

## **1. Executive Summary:**

Castor seed and its products remain in trading focus from the beginning of the year and is likely to remain the center point of attraction in the rest of the year due to visible short supply of seed against normal demand. However, it (castor seed) could not strike the expected level of Rs 4500 per qtl. achieved at June end. Sowing started in the fourth week of July and lower rainfall in July and August prompted farmers to shift some area from guar to castor seed in Gujarat and Rajasthan.

Despite slower start area coverage increased from 4.9 lakh ha (August,2013) to 7.31 lakh ha. this year till 24th August,2014. At current sowing pace area under castor is likely to increase by 9 to 10 percent from 9.83 to 10.58 in crop year 2013-14. Normal area for whole kharif season is 10.37 lakh ha. Almost 70 percent of normal area has been covered so far.

Weak demand for castor oil in global market at this point of time, available stock at least for a month with major buyers like China, EU, US and Japan and improved production prospects remain the price limiting factors now. Indian FOB quotes for oil at Kandla hovers in the range of \$ 1430 to \$1450 per tonne. The quotes are likely to move in the same range in Sept. too.

However, likely short supply of seed in the fourth quarter due to lower crop size (10.70 lakh tonne) last year and expected re-entry of importers in October may support market once again.

By October end clear picture would emerge and market would be able to find out directional clue.

**Market Highlights:**

- Castor seed x-mandi (Crushing quality) price in Saurashtra has declined slightly from Rs 49000 per tonne to Rs 47000 per tonne in last one month. It is almost 4.08 % lower than July. August 2013 average price stands at Rs 48950 per Tonne.
- Castor seed in Gujarat local mandi is hovering around 41000 per tonne without tax and other expences.It is almost Rs 1000 per tonne lower than July Average quote and is higher by Rs 6000 per tonne from August average of Rs 35,114 per tonne.
- Castor meal extraction (bulk Ex-Kandla) is being traded at \$108 with slight variation of \$2 per tonne throughout the month. However, it is \$12 per tonne higher than the average price realized during August 2013.With higher price demand for meal has weakened considerably this month. Chinese Buyers are willing to buy around \$102 per tonne. As prices of seed have decreased, possibility of fresh deal has increased.
- Coverage area under castor seed has increased considerably in August in comparison to July and registered at 7.71 lakh ha. against 5.53 lakh ha. It is almost 36 % higher than last year by the end of August. Normal area for whole kharif season is 10.37 lakh ha. Area under castor seed is likely to increase at least by 9 to 10 percent from 9.83 to 10.54 lakh ha. in 2014-15. Almost 70 percent of normal area has been covered so far.
- Govt has released fourth adv. Estimate of food grains for 2013-14 on 14, August, 2014 and estimated 16.89 lakh tonne production this year against the target of 15.81 lakh tonne. Govt. Production target for 2014-15 has been set at 16.65 lakh tonne that seems within reach given the pace of progressive sowing so far.
- Castor Oil (First Grade) FOB Kandla (Export) quote increased from \$1430 to \$1445 per tonne in August.FOB quote is expected to move range bound in Sept. due to weak inner tone and sluggish demand for long month deal.
- Price of castor oil in Rotterdam too has increased from \$1705 to \$1720 per metric tonne during last one month. The wide difference between Indian FOB quote and Rotterdam quotes is due to branding. India lacks branding in castor oil.
- Castor Oil commercial is being traded at Rs 84000 per tonne, almost Rs 1000 per tonne lower than July. However, it is ruling 16.98 percent higher than August,2013 average price.



- As crude palm oil 5 % is available at Rs 48200 per tonne (Ex Kandla), soap industry in domestic market has reduced buying of commercial castor oil at Rs 85000 per tonne.

- However, paint and adhesive industries continue to buy with normal pace in domestic market. These industries buy 8 to 9 percent oil out of 7 lakh tonne domestic production.

