

Executive Summary:

- ❖ Castor seed cash market could not sustain higher levels attained in June during the month under review despite slower start of sowing and deficit rainfall in major growing states. The higher seed price resulted in higher costing of end products like oil and meal. Buyers slowed their buying due to high price and prices started declining in the second half of July. Besides, improvement in rainfall status and higher pace of sowing impacted inner tone in the market. Bear operators remained active in futures during the second half of July and will continue to dominate futures market. Continued dip in September contract is likely and it may stabilize near Rs 4050 to Rs 4100 before August Settlement.
- ❖ As per latest feedback from farmers and agri-experts, castor seed area may increase from 9.93 to 10.81 lakh ha., almost 9 percent higher in 2014-15 due to delayed monsoon and insufficient rainfall (-21 percent) so far. Farmers may opt for castor in place of peanuts in Gujarat, the major producing state. Attractive price on back of lower production in the previous season would also encourage farmers to shift to castor seed. Sowing of castor seed has started in Gujarat, Andhra Pradesh and Rajasthan.
- ❖ As per central agriculture ministry update castor seed has been sowed on 96,000 hectares area as on July 24 this year across the country. However, last year at the same time, sowing was done on 149,000 hectares in India. As per Gujarat agriculture ministry sowing of castor seed has been done on 83,700 hectares as on 28th July, 2014 against 172,600 hectares in corresponding period of kharif 2013.
- ❖ From January to July total seed crushing is expected to touch 6.75/7.0 lakh tonne out of 15.64 lakh tonne including carryout available for the year. This means market has now around 8.60 lakh tonne seed available for next eight months upto March, 2015. If private trade's release, who is believed to have retained over 3 lakh tons of seed, remains patchy, short supply of seed is now a visible possibility. However, higher area coverage and favourable weather would restrict uptrend in August.
- ❖ Ministry of agriculture and statistics has released third advance estimate on 25.05.2014 and projected 16.64 lakh tonne production this year against the target of 15.81 lakh tonne. If we consider govt yield of last year, castor seed production may touch at 18.69 lakh tonne provided the weather condition August onwards is normal. However, private trades expect 15 to 16 lakh tonne production (almost 4 to 4.5 lakh tonne higher than last year) this year from new crop.
- ❖ FOB Quote for Castor oil first grade at Kandla has decreased from \$1510 to \$1465 per tonne in the last one month. It is almost \$45 per tonne lower than price realized on 25th June 2014. Sharp decrease in FoB quote is mainly attributed to higher seed stock in ware houses, expectation of higher area coverage and weak demand from overseas market at this point of time. FOB quote may dip to \$1425/30 by mid August once again. In local market commercial grade castor oil is being quoted at Rs 8450 per quintal, in \$ term it comes to \$1405/1410 per tonne.
- ❖ Price of castor oil in Rotterdam too has decreased from \$1755 to \$1705 per metric tonne during last two weeks. As castor oil prices are moving down in domestic market, oil price in Rotterdam is bound to decrease slightly for short term. EU and China would remain major oil importer as oil consumption in these countries is increasing at the rate of 7 to 8 percent per year.
- ❖ Overall outlook for domestic market remains bearish for the first half of August. However, below 4050 in future Sept contract is a remote possibility. We expect market to improve in the second half of August. Stockists would prefer to wait till October, by then picture of area coverage 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 would bring preliminary production estimate for 2014-15 in Oct.2014.However, pre sowing production estimate based on lower rain fall has been given on page no.10

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 that 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.

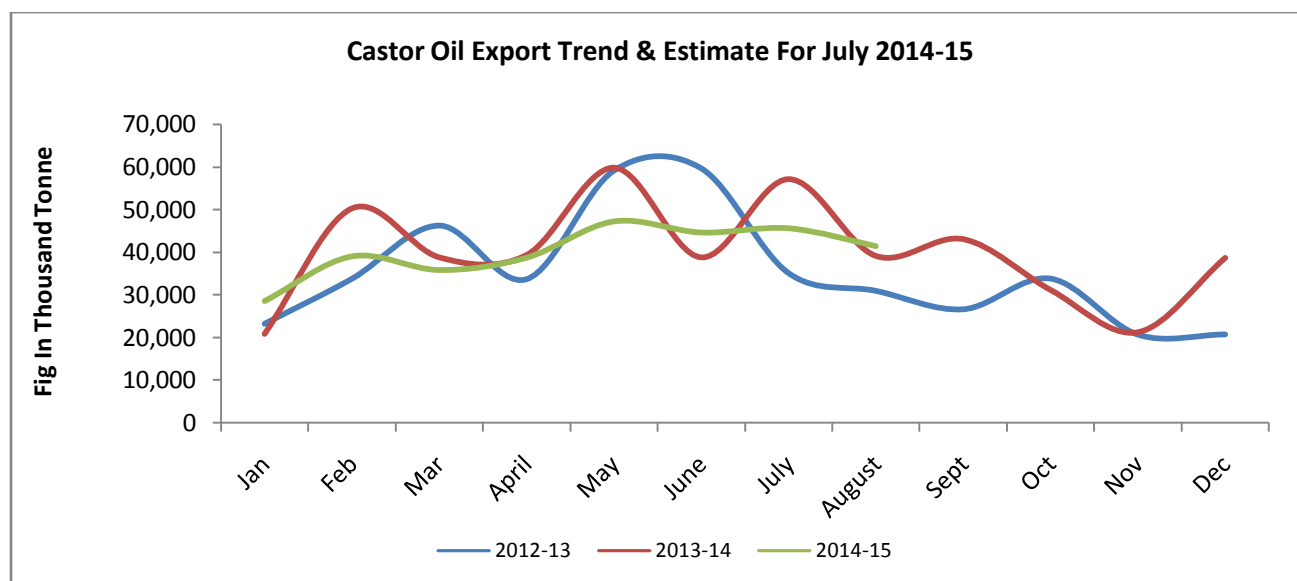
Oil Demand & Supply:

