



### Executive Summary:

- ❖ Month of May started with weak note in major cash markets of Rajasthan, Gujarat and Andhra Pradesh as major stake holders in futures market released their position sensing weak inner tone in the cash market. Price of seed in Rajkot market moved in the range of Rs 3675 to Rs 3840 per qtl. and almost 4.48 percent fluctuation in prices have been registered during the month under review. In the Sumerpur region of Rajasthan price fluctuated in the range of 5.26 percent. During this period cash market slashed down from higher to lower level. However, by the end of the month it recovered to some extent as sellers were seen reluctant to sell at lower level.
- ❖ As per market feedback planters continued to crush seed as per current oil market demand. They crushed around 80,000 tonnes of seed in the month of May, slightly lower (91,000 tonne) than April. Arrivals are expected to dip June onward as major portion of stock (around 3 lakh tonne) is said to be in strong hands and they would hold it at least for four to five months. From Jan to May almost five lakh tonne seed has been crushed. This means market has now around 10.5 lakh tonne seed (out of 15.64 lakh tonne in the season) available for crushing for next 9 months. Traders hold 3 lakh tonnes, so actual availability would be around 7.5 lakh tonne against the actual monthly need of 80 to 90 thousand tonnes. With this scenario market is bound to move up in the medium term starting from mid June, 2014.
- ❖ However, there are two factors that can limit uptrend in the short term. Firstly, 3rd adv. estimate, released on 25.05.2014 has projected 16.64 lakh tonne production this year against the target of 15.81 lakh tonne. Market participants are surprised to see the inflated govt. figure of castor seed production this year. Against it market experts see production at around 11.5 to 11.8 lakh tonne. Despite lower trade estimate the huge difference of around 4 to 4.5 lakh tonne between trade and govt.'s estimate would impact firm market sentiments to some extent.
- ❖ At arrival front too seeds traded volumes in cash market remain fluctuating as per fluctuations in futures and cash markets during the month of May. However, a considerable nos. of traders say that seeds arrival would decrease now and it would support market in the near and medium term. When prices cool down sellers stop selling and thus they help prices to recover again.
- ❖ Castor oil commercial grade is being traded at Rs 81000 per tonne in Rajkot. It was ruling at Rs 71,135 per tonne in May 2013 there. Price of oil is unlikely to decrease from current level. Castor oil first grade FOB Kandla for export was quoted at \$1380 per tonne in May 2014 against \$1320 per tonne in May 2013. It has increased by 4.55 percent in last 12 months. In the 3rd week of May, 2014 quote was registered at \$1390 per tonne.
- ❖ Castor meal price, ex-Kandla for bulk delivery rules at Rs 6700 per tonne against Rs 4800 per tonne in May last year. There is a increase of 39.58 percent in last 12 months. In the 3rd week of May it was ruling at Rs 5750 per tonne. Buyers like Japan, Taiwan and Korea remain active. As fresh demand is expected in June, prices may cross Rs 7000 per tonne by the end of June.
- ❖ Overall outlook for castor oil, seed and meal remains firm for June and July. Short supply of seed and regular demand of oil in domestic and international market would continue to support cash market.

**Castor Seed Demand & Supply:**

<b>All units in lakh tonnes</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14(E)</b>
Carry in	1.5	4.3	3.84
Production	<b>15.8</b>	<b>14.04</b>	<b>11.7</b>
Imports	0	0	0
Total Availability	<b>17.3</b>	<b>18.34</b>	<b>15.54</b>
Consumption	13	14.5	15
Exports	0	0	0
Total Usage	<b>13</b>	<b>14.5</b>	<b>15</b>
<b>Carry out</b>	<b>4.3</b>	<b>3.84</b>	<b>0.54</b>
Av Monthly Consumption	1.08	1.21	1.25
Stock to Month Use	3.97	3.18	<b>0.43</b>
Stock to Consumption Ratio	0.331	0.265	<b>0.036</b>

