to 16.46 lakh tonne for 2013-14 in the second advance Est. released on 14.02.2014. Target for 2013-14 had been fixed at 15.81 lakh tonne.
- Against this private trade estimates hinge in the range of 11.5 to 11.8 lakh tonne. Wide variation between govt. and private estimates is mainly attributed to variation in yield.
- Farmers lobby in Gujarat has appealed to the farmers to release stock in parts so that they could get maximum benefit.
- Farmers in Gujarat demand MSP for castor seed like wheat, rice and other crops. Higher production cost and lower realization from castor seed against other commercial crops discourages farmers to grow more castor seed.
- Castor oil export demand from EU and China continues as other optional sources are unavailable. 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.
- Demand for oil and meal is likely to improve in March-April when prices are supposed to be at lower level.
- Castor Seed Oil export from India has been on rise at an average rate of 9 to 10 percent per year from last three-four years.
- Total castor oil export from India is expected to reach at 5.3 lakh tonne in 2014. Castor derivative export too would increase from 1.2 lakh tonne to 1.25 lakh tonne in 2014.

### Major Developments In Global Market In Feb, 2014:

- World crop size for 2013-14 is likely to decrease to 13.68 lakh tonne in comparison to 15.52 lakh tonne last year. It is lower by 11.85 percent from previous year as per latest estimate released in global castor conference on 22<sup>nd</sup> Feb, 2014 in Ahmedabad.
- Indian season starts with 3.71 lakh tonne carry out and if we add it, total global supply in 2013-14 would be 17.39 lakh tonne.
- Castor seed production in China is likely to decrease by 44.44 percent from 90,000 tonnes to 50,000 thousand tonnes in 2013-14. Higher cost of production and increasing wages are the main reasons for lower crop size.
- Brazil crop size too is expected to decrease by 36 percent to 16000 thousand tonnes this year from 25000 tonnes from last year.
- This clearly hints that world would remain dependent on India who contributes more than 86 to 88 percent in global castor seed production.
- Castor Seed Oil export from India has been on rise at an average rate of 9 to 10 percent per year from last three-four years. China remains the major buyer in 2013 with 2.11 lakh tonne import from India. With expected increase of over 10 percent oil export to China may touch 2.35 lakh tonne in 2014.

**Castor Seed Demand & Supply:**

All units in lakh tonnes	2011-12	2012-13	2013-14(E)*
Carry in	1.5	4.3	3.84
<b>Production</b>	<b>15.8</b>	<b>14.04</b>	<b>11.49</b>
Imports	0	0	0
<b>Total Availability</b>	<b>17.3</b>	<b>18.34</b>	<b>15.33</b>
Consumption	13	14.5	15
Exports	0	0	0
<b>Total Usage</b>	<b>13</b>	<b>14.5</b>	<b>15</b>
<b>Carry out</b>	<b>4.3</b>	<b>3.84</b>	<b>0.33</b>

Agriwatch preliminary estimate based on market participants view

**High lights of S&D:**

- Castor seed production is expected to dip from 14.04 lakh tonne (2012-13) to 11.49 lakh tonne in 2013-14 mainly due to lower acreage and crop loss in Gujarat and Andhra Pradesh.
- Rough weather condition during Sept-Oct.2013 adversely impacted the coverage area and farmers had no option except to go for other cash crop.
- The new season (2013-14) started with 4.84 lakh tonne carryout stock.
- However, almost 3.0 lakh tonne 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 15.33 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 it 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 0.33 lakh tonne in 2014-15.
- All these indicators and figures hint bullish outlook for castor seed market this year.