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:

- Castor oil demand has been on the rise for the last three to four years 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.
- 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.
- 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 26,500 tonnes. However, small scale industries have increased use of palm stearin due 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 August:


Source:SEA& Private Trades

Castor oil export continued to decrease from May 2014 to July 2014. Lower volume is expected in August too due to higher price and volatility in prices. Major buyers like China, EU and US remain restrictive buyers in August. Like July as 2014-15 trend line shows. We expect around 41,000 tonne oil export in August.

As importers are well aware of impending short supply in the fourth quarter and resultantly higher 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. Lower price may encourage buyers to start fresh buying by end August.

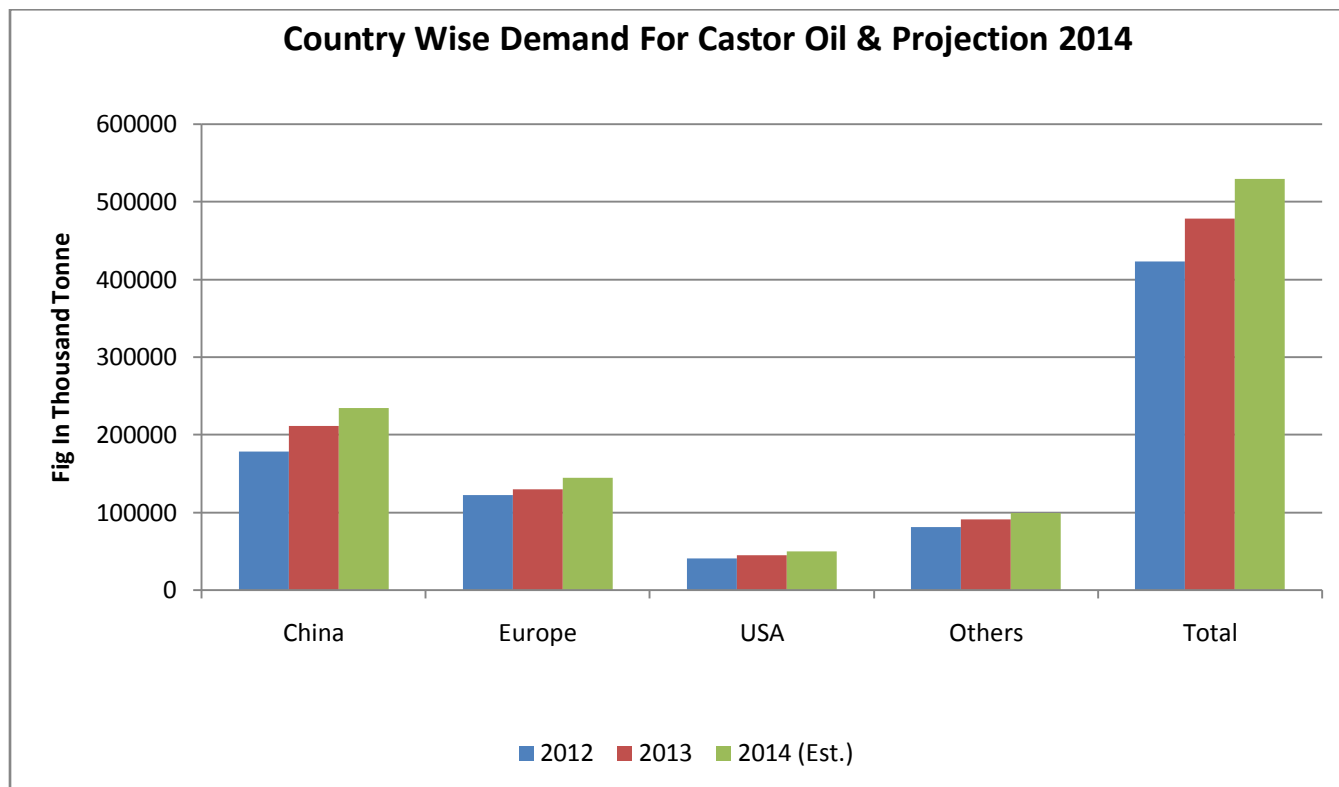
Yearly Castor Oil Export Trend Table:

