

Executive Summary:

- ❖ As expected in the month of May, castor seed and its products posted smart gains in major trading hubs in Rajasthan, Gujarat and Andhra Pradesh in June. Average monthly price of seed increased from Rs 3940.27 to Rs 4096.17 per qtl. up to 24th June, 2014. Seed price in last one month increased by 3.95 percent. The upward momentum is likely to continue as lower production, private stock retention (around 3 lakh tonnes) and good demand for oil and oil-meal from overseas markets remain supportive to seed market fundamentals. However, profit booking at higher levels may lead to downward correction in the short term.
- ❖ As availability of seed for crushing has declined fast during last one month, prices are getting firmer week on week basis. Seed crushing in June upto 24th was reported at 75,000 tonnes and total crushing may end up at 90,000 tonnes against the normal monthly demand of one lakh tonnes of seed. Oil demand from overseas markets including domestic demand exceeded 60,000 tonnes per month now and it is likely to continue with same pace for next two three months. On the basis of 47/48 percent oil recovery planters are able to produce only 42 to 43 thousand tonnes of oil per month. This denotes shortfall in production against oil demand and hints towards bullish outlook from second week of July.
- ❖ As per preliminary sowing intention of farmers and below normal start of monsoon followed by deficit rainfall up to now, castor seed area is likely to increase by 993 thousand ha. to 1081 thousand ha. due to higher price (of seed). Farmers in Andhra Pradesh would start sowing castor by July end, followed by Gujarat and Rajasthan in August/Sept. If rainfalls improve in July, farmers in Gujarat and Rajasthan would prefer sowing moong, urad, bajra, cotton and guar. However, lower rainfalls in July may encourage farmers to use some land for castor seed. Stake holders need to watch weather development closely in July.
- ❖ From January to June total seed crushing is expected to touch 5.75 lakh tonnes out of 15.64 lakh tonnes including carryover available for the year. This means market has now below one million tonnes seed for next nine months upto March, 2015. If private trade's release, who is believed to have retained over 3 lakh tonnes of seed, remains patchy, shortage of seed supply would be even grimmer and prices could shoot up more than we expect at this point of time.
- ❖ Higher rainfall in August would increase yield of castor seed may ensure higher production than last year. Area of castor seed is likely to be between 0.9 to 1.08 million ha. Final production would depend on rainfall status in July–August. Sowing would start in Andhra Pradesh by the end of this month followed by Gujarat and Rajasthan.
- ❖ Ministry of agriculture and statistics has released third advance estimate on 25.05.2014 and projected 16.64 lakh tonnes production this year against the target of 15.81 lakh tonnes. Market participants are surprised to see the inflated govt. figure of castor seed production this year.
- ❖ FOB Quote for Castor oil first grade at Kandla has increased from \$1475 to \$1510 per tonne in the last one week. It is almost 15 percent higher than the price realised in June 2013. Sharp increase in FoB quote is mainly attributed to higher seed price and good demand from overseas market. As market sentiment remains firm with good back up by demand, it may cross \$1550 by the end of July. In local market commercial grade castor oil is being quoted at Rs 8750 per quintal, in \$ term it comes to \$1440/1450 per tonne. It is 16.7 percent higher than the price in June, 2013.
- ❖ Overall outlook for domestic market remains strong for the third and fourth quarter of the year. Better rainfall in August would increase yield and cap bull run to some extent till sept-oct. by then sowing picture and actual rainfall would be clear.

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	11.7
Imports	0	0	0
Total Availability	17.3	18.34	15.54
Consumption	13	14.5	15
Exports	0	0	0
Total Usage	13	14.5	15
Carry out	4.3	3.84	0.54
Av Monthly Consumption	1.08	1.21	1.25
Stock to Month Use	3.97	3.18	0.43
Stock to Consumption Ratio	0.331	0.265	0.036

Agriwatch revised estimate based on feedback received from market participants.

High lights of S&D:

- ❖ Castor seed demand and supply table denotes that current marketing season would end with 0.54 lakh tonne seeds as carry out. The govt. has set the production target at 16.65 lakh tonne for 2014-15. If the set target materialize, total availability for 2014-15 would be 17.19 lakh tonne against the likely usage of 16.5 lakh tonne, assuming 10 percent yearly increased in oil demand as has been seen during last three-four years.
- ❖ Average monthly consumption would continue to increase and would touch 1.25 lakh tonne per month for the whole year average. However, stock to month use ratio has decreased from 3.18 to 0.43 lakh tonne due to lower production in 2013-14.
- ❖ As sowing would start by the end of July the picture would be clear in August. Good rainfall in August would boost yield. Stake holders need to have a close eye on July –August rainfall, that would ultimately set the final size of the crop.
- ❖ The 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.

Variation in production estimates:

Comparable Production Estimates (Fig. In Lakh Tonne)						
	Govt. Fig	Oil world	Private fig.	Agriwatch	Nelson	COOIT
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
2013-14*	16.64	10.5	11.8	11.7	11.6	12.05
2014-15**	16.65					

** Govt production Target

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. Govt has set the production target at 16.65 lakh tonne for 2014-15 crop year. Trades estimates are still awaited and are expected in Oct., 2014.