**Agriwatch revised estimate based on feedback received from market participants.**

**High lights of S&D:**

- ❖ Production figure has been revised slightly up (around 14,000 tonne) due to revised yield estimation for Rajasthan & Gujarat. Final area fig too has been revised up from 9.84 to 9.93 lakh ha in May by DES, Agriculture Ministry
- ❖ Castor seed production is expected to dip from 14.04 lakh tonne (2012-13) to 11.70 lakh tonne in 2013-14 mainly due to lower acreage and crop loss in Gujarat and Andhra Pradesh.
- ❖ However, trade estimates range from 10.5 to 12.05 lakh tonnes for crop year 2013-14. Despite considerable variations, one thing is clear that we have lower availability of seed over 3 lakh tonne for current MY, starting from April,2014.
- ❖ The new season (2013-14) started with 3.84 lakh tonne carryout stock, lower by 0.46 thousand tonne from last year(4.3 lakh tonne).Against this availability, consumption pattern for seed has been on the rise and is expected to grow by 3.33 percent from previous year based on three years average increase in consumption
- ❖ Carryout for next year is expected to decrease drastically from 3.84 lakh tonne to 0.54 lakh tonne for 2014-15. It also hints towards firmness.
- ❖ Total availability this year comes to 15.54 lakh tonne against the basic requirement of 15 lakh tonne seed. As cash market is likely to move up, area under castor is expected to increase this year. As expected lower than normal rainfall may increase area under castor seed this year.
- ❖ All these indicators and figures hint bullish outlook for castor seed market this year especially from mid June when arrivals starts declining.

**Variation in production estimates:**

<b>Comparable Production Estimates(Fig. In Lakh Tonne)</b>						
	<b>Govt.Fig</b>	<b>Oil world</b>	<b>Private fig.</b>	<b>Agriwatch</b>	<b>Nelson</b>	<b>COOIT</b>
2011-12	22.95	15.8	18.8	Not available	15.73	14.8
2012-13	19.64	11	13.2	Not available	13.8	11.43
<b>2013-14*</b>	<b>16.64</b>	<b>10.5</b>	<b>11.8</b>	<b>11.70</b>	<b>11.6</b>	<b>12.05</b>

There is a wide gap between trades and govt. production estimates. This indicates varied sources have taken varied yields. However trade's estimates are almost same and it hints towards firm outlook.

**Oil Demand & Supply:**

Unit in lakh tonne	2011-12	2012-13	2013-14(E)
Carry in	0.5	0.7	0.4
Production	5.5	6	6.6
Imports	0	0	0
Total Availability	6	6.7	7
Consumption (domestic)	1.4	1.6	1.7
Exports	4.2	4.7	5.2
Total Usage	5.3	6.3	6.9
Carry out	0.7	0.4	0.1

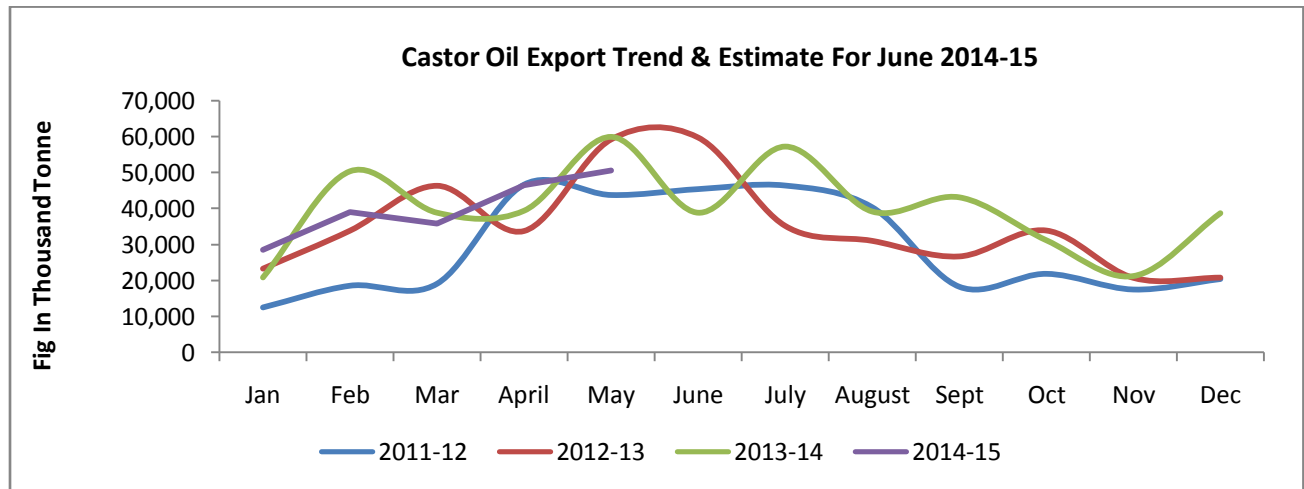
**Note:** Based on 46 % oil recovery from seed.