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	41,375
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, July & Aug fig. as per trades estimate

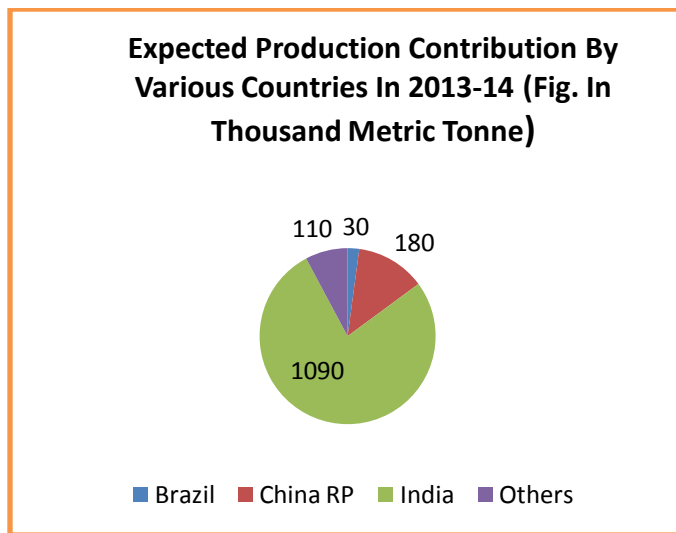
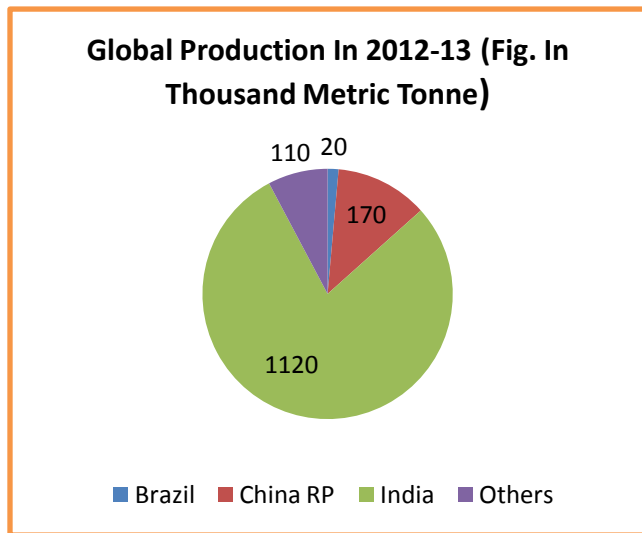
International Market Update:

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.