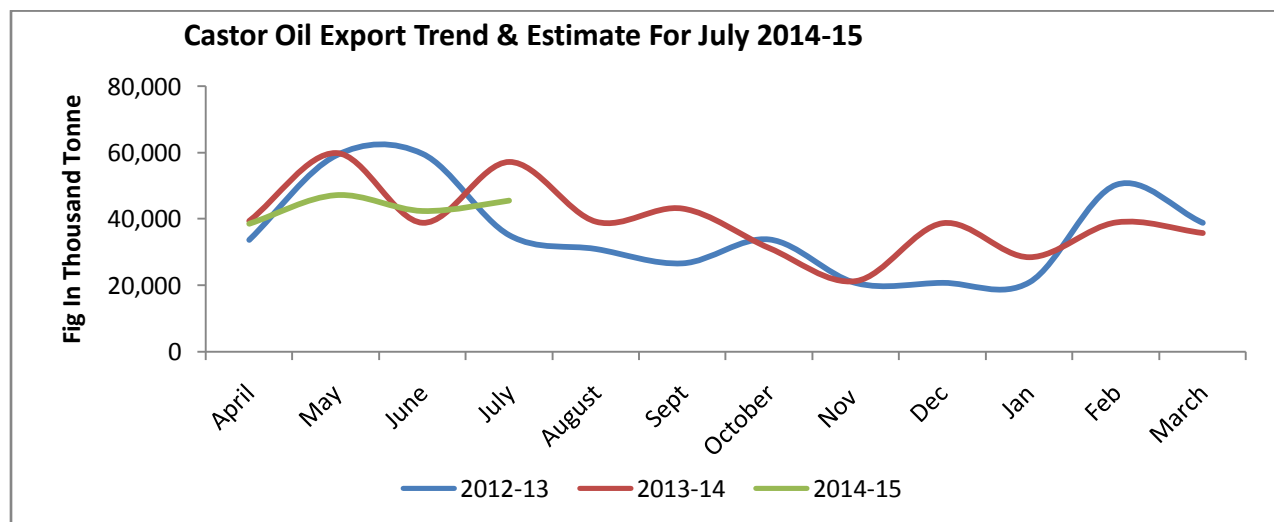
Oil Demand & Supply:

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:

- There is a slight difference between total availability and total usage this year. The season would end with only 10,000 tonne oil as carryout for 2014-15. It is 30,000 tonne lower than last year.
- Castor oil demand has been on the rise from last three to four year at the rate of 8 to 9 percent per year.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 47 percent recovery from around 15 lakh tonne seed crushing.
- The current season may end up with 5.2 lakh tonne oil export.EU and China would remain the biggest buyers and collectively would buy more than 4.5 lakh tonne of oil this year.
- On the domestic front too, oil demand has increased from sectors like soap,paints and adhesive industries this year by 6 percent from 25,000 tonnes to 26500 tonne.However, small scale industries have increased use of palm stearindue to its cheaper availability.Higher price may slow down castor oil demand in the fourth quarter.
- Overall domestic consumption may touch from 1.6 to 1.7 lakh tonne this year. Medicinal use of castor oil too has increased in recent years and has touched 1000 tonne to 1500 tonnes in last three years.

Castor Oil Export Trend& Projection For July:


Source:SEA& Private Trades

Castor oil export continued to increase from March up to May 2014. However, it stayed steady in the month of May due to unstable seed prices and lower demand at higher level as major buyers like China, USA and EU restricted their buying as they had covered their requirements in May for June.

Now their maximum stock has consumed and they would enter the market in mid July and start buying higher quantity (almost 20 percent) as expected. This may increase the final figure of export to 42,460 to 45,550 tonne in July as per local trade estimates.

As importers are well aware of impending short supply in the fourth quarter and resultantly price, export volume would come down in August and September. By then sowing status and rainfall condition would be clear. This will hint the future course of price direction.

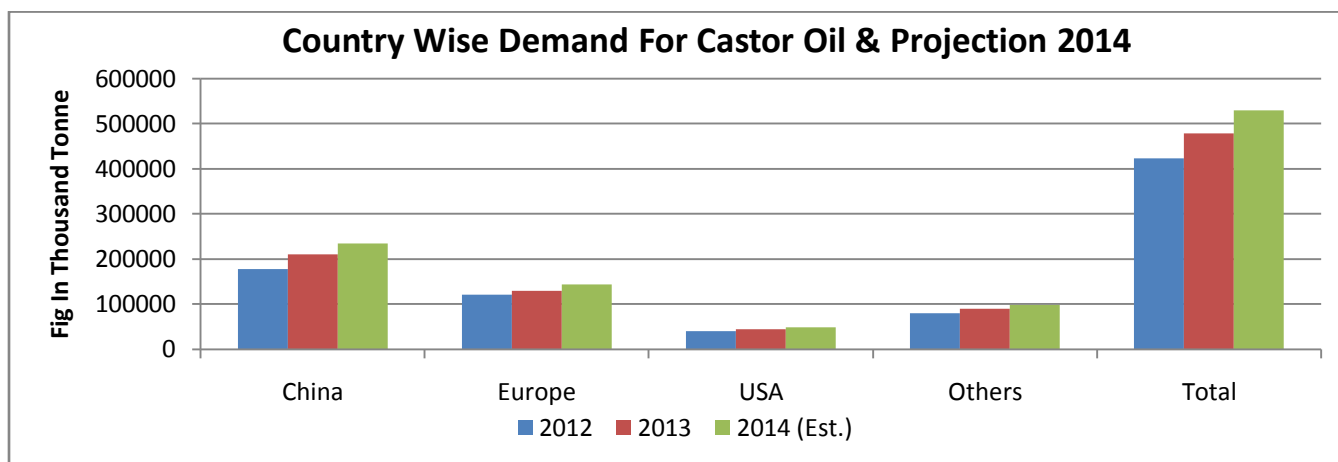
Yearly Castor Oil Export Trend Table:

Fig In '000' tonne	2010-11	2011-12	2012-13	2013-14	2014-15
April	30,327	46,723	33,709	39,422	38,661
May	53,269	43,832	59,193	59,900	47,176
June	42,981	45,474	59,718	38,868	42,460
July	45,417	46,471	35,130	57,214	45,550
August	30,461	40,426	30,963	39,196	
Sept	21,295	18,319	26,641	43,139	
October	36,220	21,909	33,841	31,228	
Nov	15,039	17,545	20,682	21,307	
Dec	17,945	20,462	20,742	38,744	
Jan	12,559	23,232	20,909	28,490	
Feb	18,598	33,807	50,355	38,974	
March	19,143	46,289	38,869	35,773	

Source:SOPA, June & July fig. as per trades estimate

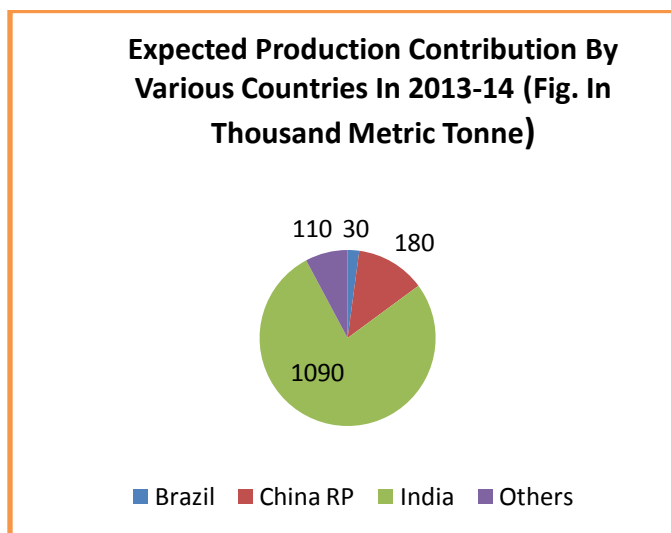
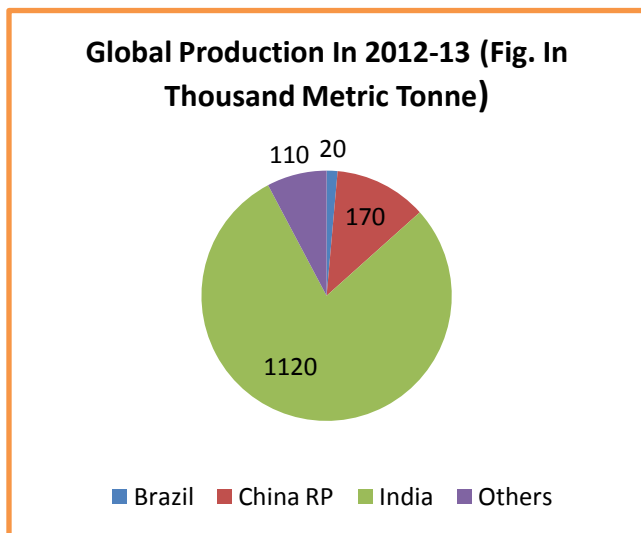
International Market Update:

Though the importers are China, EU and US, there are over 20 others who import in small quantities ranging from 2000 tonnes to 10,000 tonnes per year. Export to such countries is growing by 8 to 9 percent per year for the last three years. In coming months China would remain the major buyer followed by EU, especially Belgium.



Big buyers like China, EU and US would continue to buy oil with higher pace. Total import by China may cross 2.2 lakh tonnes this year at a monthly average of 18,000 tonnes. EU countries could buy an average of 10,000 tonnes per month of oil. China has brought over 60,000 tonnes of oil since April. EU buying in last three months up to June has touched 28,550 tonnes. US monthly buying has been steady at 4,250 tonnes.