**High lights of S&D:**

- Total usage of castor oil is expected to touch 6.9 lakh tonne in MY 2013-14 against the expected availability of 7 lakh tonne oil, based on 46 percent recovery from around 15 lakh tonne seed crushing.
- Castor oil export volume has been rising at the rate of 7 to 8 percent year on year basis and it may touch 5.2 lakh tonne in MY 2013-14.
- Demand from domestic soap, paint and other adhesive industries too has increased this year by 5 to 6 percent from 25,000 tonnes to 26,500 tonnes. However, small scale industries have increased use of palm stearin due to its cheaper availability.
- Overall domestic consumption is expected to increase from 1.6 to 1.7 lakh tonne.
- At current price for seed around FOR Rs 4000 per qtl, basis Ahmedabad there is a parity of Rs 22.75. Oil price in Ahmedabad is being quoted at Rs 8200 per qtl.
- Oil importers have no option to source oil from elsewhere except India. Indian FoB quotes range in between \$1380 to \$1385 per tonne from Gujarat located ports.



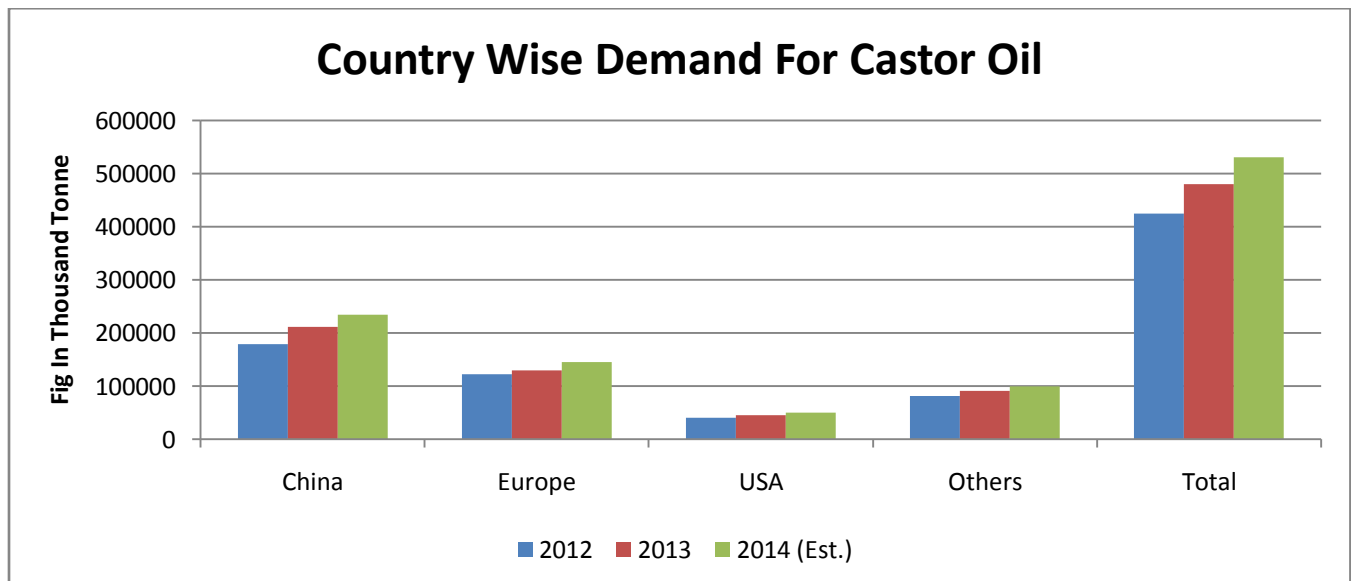
### Castor Oil Export Trend & Projection For June:

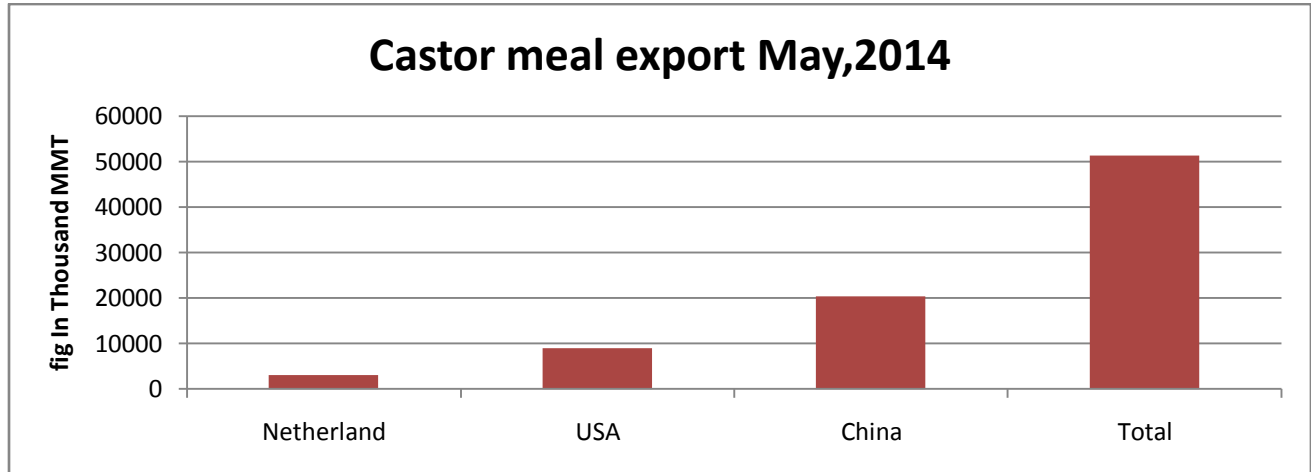


Source:SEA

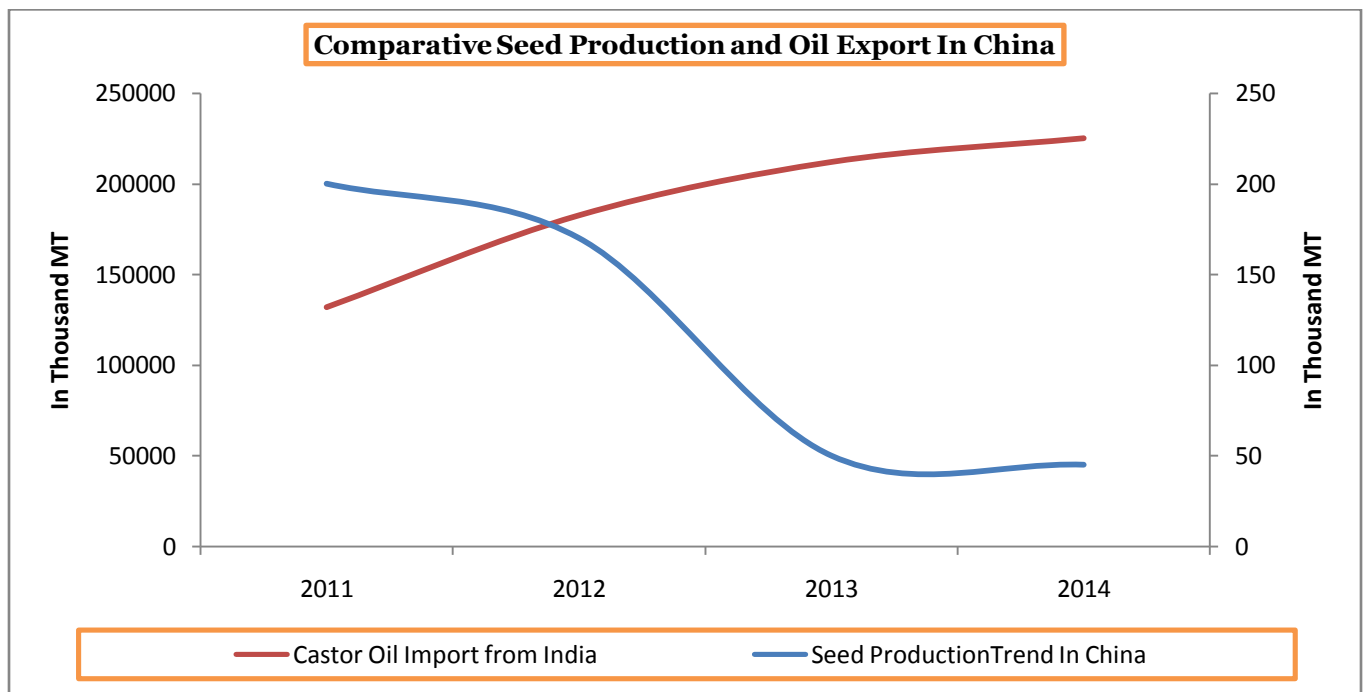
### International Market Update:

Major importers are China, EU and US. However, importers nos are over 20 who import in small quantity ranging 2000 tonnes to 10,000 tonnes per year. Export is growing by 8 to 9 percent per year given the last three years average yearly increase. In coming months China would remain the major buyers followed by EU, especially Belgium.



