

Executive Summary:

Castor seed price traded lower during the month of March due to seasonal factors like increased arrivals from new crop, lower trading activities in the second half of March. All these factors drove market downward as usual. However, comparative arrivals in March have been 40 percent lower than March last year. Fresh buying activity would start from new financial year starting from 1st April.

There is a general talk in the market that short supply of seed would be felt in the second half of the year as major buyers would retain around 30 percent of seed. This means almost 3.5 to 3.75 lakh tonne seed would remain in strong hands against total availability of 15 to 15.5 lakh tonne seed.

Monthly crushing quantity has increased from 50,000 tonnes in January to 75 to 80 thousand tonnes in March. Agriwatch expects crushing to increase in April and May to one lakh tonne. It would encourage prices as market is well aware of emerging scenario of tight supply.

Prices in Gondal decreased from Rs 4105 to Rs 3905 per qtl. in the month of March. Even Rajkot price declined from Rs 3900 to Rs 3885 per qtl. during the same period. In Deesa mandi considerable decline of Rs 200 has been registered. Overall trend has been bearish and market participant expects market to stabilize around this level in cash market in the month of April.

This year there is an unanimity over production in private sector and various estimates have come out in the range of 11.50 to 12.00 lakh tonne. However, govt.'s estimate is quite higher around 15 lakh tonne. But market ignores govt.'s estimate because it seems far from actual production.

If we go through private estimate total availability of seed comes to 15.51 lakh tonne against 18.70 lakh tonne last year assuming carryout stock in the range of 3.5 to 3.8 lakh tonne. 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.

As oil demand from global and domestic market has been on the rise at the rate of 7 to 8 percent yearly, India needs to crush 15 to 16 lakh tonne seed to fulfill emerging demand against availability of 15.51 lakh tonne seed this year. So supply-demand mismatch is very clear and price is bound to go up.

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.

Major buyers like China, E.U. & US are expected to start fresh deal from April and May as next two months might be a stable market and buyers would prefer to clinch maximum deals in these two months. In future market stake holders have started building up positions in long months. This also indicates uptrend in the second half.



Major Developments (Domestic) In March, 2014:

- Castor oil prices were steady to weak in the early trades in the second half of the March. Castor seeds were low as most of the Market yards were closed on account of financial year ending holidays. We expect fresh marketing activities from second week of April.
- Castorseed bold and castor oil commercial eased further in an otherwise sluggish Vashi wholesale market due to subdued demand from shippers and soap manufacturers. Castor oil commercial traded in the range of Rs8300 to Rs 8350 per qtl. There is a slight decrease in oil prices in the last week of March.
- 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.
- 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.
- 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 March, 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 22nd Feb, 2014 in Ahmedabad. There is no change of previous estimates in March.
- 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
Production	15.8	14.04	11.49
Imports	0	0	0
Total Availability	17.3	18.34	15.33
Consumption	13	14.5	15
Exports	0	0	0
Total Usage	13	14.5	15
Carry out	4.3	3.84	0.33

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:

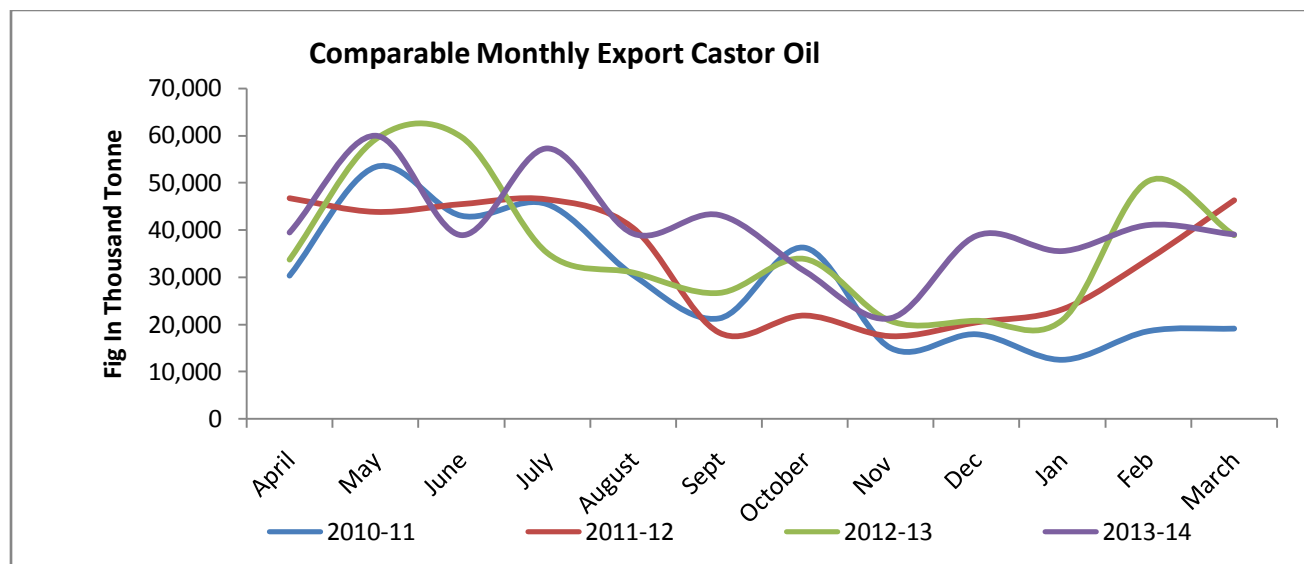
Fig In Lakh Tonnes	2011-12	2012-13	2013-14(E)
Carry in	0.5	0.7	0.4
Production	5.5	6	6.9
Imports	0	0	0
Total Availability	6	6.7	7.3
Consumption (domestic)	1.3	1.6	1.9
Exports	4.2	4.7	5.3
Total Usage	5.3	6.3	7.2
Carry out	0.7	0.4	0.1