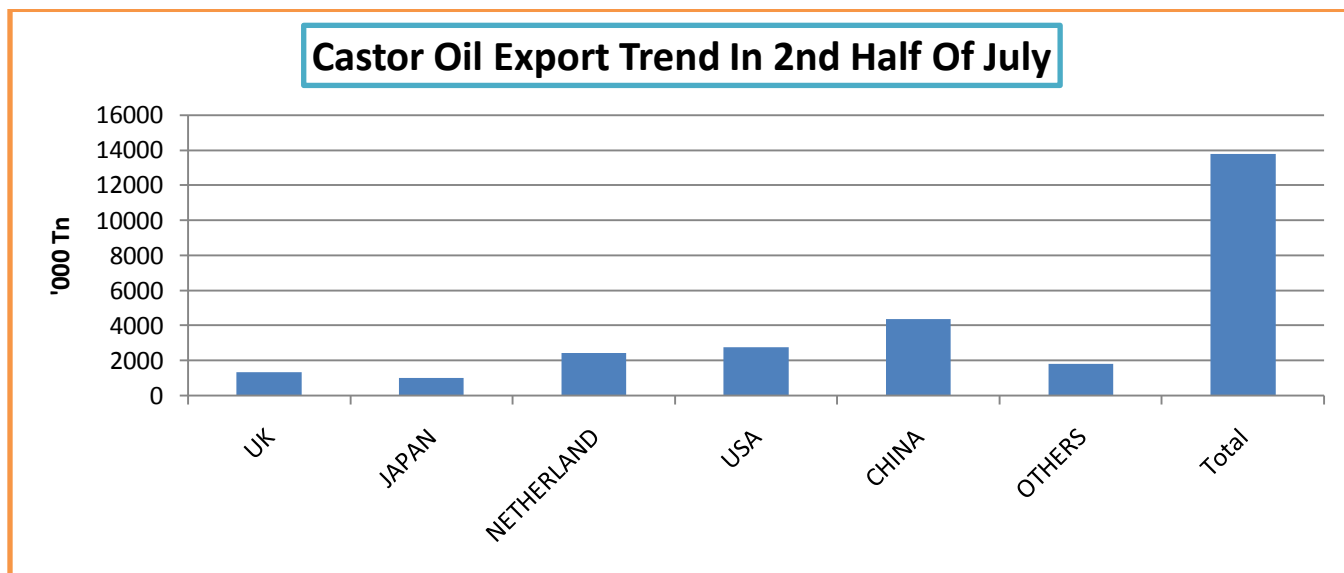


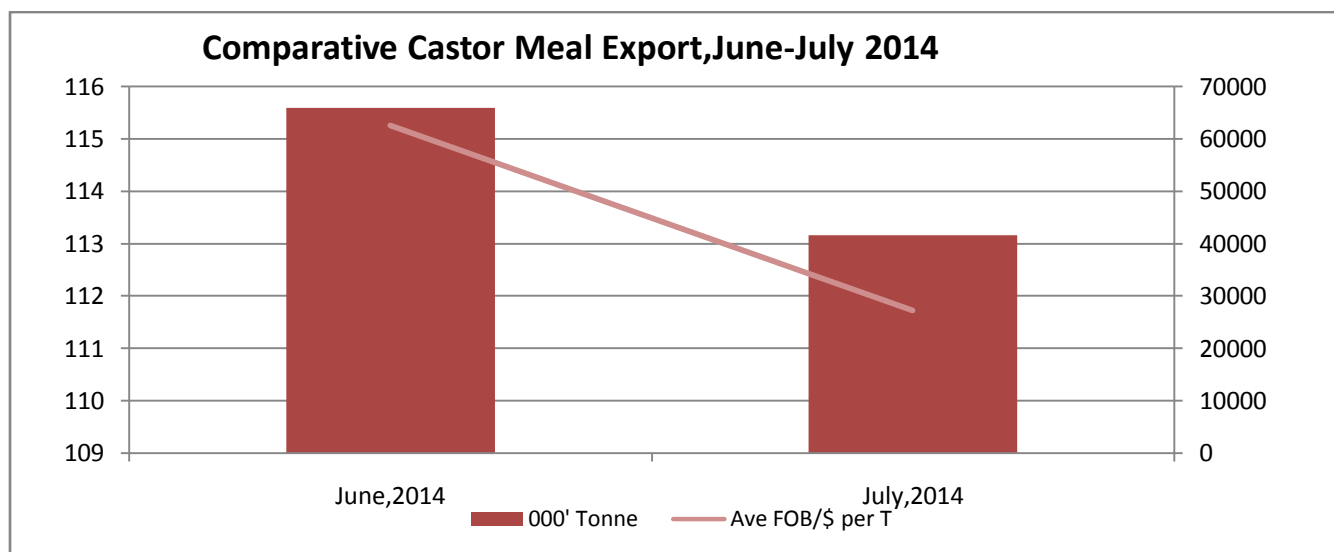
Big buyers like China, EU and US would continue to buy oil with higher pace. Total import by China may cross 2.2 lakh tonne this year at a monthly average of 18,000 tonnes. EU countries could buy an average of 10,000 tonnes per month of oil. China has brought over 78 thousand tonnes of oil since April. EU buying in last four months up to July has touched 38,150 tonnes. US monthly buying has been steady at 4,200/4,250 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 is higher (almost Rs 600 per qtl. than India, so they would continue to rely on India.





Source: IBIS

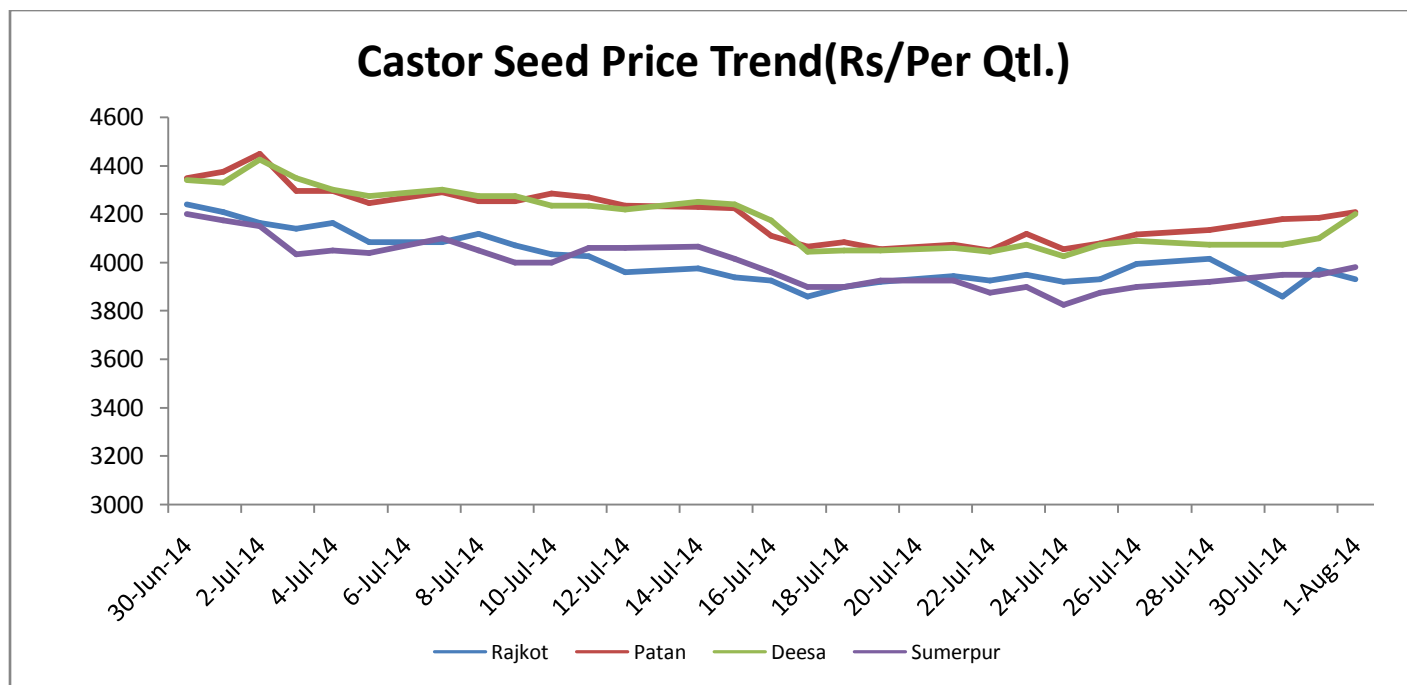
Castor meal export during July has decreased by 36.86 percent from last month to 41664.12 tonne. During this period average FOB quote too decreased from \$115.25 to \$111.72 per tonne. Major buyers were Korea, Taiwan, Japan and Malaysia. As demand from various countries is weak, export volume may decrease in August.