### 3. Castor Seed Demand/Supply:

All units in lakh tones	2011-12	2012-13	2013-14	2014-15 E
Carry in	1.5	4.3	3.84	0.54
Production	<b>15.8</b>	<b>14.04</b>	<b>11.7</b>	<b>16.64</b>
Imports	0	0	0	0
Total Availability	<b>17.3</b>	<b>18.34</b>	<b>15.54</b>	17.18
Consumption	13	14.5	15	16
Exports	0	0	0	0
Total Usage	<b>13</b>	<b>14.5</b>	<b>15</b>	16
Carry out	4.3	3.84	0.54	1.18

Agriwatch preliminary production estimate for 2014-15 based on normal area coverage and initial feedback from farmers

#### High lights of S&D:

- ❖ Castor seed balance sheet shows that the current marketing season would end up with 0.54 thousand tonne seed, lowest in last three years.
- ❖ The govt. has set the production target at 16.65 lakh tonne for 2014-15. The set target is likely to materialize in normal weather condition and area coverage. Agriwatch preliminary estimate shows production at 16.64 lakh tonne.
- ❖ As production would increase, overall availability too would increase from 15.54 lakh tonne to 17.18 lakh tonne in 2014-15 despite lower carry in( 0.54 lakh tonne) for 2014-15.



- ❖ Seed consumption in India is growing at the rate of 6 to 7 percent annually under normal industrial growth rate and thus total seed consumption is likely increase from 15 to 16 lakh tonne in 2014-15.
- ❖ The My 2014-15 would end with 1.18 lakh tonne carryout, higher by 0.64 lakh tonne, due to higher seed production in 2014-15.
- ❖ Seed export is nominal, so it has not been taken into account in seed S&D. India exports only oil and meal in bulk volume.

### 4. Castor Oil Demand/Supply

Unit in lakh tonne	2011-12	2012-13	2013-14	*2014-15 (E)
Carry in	0.5	0.7	0.4	0.1
Production	5.5	6	6.6	7.3
Imports	0	0	0	0
Total Availability	6	6.7	7	7.4
Consumption (domestic)	1.4	1.6	1.7	1.8
Exports	4.2	4.7	5.2	5.3
Total Usage	5.3	6.3	6.9	7.1
Carry out	0.7	0.4	0.1	0.3

#### \*Agriwatch Preliminary Estimate For 2014-15

- ❖ The season 2014-15 is likely start with the lowest oil stock of 0.1 lakh tonne as carry in. Lower production in 2013-14 and good overseas/local demand for castor oil would reduce stock at this minimum level.
- ❖ However, carryout would increase from 0.1 to 0.3 lakh tonne in 2014-15 due to higher production prospects. Total availability of oil too would increase from 7 to 7.4 lakh tonne in 2014-15. Higher production of seed would ensure higher crushing.
- ❖ Domestic consumption is increasing by 6 to 7 percent annually at normal growth rate. It would increase from 1.7 to 1.8 lakh tonne.

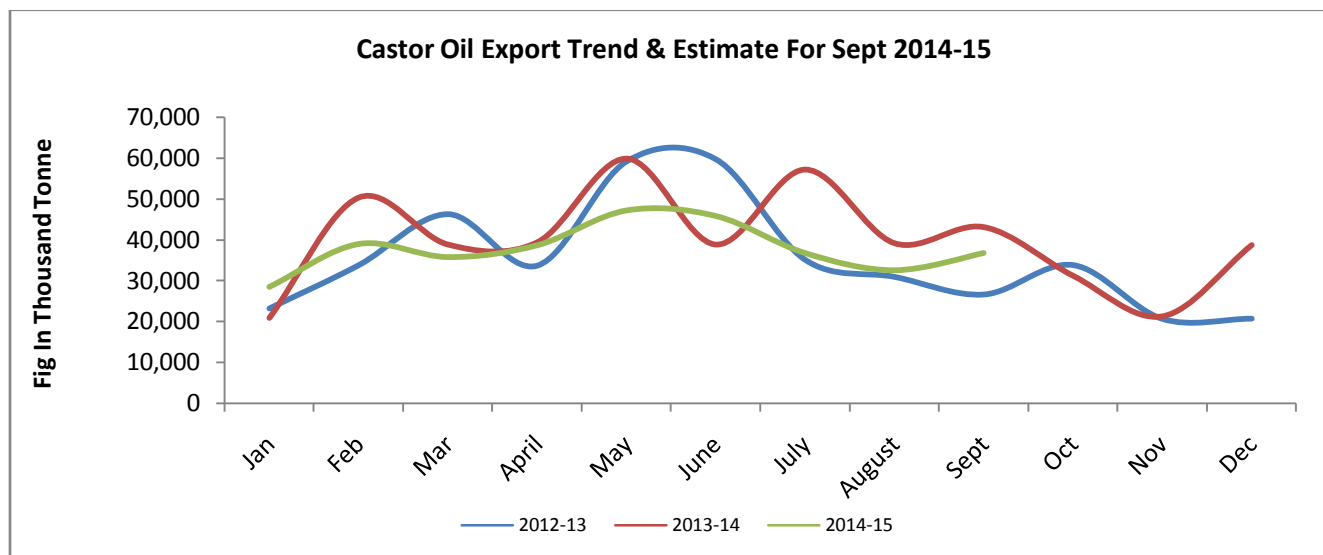
- ❖ As FOB quote in domestic market is ruling almost 18 percent higher than last year, demand for castor oil has not increased as per market expectation. Soap, paint and lubricant industries have reduced its share and started using more palm stearin due to its cheaper availability.
- ❖ Total castor oil export from India may increase from 5.2 to 5.3 lakh tonne in 2014-15. With 5.3 lakh tonne expected export in 2014-15 total oil usage would reach at 7.1 lakh tonne.
- ❖ Carryout for 2014-15 is expected to increase from 0.1 to 0.3 lakh tonne. However, it will be lower than 2011-12 & 2012-13.