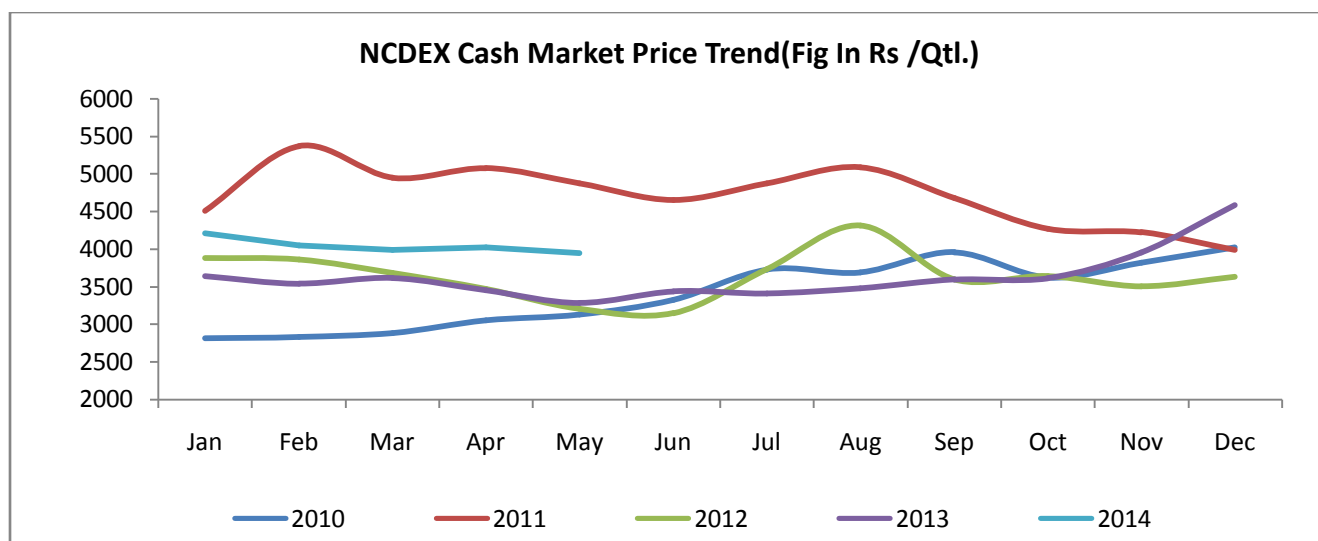


Castor oil meal demand has increased from China and USA. Netherlands imported 3178 tonne oil meal in May. China brought 20357 tonne, almost 5 percent higher than April. USA brought around 8000 tonne meal and more buying from these countries is expected in June month.



The above given chart shows that China would continue to depend on Indian castor oil market as seed production in China has been on decline from last three years and import volume continued to increase. This year too China would remain major buyer of Indian castor oil.

**Comparatively Yearly Price Movement:**



Due to lower production castor seed average price could not decrease as per expectation this year in April and May. As peak arrival season is almost over, price of seed may stay firm. In the month of June cash market may cross Rs 4000 per qtl. as arrivals in various markets have decreased 50 percent in comparison to the beginning of May

Comparative Prices Of Castor Products Including Seed					
	30TH May'14	23ND May'14	30TH Apr'14	30TH May'13	Change % from last year
Castorseed (Gujarat)((Rs./M.T) Ex-Mandi	39250	38500	NQ	33635	14.31
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	108	98	NQ	90	16.67
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	6700	5750	NQ	4800	28.36
Castor Oil (First Grade) FOB Kandla (Export)	1380	1390	NQ	1320	4.35
Local rates in domestic market(Rs./M.T.) for comm.	81000	81500	82000	71135	12.18

Source:SEA

Prices of castor seed products have registered smart recovery in last one year and impending short supply in the open market may encourage price further. However, demand at higher level may slow down in the weeks ahead.