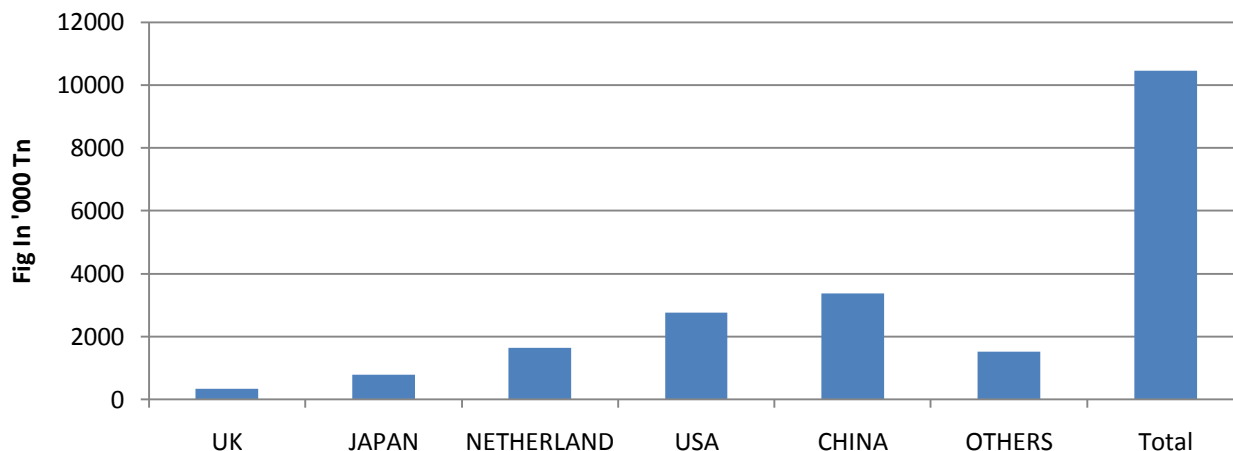
Global Production Contribution At A Glance:



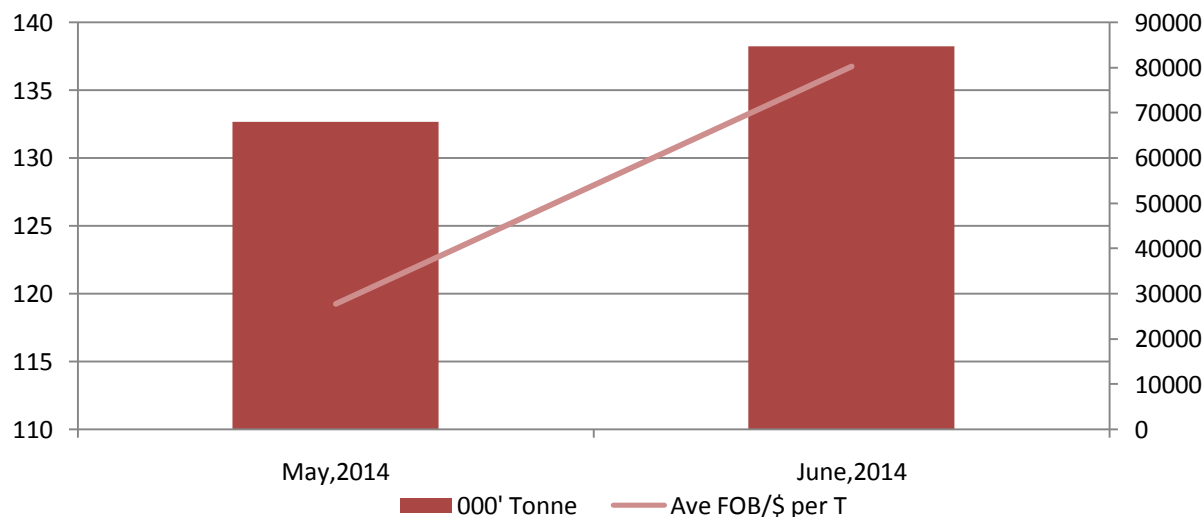


As production in Brazil and China is much lower than its domestic requirements, Indian dominance would continue as previous year. Production cost of castor seed in these countries are higher (almost Rs 600 per qtl. than India, so they would continue to rely on India.