**Oil Demand & Supply:**



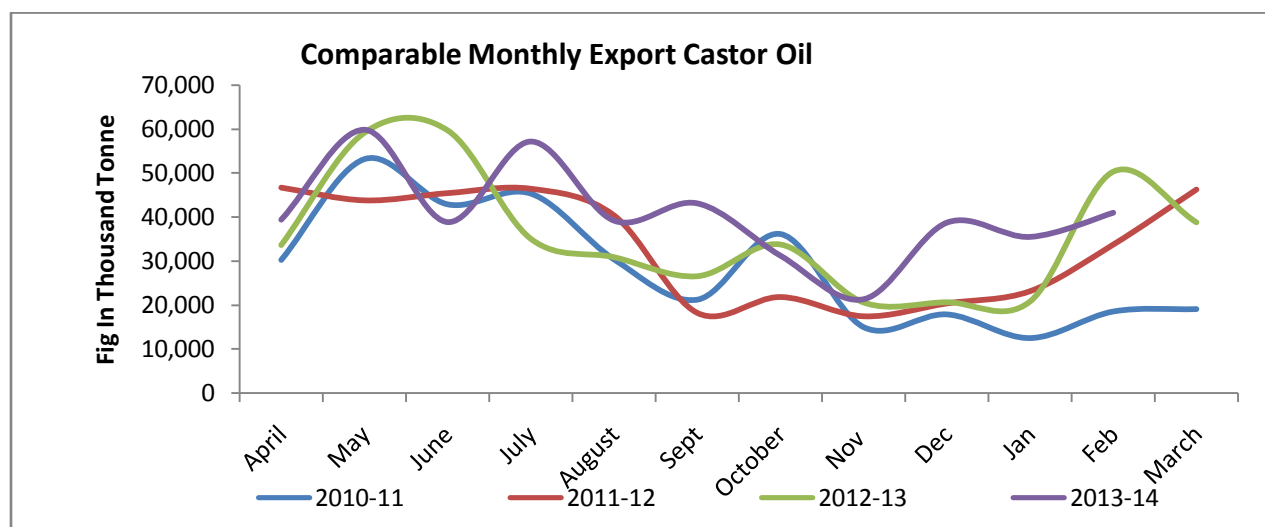
Fig In Lakh Tonnes	2011-12	2012-13	2013-14(E)
Carry in	0.5	0.7	0.4
<b>Production</b>	<b>5.5</b>	<b>6</b>	<b>6.9</b>
Imports	0	0	0
<b>Total Availability</b>	<b>6</b>	<b>6.7</b>	<b>7.3</b>
Consumption (domestic)	1.3	1.6	1.9
<b>Exports</b>	<b>4.2</b>	<b>4.7</b>	<b>5.3</b>
Total Usage	5.3	6.3	7.2
<b>Carry out</b>	<b>0.7</b>	<b>0.4</b>	<b>0.1</b>

**Note:** Based on 46 % oil recovery from seed.

### High lights of S&D:

- Agriwatch expects 15 lakh tonne seed crushing in MY 2014-15 (April to March) and assuming overall oil recovery at 46 percent oil availability would be around around 7 lakh tonne slightly higher than last year(5.7 lakh tonne) against expected requirement of 7.2 lakh tonne.
- India would export around 5.3 lakh tonne in MY2014-15 assuming average yearly export growth of 8 to 9 percent during last three years.
- Domestic consumption would increase from 1.6 lakh tonne to 1.9 lakh tonne considering the rapid growth of soap and paint industry. Thus total usage might touch to 7.2 lakh tonne against the oil availability of 7.3 lakh tonne.
- Carryout would dip from 0.4 to 0.1 lakh tonne. This indicates uptrend in second half.

### Castor Oil Export Trend:

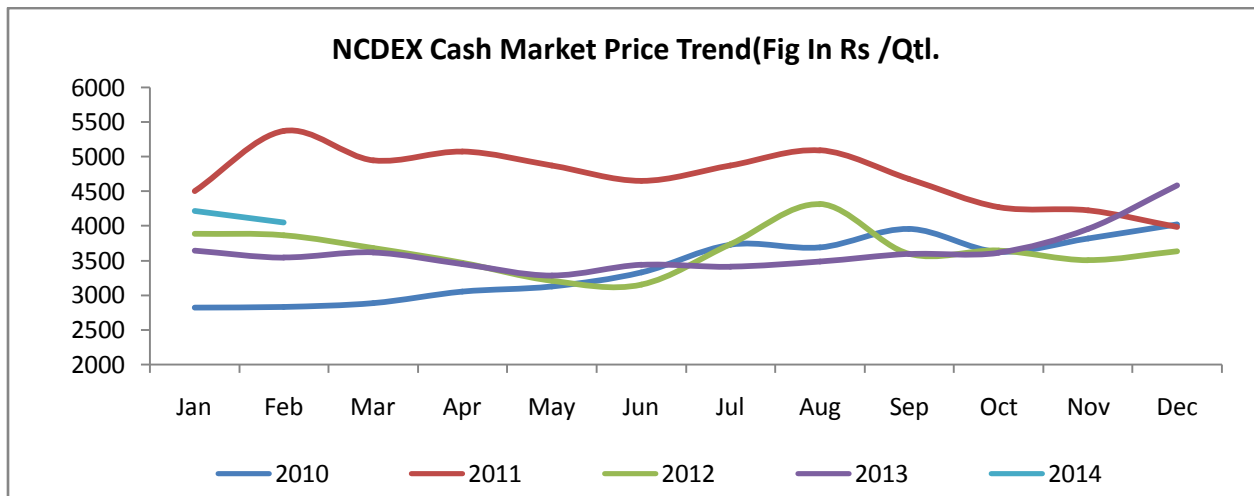


**Source:** SEA

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. The upward trend continues. It has been observed recently that 20 to 30 thousand T of oil.