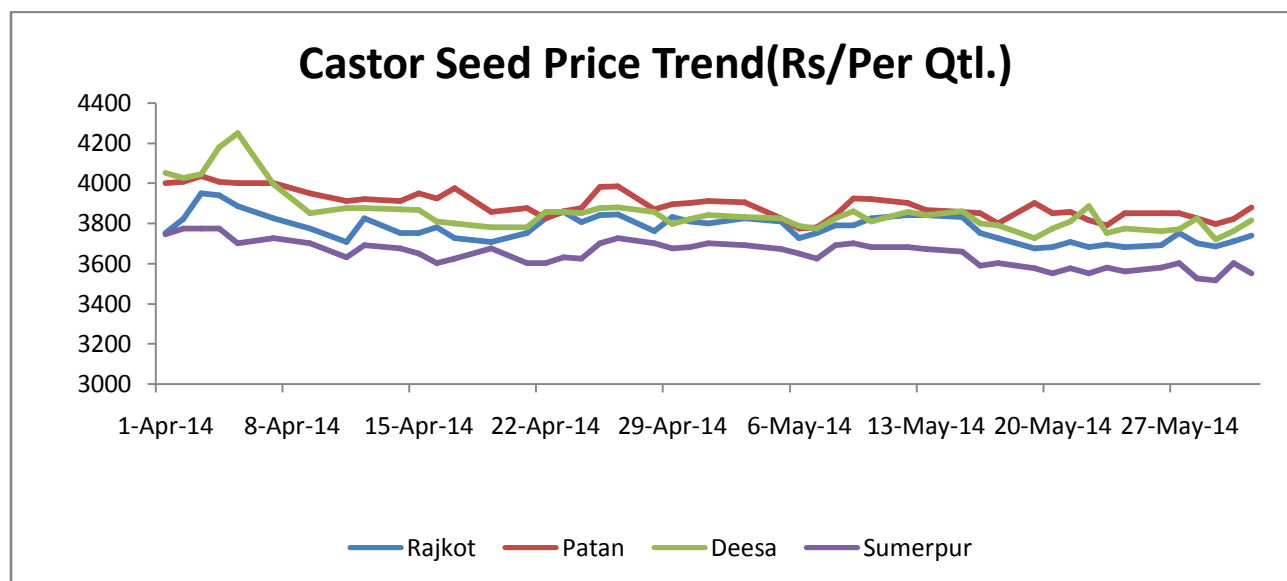


Comparative Oil Export From Jan To Dec(Fig In '000'T)				
	2011-12	2012-13	2013-14	2014-15
Jan	12,559	23,232	20,909	28,490
Feb	18,598	33,807	50,355	38,974
Mar	19,143	46,289	38,869	35,773
April	46,723	33,709	39,422	46500
May	43,832	59,193	59,900	<b>*50550(E)</b>
June	45,474	59,718	38,868	
July	46,471	35,130	57,214	
August	40,426	30,963	39,196	
Sept	18,319	26,641	43,139	
Oct	21,909	33,841	31,228	
Nov	17,545	20,682	21,307	
Dec	20,462	20,742	38,744	

Source: SEA ( May-June 2014 fig. is estimate based on exporter's feedback)\* (E)Projection for June.

Castor oil export volume has increased in the month of May to 46500 tonne in comparison to 39422 tonne in May 2013. However, due to higher price export volume in June may decrease to 50550 tonne in comparison to May, last year. Despite, lower export volume it may increase from April volume of 46500 tonne to 50550 tonne.

### Comparative Price Trend In Various Markets:

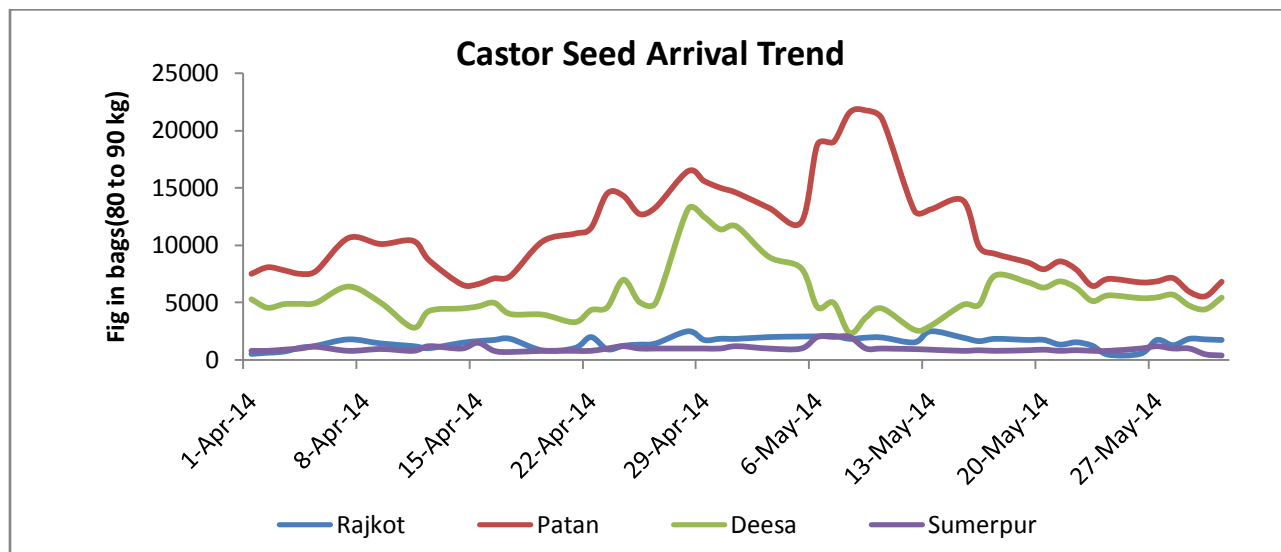


Cash market traded slightly firm during the last week of April after considerable dip in the beginning of the week due to fresh demand at lower level. Market participants expect that market should stabilize on current level, fresh buying interest is expected from this week once again. Due to phased manner