## 5. 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>16.89</b>	<b>10.5</b>	<b>11.8</b>	<b>11.7</b>	<b>11.6</b>	<b>12.05</b>
<b>2014-15* *</b>	16.65	<b>Not published</b>	<b>Not published</b>	16.64	<b>Not published</b>	<b>Not Published</b>
*Revised production figure in 4 <sup>th</sup> adv. estimate				** Govt production Target for 2014-15		

Govt. has fixed production target at 16.65 lakh tonne for 2014-15 and market sees it as a practical target. Agriwatch had estimated 16.64 lakh tonne production for 2014-15 in June before sowing based on farmer's intention, lower rainfall and counting three years production average. The target is achievable as area under castor seed has increased 8 to 9 percent so far to 7.81 lakh ha. so far. It may touch 9.83 lakh ha last year to 10.54 lakh ha. this year. Sowing continues and the standing crop is in good condition in Rajasthan, Gujarat and Andhra Pradesh.

## 6. Castor Oil Export Trend & Projection For September:



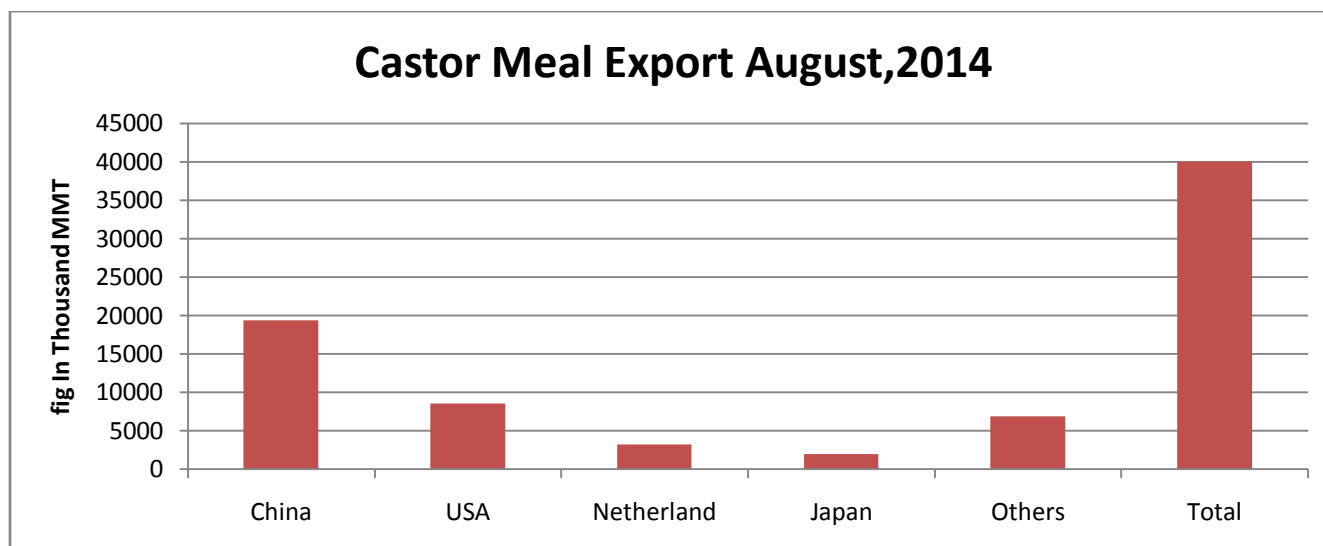
Castor oil export trend shows sluggish demand June onward and continued under pressure till August. However, slight recovery in export volume is expected in Sept. as buyers like China, EU and Japan are likely to enter into the market by mid Sept for fresh deal as they have stock left for a month only. FOB quotes too have decreased and they can start buying at earliest. This may increase volume of export in Sept., 2014.