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.

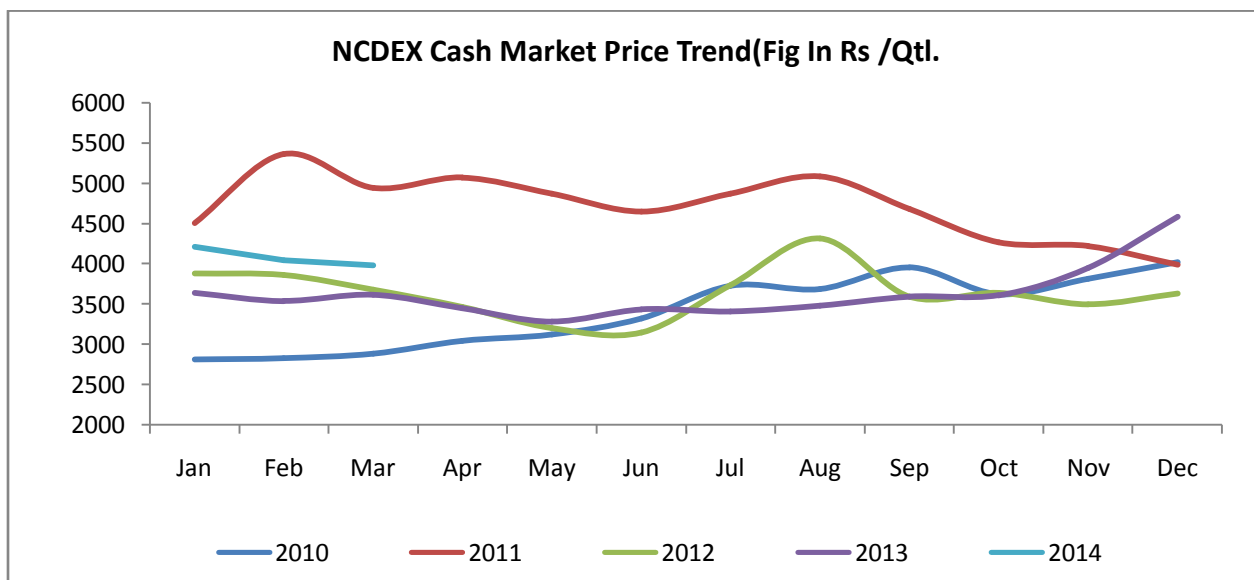
Castor Oil Export Trend:



Source: SEA

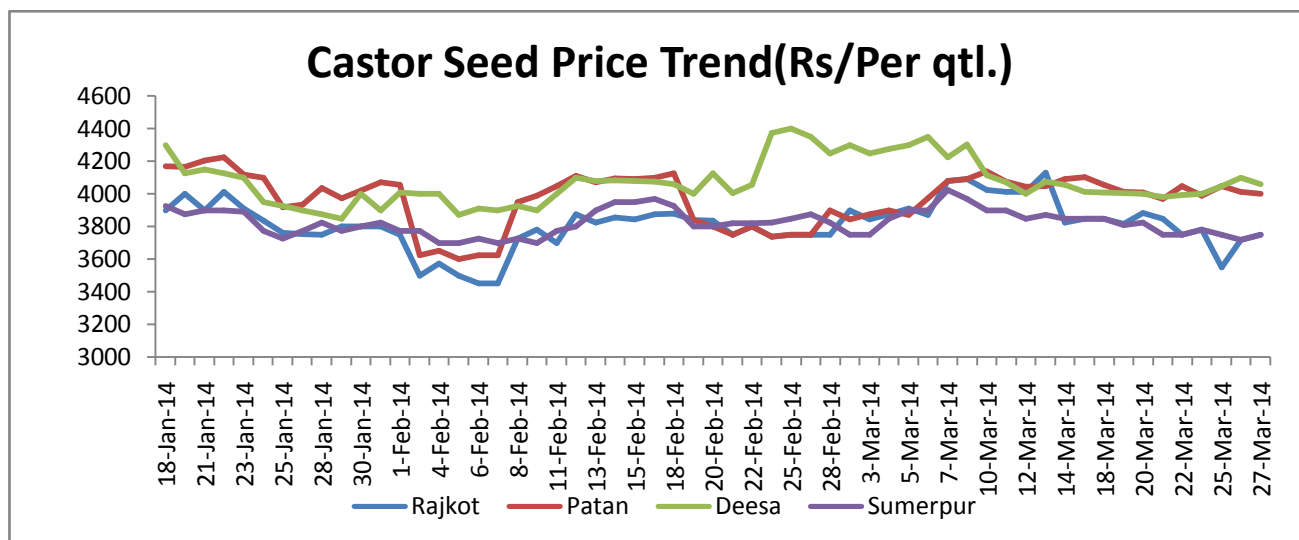
Castor oil export has followed seasonality as usual. As Dec-Jan are considered lean season and prices rules higher, Export volumes come down generally in these months.. However it starts increasing from Feb. as arrival pressure starts building up. In the month of dec-2013 total export registered at around 20,000 tonne against last year's(2012-Dec)/ 20,235 tonne .Export in March up to 27th registered at 39000 tonne.It will increase in the month of April.

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.

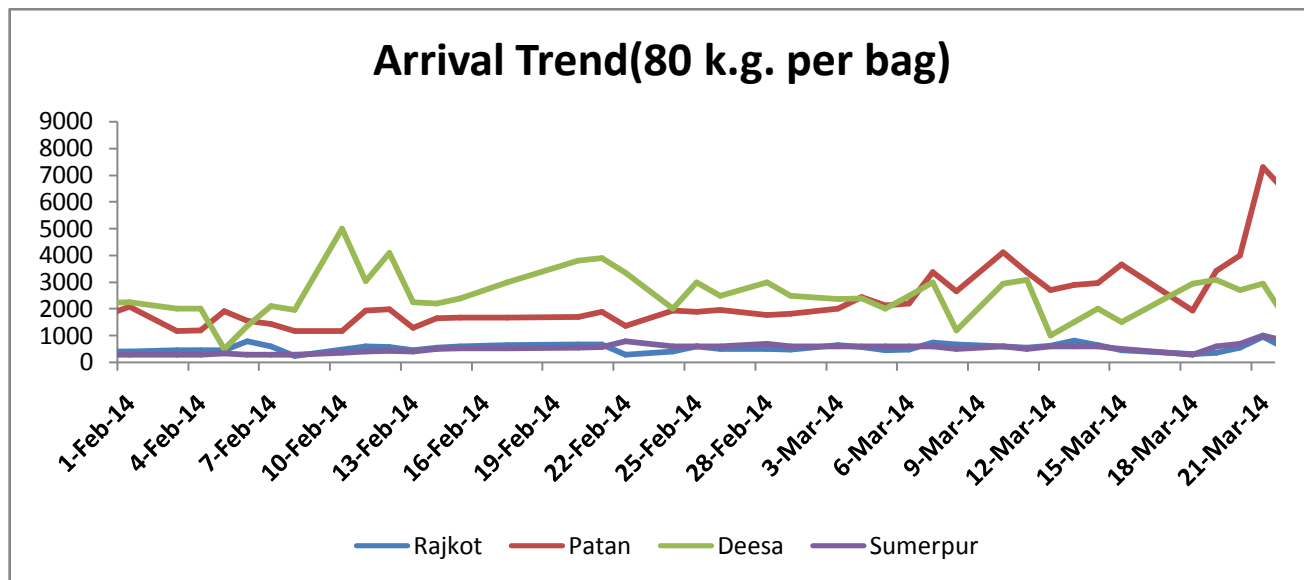
Comparative Price Trend In Various Markets:



Cash market traded lower during the last week of March due to seasonal factors and March closing. Market participants expect that market should stabilize on current level, fresh buying interest is expected from this week once again. It would not allow market to have any steep dip from current level. Prices of castor seed in various markets decreased around Rs 20 to Rs 35 per qtl. in the last week.



Comparative Arrivals In Various Markets:



Arrivals in the market decreased slightly due to lower activities in the market at this point of time. Almost in all major mandis arrivals decreased and more decreased is expected this week. However, with likely start of normal trading activities arrival are expected to improve from the second week of April.

Price Outlook Cash Market:

Expected Price range in April,2014: Rs 3750 to Rs 3875 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 4175.

Strategy: Buy

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	April	4105	4175	4225	4351	4405
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	April	Buy	Above 4206	4300	4350	4175

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