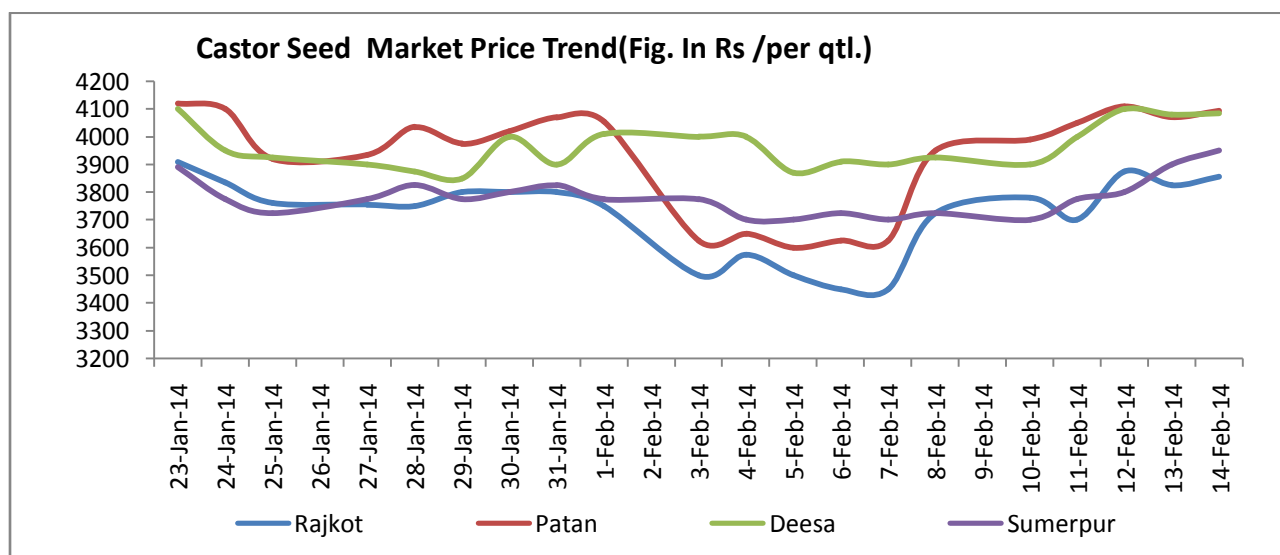
### Comparatively Yearly Price Movement:



Castor seed prices start decreasing from February and market gets stabilized in March-April due to peak arrival season. Again it starts moving up from May end when maximum stock in farmer's hand gets 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 export demand.

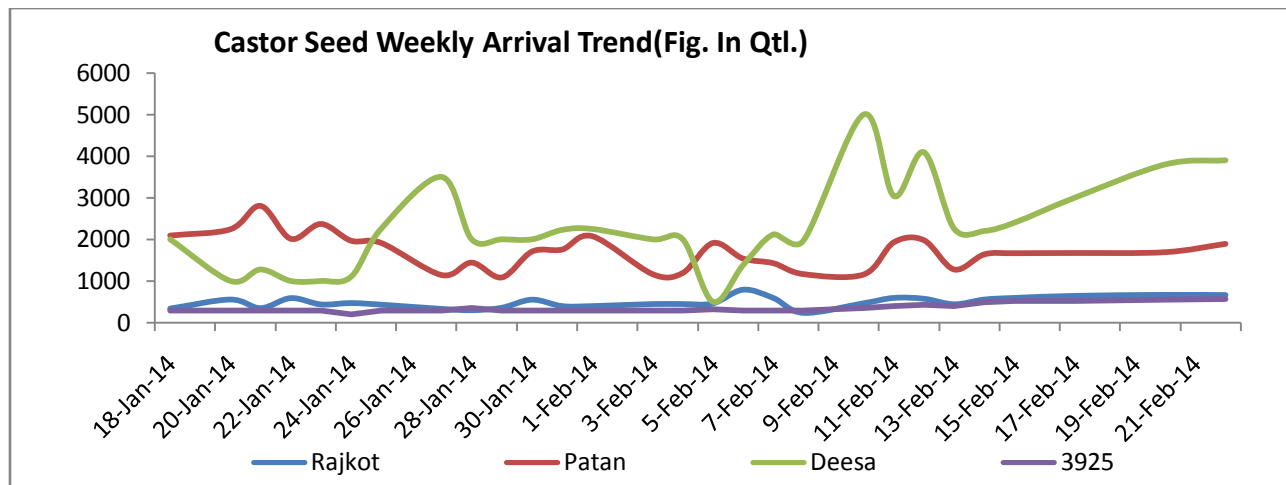
### Comparative Price Trend In Various Markets:



Prices have been heading northward from the beginning of Feb and the trend continues. However, market is expected to dip in the weeks ahead. Any steep fall from current level is unlikely as crop size is lower.



### Comparative Arrivals In Various Markets:



### Price Outlook Cash Market:

Expected Price range in March, 2014: Rs 3875 to Rs 3975 per qtl.

### 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 4025.

#### Strategy: Buy

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	March	4000	4100	4141	4174	4225
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	March	Buy	Above 4005	4100	4175	4025

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