Castor Oil Export Trend in 2nd Week of June



Comparative Castor Meal Export, May-June 2014



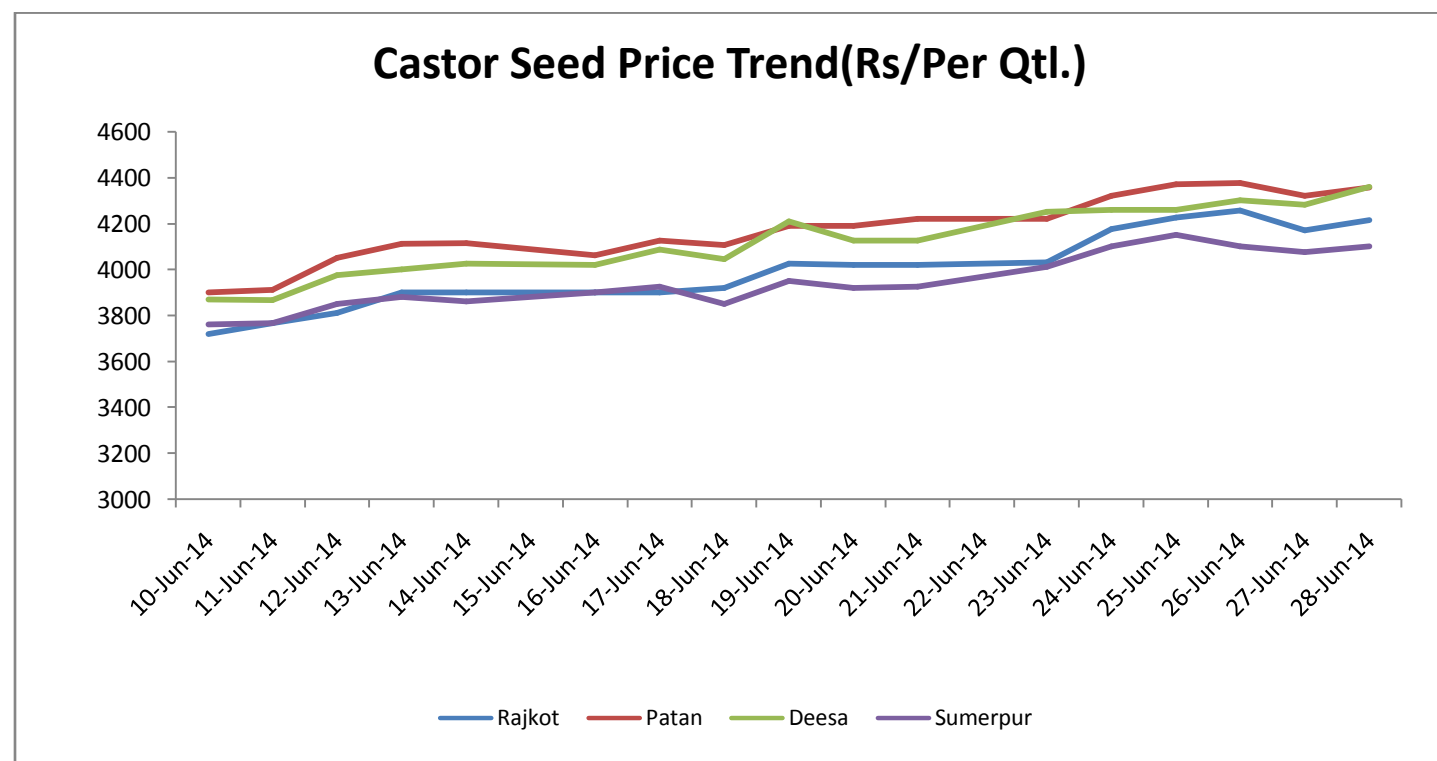
Source: IBIS

Castor meal export during June has increased by 14.65 percent from last month to 84664.12 tonne. During this period average FOB quote too increased from \$119.25 to \$136.72 per tonne. Major buyers were Korea, Taiwan, Japan and Malaysia. Korea brought around 43,722 tonnes, Taiwan 39291 tonnes and Japan 1294 tonnes in last month. As demand from various countries continues, meal prices may move further up in the month of July. Average FOB price during this month has increased by 14.65

percent from last month. Here we have taken average price for all ports. However, from Kandla it is hovering in the range of \$114 to \$115 per tonne.

Domestic & FOB Price Updates:

Comparative Prices Of Castor Products Including Seed					
	27TH June'14	20TH June'14	27TH May'14	27TH June'13	Ch. % from last year
Castorseed (Gujarat)((Rs./M.T) Ex-Mandi	43750	42300	38250	34958	20.09
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	115	115	105	95	17.39
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	6350	6350	6000	5160	18.74
Castor Oil (First Grade) FOB Kandla (Export)	1510	1475	1385	1298	14.04
Local rates in domestic market(Rs./M.T.) for comm.	87500	84000	81000	72204	17.48

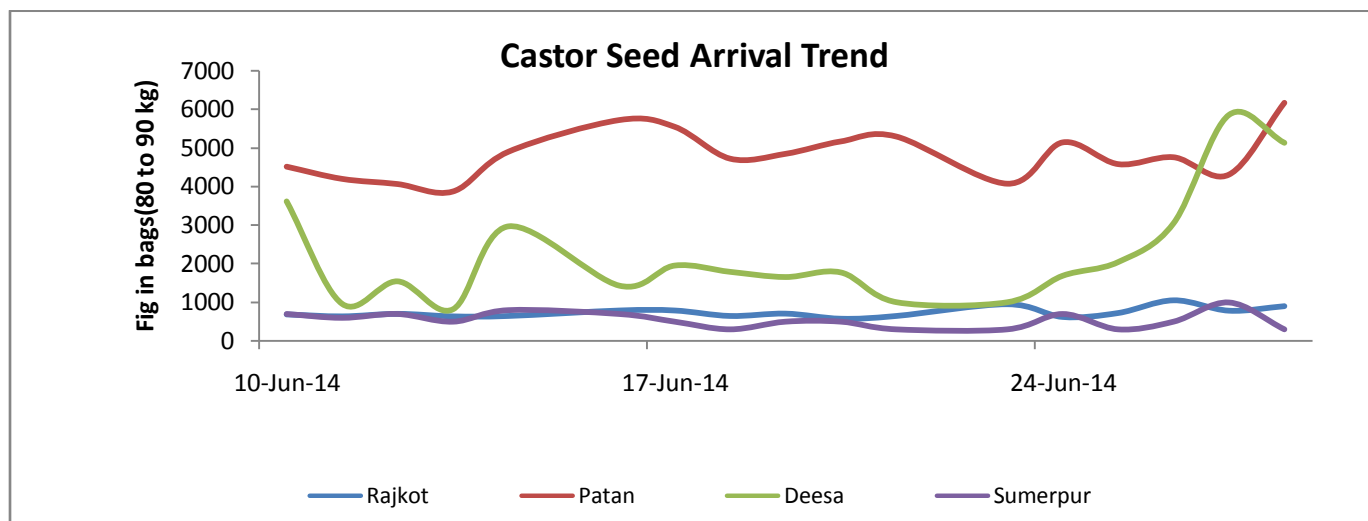
Castor Seed Price Trend In June:


Cash market traded up during the fourth week of June in major bench mark markets due to restricted arrivals and good demand from planters and oil from overseas market. At the end of the week prices continued to move up. Market participants expect uptrend to continue as there is a visible short supply



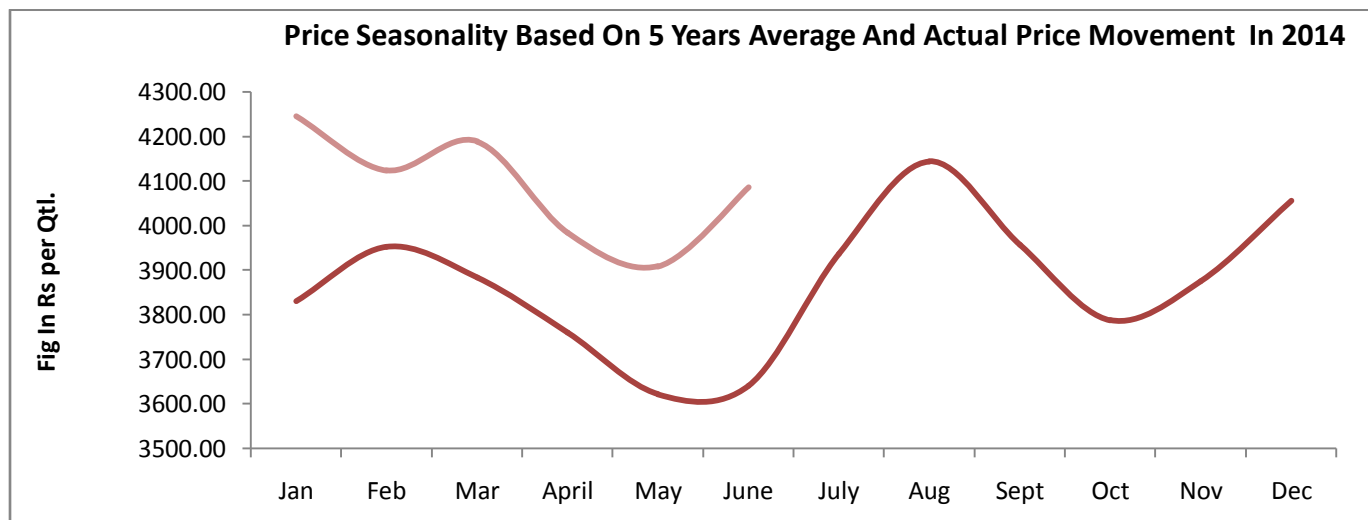
of seed. Lower supply of seed and continuous demand for oil would lend support to seed markets. Stockists have to prove their ability to drag market up

Castor Seed arrival Chart:



Castor seed arrivals have increased considerably in Patan in the This week starting 1st July. However, it has decreased in Deesa and Sumerpur. It has increased slightly in Rajkot. Now arrivals are expected to decrease as most farmers have sold out their stock (almost 80 percent). The rest marketable surplus would hit the market in Nov-Dec when prices are expected to rule at the highest level. This may support prices once again.

Seasonality Based Price Movement and Market Trend This year:



Castor market has followed seasonal trend, however prices have been ruling higher than last year by Rs 200 per qtl. due to lower size crop and good demand for oil and other castor products. Uptrend is likely