## 7. Castor Oil Export Trend Yearly Table:

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	38,666
May	43,832	59,193	59,900	47,176
June	45,474	59,718	38,868	45,824
July	46,471	35,130	57,214	36,766
August	40,426	30,963	39,196	32,550
Sept	18,319	26,641	43,139	36,775
Oct	21,909	33,841	31,228	
Nov	17,545	20,682	21,307	

Source: IBIS, SOPA & Trades

## 8. Castor Meal Export Demand And FOB Quotes:



Major meal buyers are China and US and both these countries maintain the major buyers status in August too. Total around 40,000 tonnes of meal has been exported in the month of August at an average FOB price of \$108 per tonne basis Kandla. However, it has been hovering in the range of \$105 to \$108 per tonne in the month of August. In Sept. buying from Chinese importers is likely to decrease as they have covered at least for two months demand. Netherland and others buying share would increase in Sept.

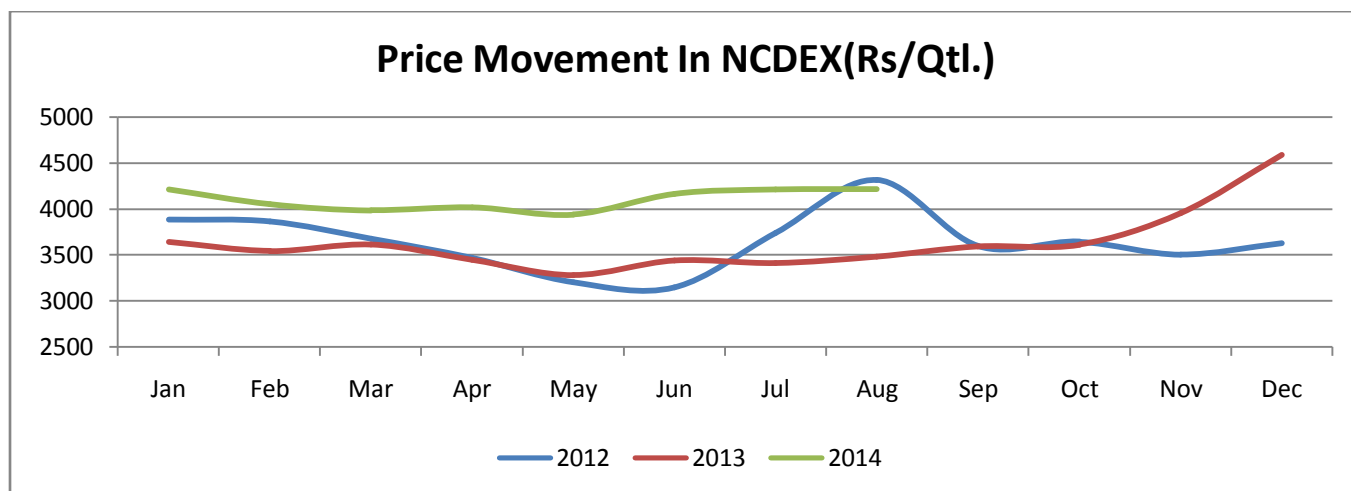
## 9. Domestic Seed/Oil & Meal Comparative Price Updates:

Comparative Prices Of Castor Products Including Seed					
	28 <sup>th</sup> Aug'14	22 <sup>nd</sup> Aug'14	28 <sup>th</sup> July'14	Aug/Av e/2013	Change % from last year
Castor seed (Gujarat)((Rs./M.T) Ex-Mandi	41750	-	42500	35114	18.90
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	107	108	108	96	11.46
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	6250	6300	6200	5684	9.96
Castor Oil (First Grade) FOB Kandla (Export)\$/Tonne	1430	1445	1435	1211	18.08
Local rates for oil in domestic market(Rs./M.T.) for comm.	85500	85000	85000	72661	17.67

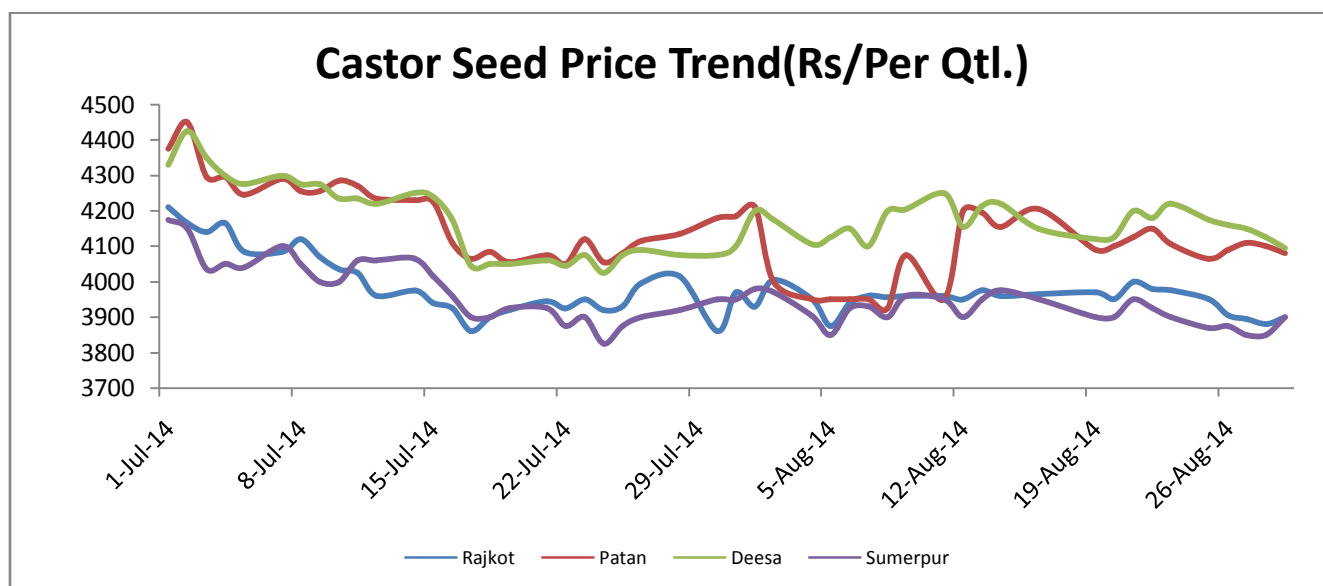
Source: IBIS, SOPA & Trades



### 10. Price & Arrival Variations In Major Markets:

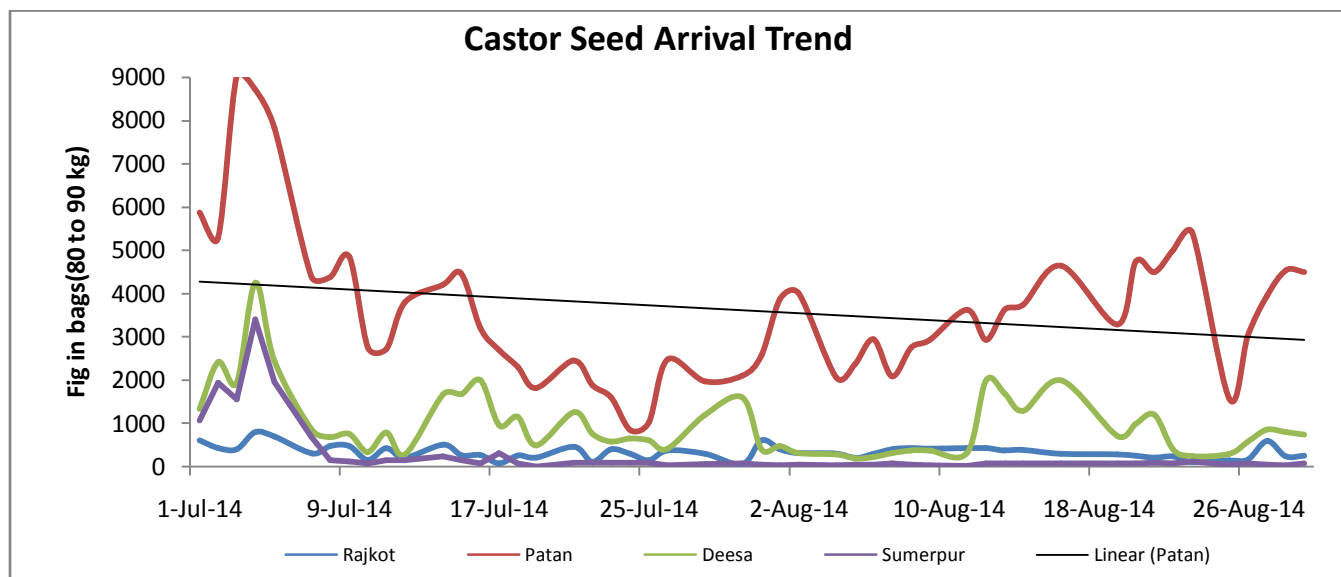