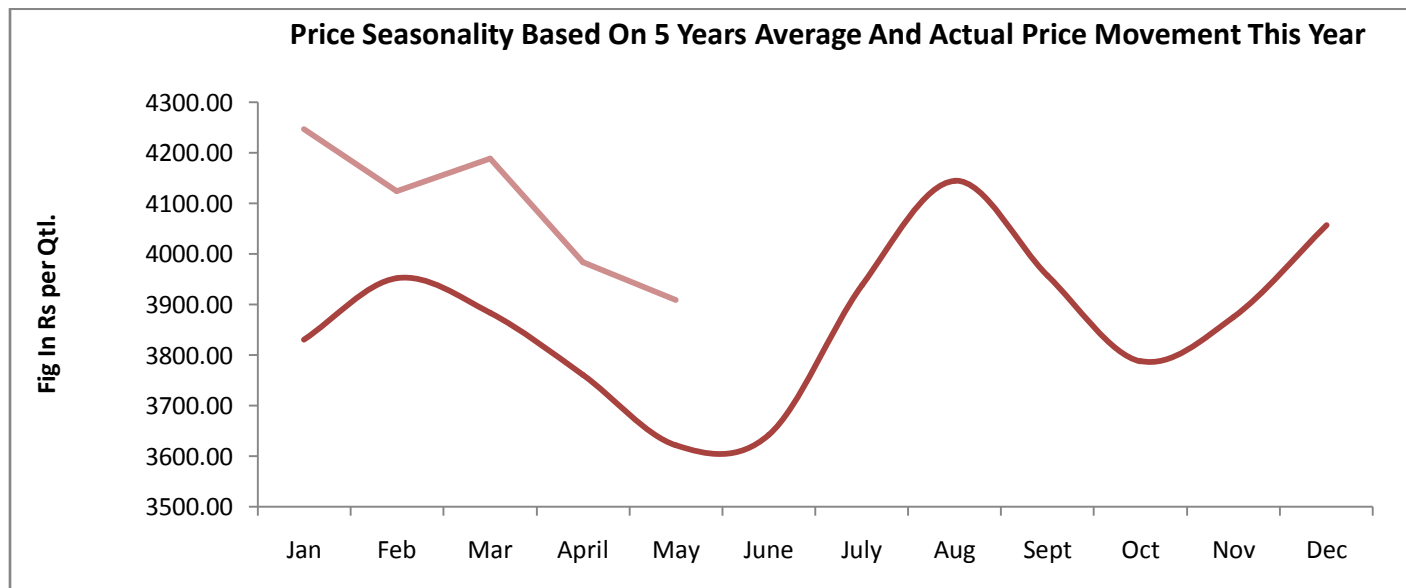
election and holidays trading activities remains sluggish. However, from second week of May market is expected to improve once again.

### Comparative Arrivals In Various Markets:



Castor seed arrivals have decreased slightly in the week under review and market expects arrivals to improve slightly by mid May. However, higher expectation of arrivals would not impact prices as good demand would help market to consolidate in the weeks ahead.