Domestic & FOB Price Updates:

Comparative Prices Of Castor Products Including Seed					
	1st Aug'14	25th July'14	1st July'14	1st Aug'13	Change % from last year
Castor seed (Gujarat) ((Rs./M.T) Ex-Mandi	43000	42100	44100	34114	20.67
Castor Meal Export (FAS) (US\$ / MT), Ex Kandla	108	108	115	96	11.11
EXPORT (FOR) Ports (Rs./MT) Castor meal bulk Kandla	6150	6225	6350	5684	7.58
Castor Oil (First Grade) FOB Kandla (Export) \$/Tonne	1460	1430	1525	1211	17.05
Local rates in domestic market (Rs./M.T.) for comm.	85500	84500	88000	72661	15.02

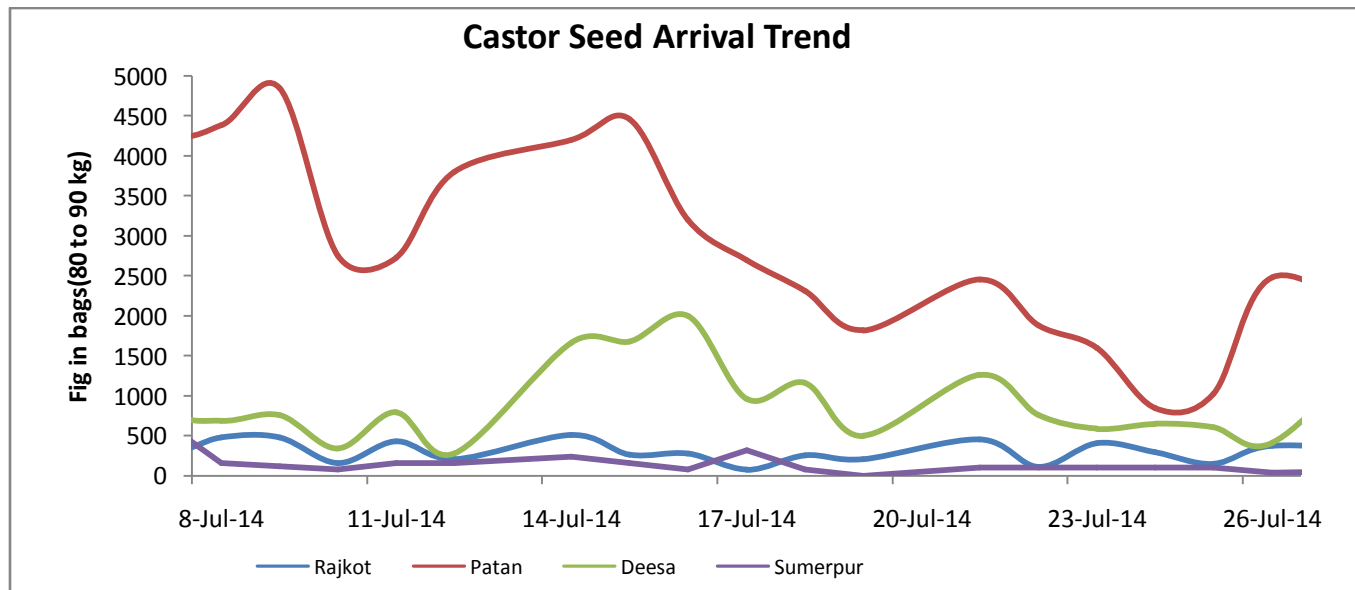


Castor Seed Price Trend In July:



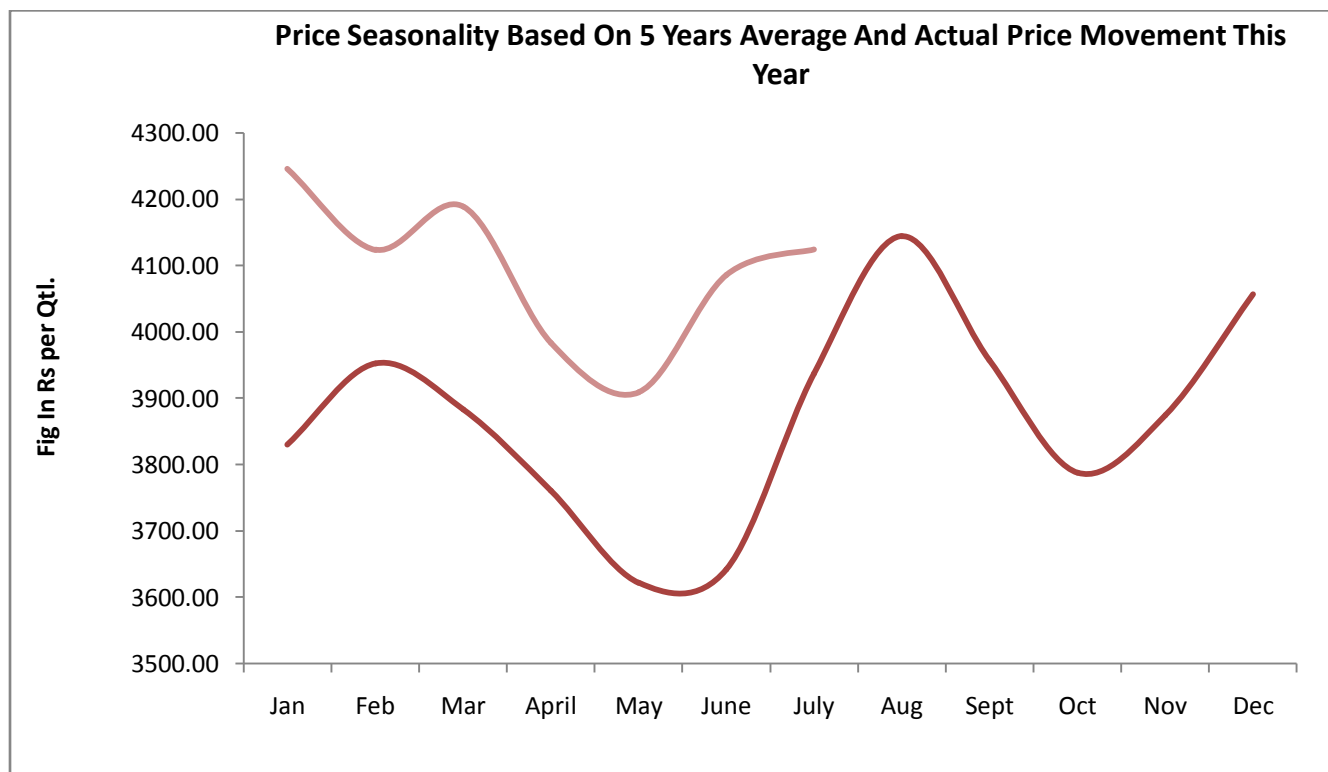
Cash market traded steady to slightly up during the fourth week of July in major bench mark markets due to restricted arrivals and good demand from planters and oil from overseas market. However, at the end of the week prices continued to move down in Rajkot. Market participants expect more dip in prices as inner tone is weak and bears operators are active in futures. Castor traded up in Patan and Deesa.

Castor Seed arrival Chart:



Castor seed arrivals have increased considerably in Patan in the last week of 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 85 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. Possibility of higher area coverage may restrict uptrend in near term.

Seasonality Based Price Movement and Market Trend This year:



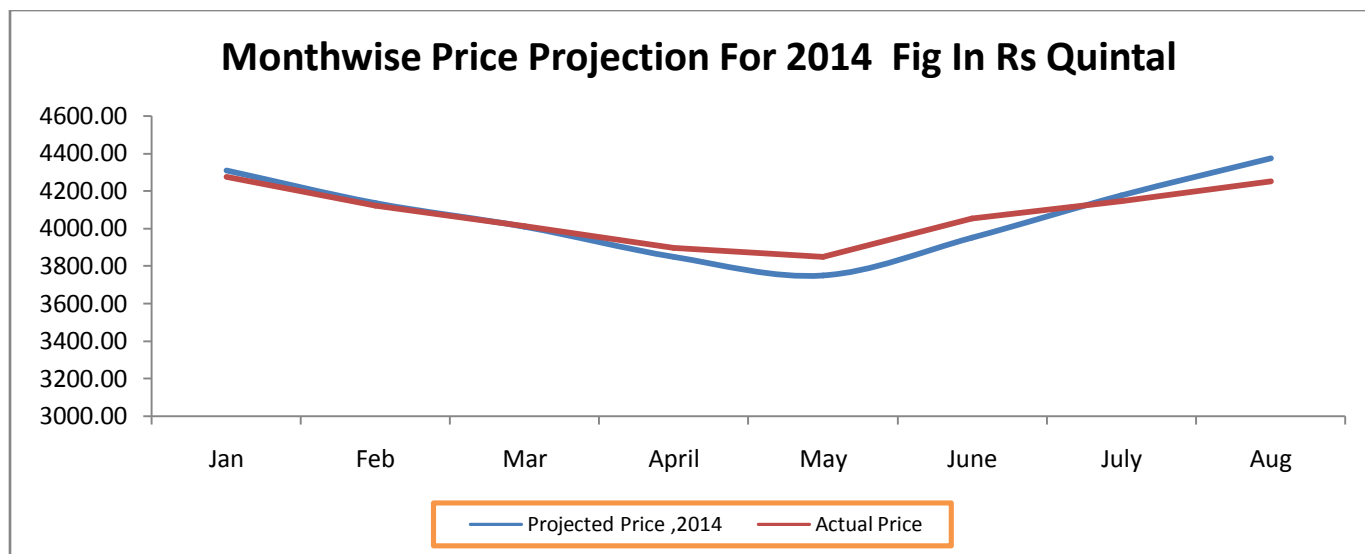
Castor market has followed seasonal trend, however prices have been ruling higher than last year by Rs 200 per qtl. due to lower size crop and good demand for oil and other castor products. Uptrend is unlikely to continue in the near term.

Cash Market Price Projection For August:

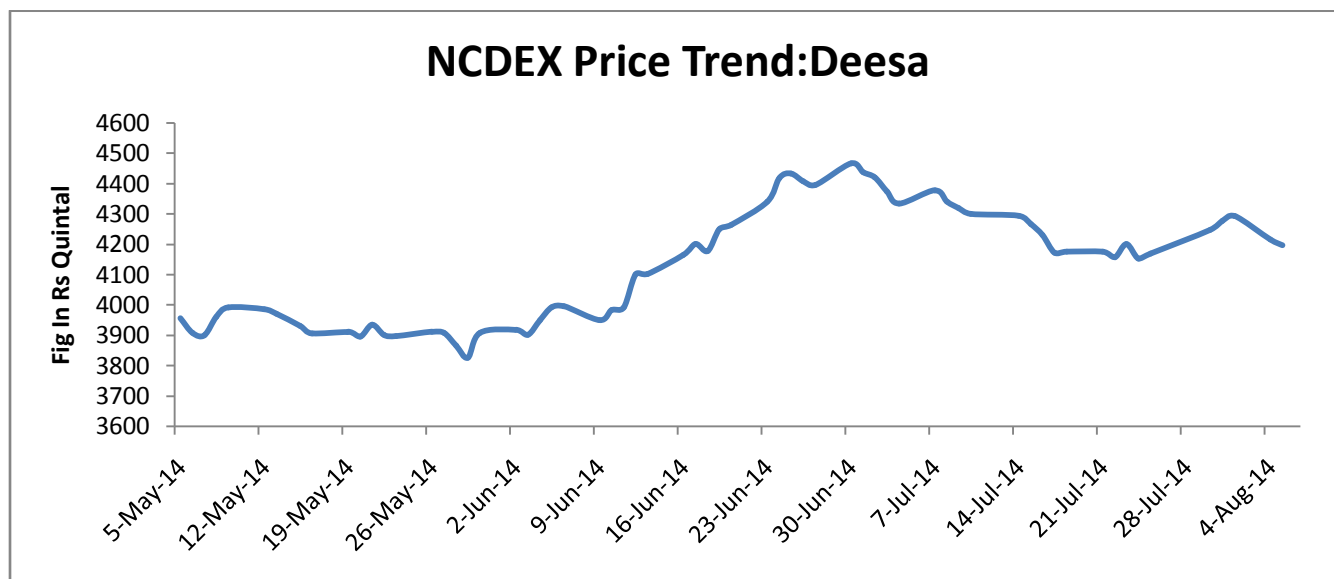
Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	4050-4100	4100-4150
Medium Term (30 days)	4150-4250	4250-4350



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 August may hover in the range of Rs 4150 to 4250 (lower limit) and Rs 4250- 4350) upper limit under normal condition . Stake holder should retain their stock and buy near 4100/4150 per qtl.in futures market.



During last one month NCDEX spot price has been hovering in the range of Rs 4174 to Rs 4370 per qtl. However, slight downward correction has been witnessed in the last week of July. As demand from planters weakend in bearish outlook, any spike from current level is unlikely in the near term.