Seed price in NCDEX is ruling higher in comparison to last year due to lower crop size last year. However, prices in Sept. is bound to decrease due to better production prospects and lower demand for seed products at higher level in Sept, 2014. Agriwatch expects price to decline from current level (Rs4200) to Rs 3980/4000.



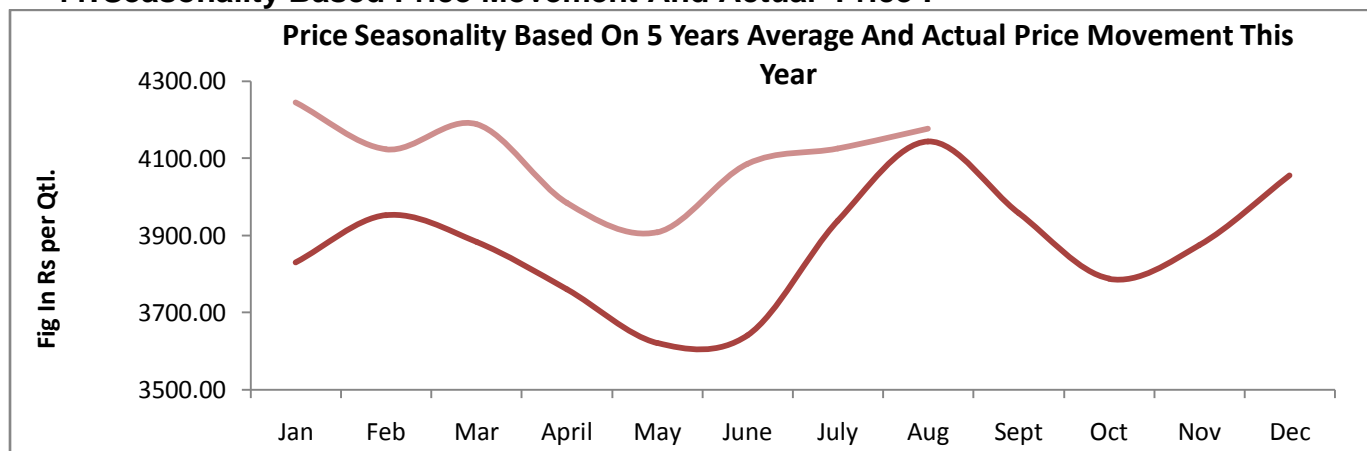
Castor seed prices in major markets continued to trade under pressure as above given chart shows. Despite lower production last year (almost 4 lakh tonne lower than normal) prices continued to slip. Disrupted demand for seed products like oil and meal due to higher price led to softening of seed price amid 9 to 10 percent higher area coverage (7.81 lakh ha.) so far.