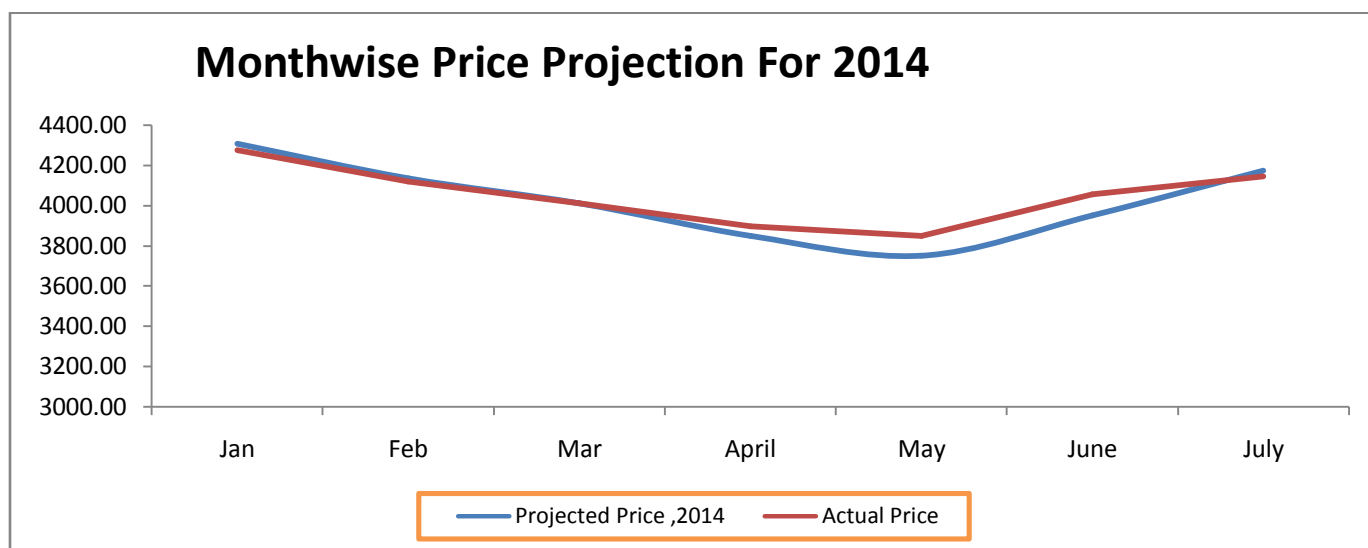


to continue on seasonal factors private retention, uncertain sowing status for current year and unpredictable rainfall so far.

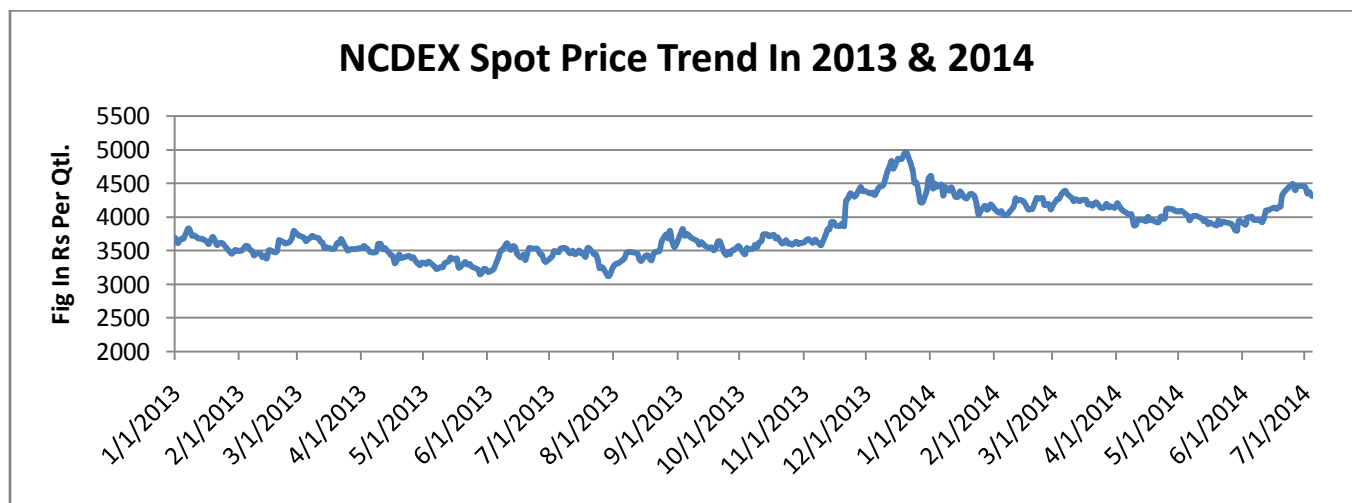
Cash Market Price Projection For July:

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	4250-4300	4300-4450
Medium Term (30 days)	4450-4550	4550-4650

Price projection for June vs actual price:



Projected price is based on seasonality and percentage ups and downs in that particular month. Seed price in July may hover in the range of Rs 4250 to 4300 (lower limit) and Rs4300- 4450) upper limit under normal condition in the month of July. Stake holder should retain their stock and buy near 4200/4250 per qtl.in cash market.



During last one month NCDEX spot price has been hovering in the range of Rs 3850 to Rs 4500 per qtl. However, slight correction has been witnessed in the last week of June. As demand from planters continued, any major dip from current level is unlikely. Stock retention and overseas demand would remain supportive for seed and oil in the month of July.

Pre-sowing production estimate of castor seed based on deficit rainfall for 2014-15 by Agriwatch:

State	Area in 000 Ha.in 2013-14	Area in 000 Ha.in 2014-15(Expected)	Cumulative Rainfall Distribution %	Normal Expected Period of sowing	Current Expected Period of sowing	Original sowing	5 year Av. Prod In ('000 'T)	Production under Normal condition	Revised under Deficit Rainfall
AP	130	166	-73%	July End-Aug	As of now no change	Yet to commence	88.4	100	92.67
Assam	0.5	0.5	-23%	Sept.	As of now no change	Yet to commence	0.48	0.5	0.47
Bihar	0.5	0.5	-17%	oct/nov	As of now no change	Yet to commence	0.16	0.1	0.13
Gujarat	625	701	-85%	Oct	As of now no change	Yet to commence	1273.48	1254.4	1427.33
Haryana	1	1	-30%	mid-sept/oct.	As of now no change	Yet to commence	0.9	1	1.00
Jharkhand	0.5	0.5	-27%	oct.	As of now no change	Yet to commence	0.2	0.1	0.07
Karnataka	14	13	-23%	August-Sept	As of now no change	Yet to commence	12.2	12	12.33
MP	1	1	-35%	Oct/Nov	As of now no change	Yet to commence	0.46	0.6	0.50
Maharashtra	15	16	-58%	Mid Oct	As of now no change	Yet to commence	3.8	5	4.00
Odisha	7	7	-64%	Oct	As of now no change	Yet to commence	8.68	8.2	8.40
Rajasthan	195	170	-48%	August-Sept	As of now no change	Yet to commence	265.62	280	320.63
Tamil Nadu	3	4	-17%	July end-August	As of now no change	Yet to commence	1.8	1.9	1.87
West Bengal	0.5	0.5	-20%	Sept.	As of now no change	Yet to commence	0.06	0.1	0.07
India	993	1081	-38%				1656.34	1664	1869.57

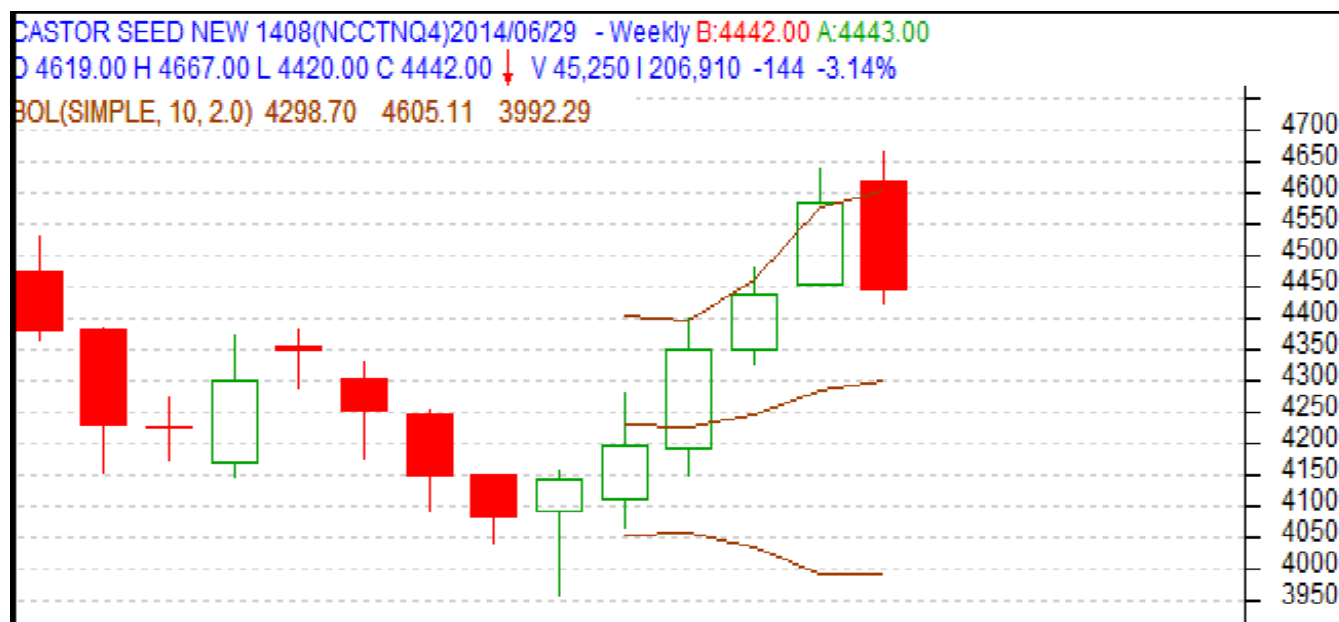
Agriwatch has come with pre-sowing advance estimate for castor seed production in 2014-15 based on deficit of rainfall till June, 2014 and area / yield data available with agriculture ministry for previous year. As production seems quite higher than private estimate, it is all due to yield variation. Agriwatch has calculated yield of DAC in past years.

Till End of June the overall rainfall deficit was registered at -40 percent. If it continues to extend its deficit phase, area under castor seed would increase by 8.86 percent from 993 to 1081 thousand ha. Sowing is yet to start. Higher area would increase production from 1656.34 to 1869.57 thousand tonne this year. As it is preliminary

estimate, 2 to 3 percent minus –plus probability still exists. Actual picture would be clear by the end of Sept. by then we would be able to get overall rainfall picture.

Agriwatch would revise this preliminary estimate in Oct-Nov.2014

Castor Monthly Technical Analysis:



Technical Commentary:

- Candle stick pattern shows weakness in the market.
- Nearest by support is 4350 while the first resistance is 4650.
- RSI is hovering in neutral zone.
- Players are advised to buy in between 4375-80 maintaining stop loss strictly at 4350.

Strategy: Buy On Dip

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	August	4300	4350	4437	4600	4700
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	August	Buy	4375-80	4500	4650	4349

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