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 for 2014-15
AP	130	166	-35%	July End-Aug	As of now no change	Starts	88.4	100	92.67
Assam	0.5	0.5	-30%	Sept.	As of now no change	Yet to commence	0.48	0.5	0.47
Bihar	0.5	0.5	-27%	oct/nov	As of now no change	Yet to commence	0.16	0.1	0.13
Gujarat	625	701	-22%	July-Aug	As of now no change	starts	1273.48	1254.4	1427.33
Haryana	1	1	-54%	mid-sept/oct.	As of now no change	Yet to commence	0.9	1	1.00
Jharkhand	0.5	0.5	-13%	oct.	As of now no change	Yet to commence	0.2	0.1	0.07
Karnataka	14	13	-07%	August-Sept	As of now no change	starts	12.2	12	12.33
MP	1	1	-17%	Oct/Nov	As of now no change	Yet to commence	0.46	0.6	0.50
Maharashtra	15	16	-14%	Sept	As of now no change	Yet to commence	3.8	5	4.00
Odisha	7	7	+14%	Oct	As of now no change	Yet to commence	8.68	8.2	8.40
Rajasthan	195	170	-17%	August-Sept	As of now no change	Starts	265.62	280	320.63
Tamil Nadu	3	4	-12%	July end-August	As of now no change	starts	1.8	1.9	1.87
West Bengal	0.5	0.5	-16%	Sept.	As of now no change	Yet to commence	0.06	0.1	0.07
India	993	1081	-21%				1656.34	1664	1869.57

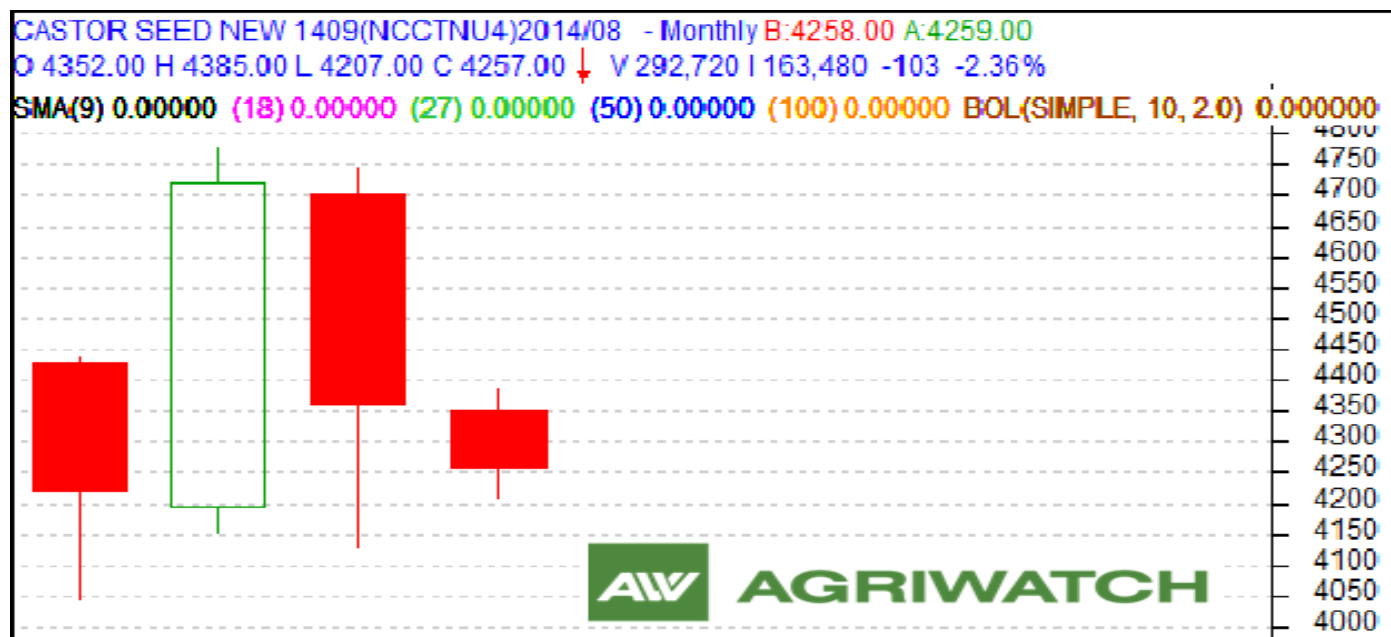
Note : Rainfall fig taken on 04.08.2014

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 buy support is 4150 while the first resistance is 4370.
- RSI is hovering in neutral zone.
- Players are advised to buy in between 4150-55 maintaining stop loss strictly at 4149.

Strategy: Buy On Dip

Intraday Supports & Resistances			S2	S1	PCP	R1	R2
Castor seed	NCDEX	Sept	4100	4150	4257	4370	4475
Intraday Trade Call			Call	Entry	T1	T2	SL
Castor seed	NCDEX	Sept	Buy Above	4150-55	4250	4370	4149

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