### Seasonality Based Price Movement and Market Trend This year:

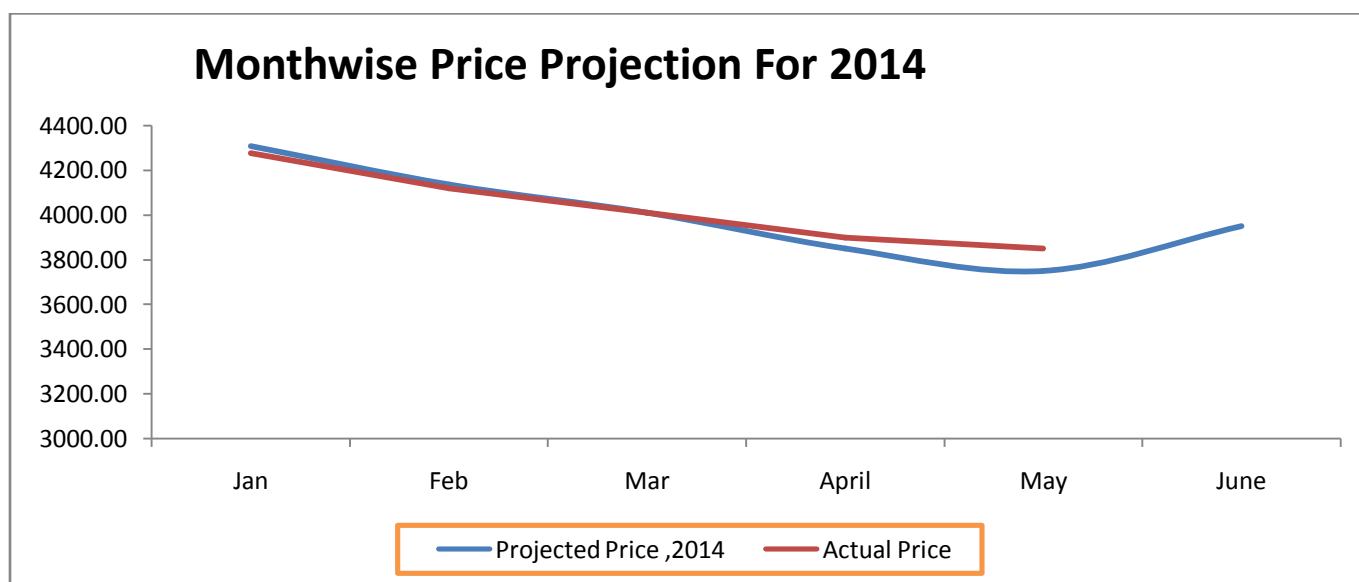




**Cash Market Price Projection For June:**

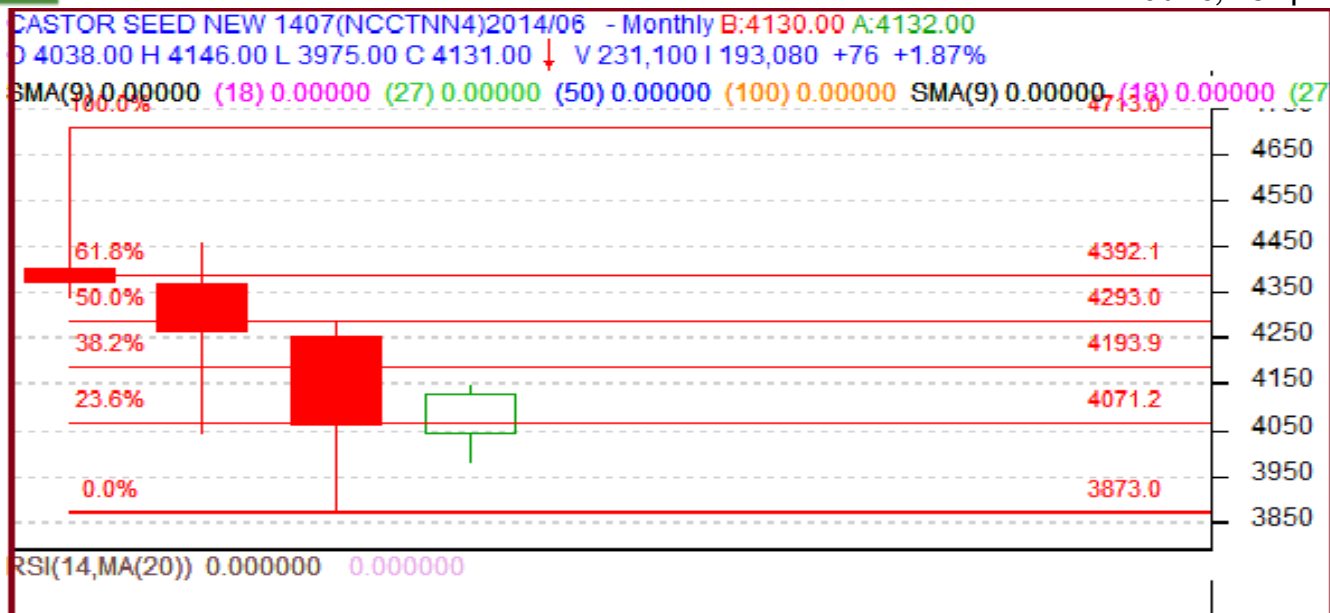
Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	3900	4000
Medium Term (30 days)	4000	4150

**Price projection for June vs actual price:**



Projected price is based on seasonality and percentage ups and downs in that particular month.

**Castor Monthly Technical Analysis:**


**Technical Commentary:**

- Candle stick pattern shows firmness in the market.
- Nearest by support is 4042 while the first resistance is 4191.
- RSI is hovering in neutral zone.
- Players are advised to buy in between 4060-65 maintaining stop loss strictly at 4041.

**Strategy: Buy At Dip**

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	July	3976	4042	4127	4191	4261
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	July	Buy	4060-65	4150	4195	4041

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