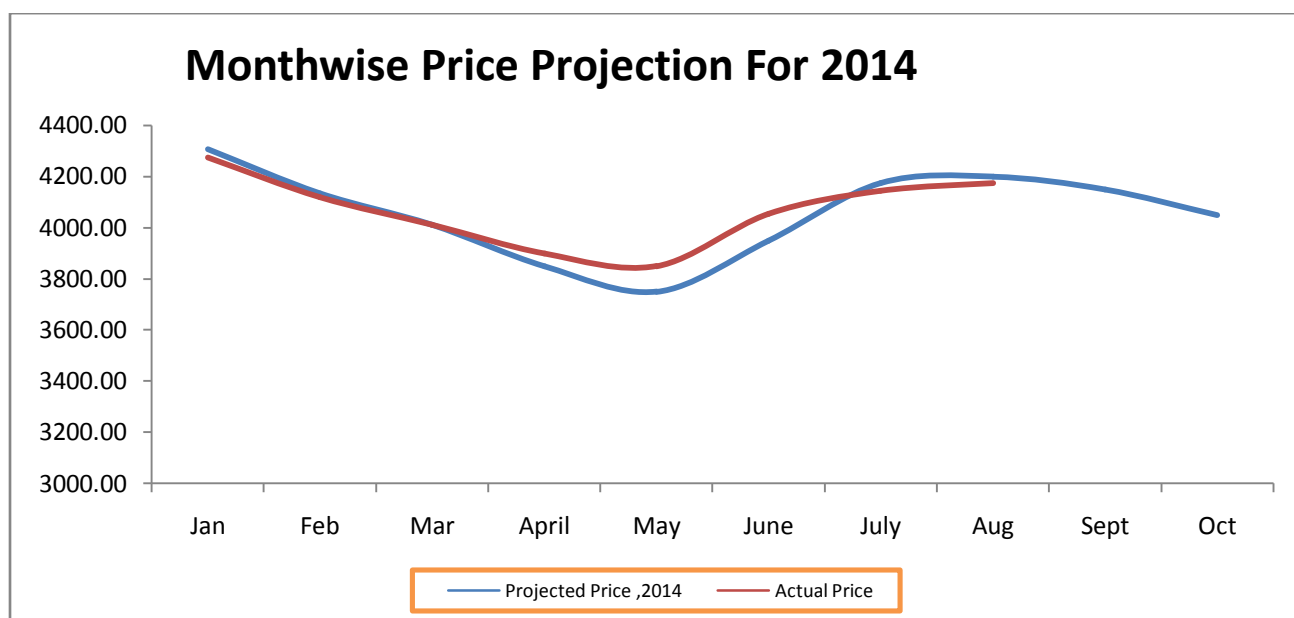
Seed arrival trend from last two months has been uneven according to fluctuation in prices. However, overall arrival quantity has been on decline as the arrival chart shows. Patan and Deesa being the major seed trading hubs too have registered lower arrivals in August. Arrivals in Sumerpur and Rajkot have been almost steady with minor fluctuation during July and August.

### 11. Seasonality Based Price Movement And Actual Price :



Price seasonality of castor seed shows that price starts declining with Sept. and actual price movement in the market (Deesa) follows almost same trend. As market fundamental remains weak at this point of time Agriwatch expects price to decline in Sept. higher area coverage and good condition of crop so far hints towards bearish outlook.

## 12. Cash Market Price Projection For September:



Actual market price and projected price by Agriwatch are moving in tandem and actual price of seed may touch below Rs4000 per qtl. by mid October. Agriwatch price projection is based on five years average price movement and supply/demand analysis.

## 14. Agriwatch Preliminary Production Estimate For 2014-15:

State	Area in 000 Ha.in 2013-14	Area in 000 Ha.in 2014-15(Expected)	5 year Av. Prod. In (000 T)	Production Under Normal Condition	Revised Under Deficit Rainfall
AP	130	166	88.4	100	92.67
Assam	0.5	0.5	0.48	0.5	0.47
Bihar	0.5	0.5	0.16	0.1	0.13
Gujarat	625	701	1273.48	1254.4	1427.33
Haryana	1	1	0.9	1	1.00
Jharkhand	0.5	0.5	0.2	0.1	0.07
Karnataka	14	13	12.2	12	12.33
MP	1	1	0.46	0.6	0.50
Maharashtra	15	16	3.8	5	4.00



Odisha	7	7	8.68	8.2	8.40
Rajasthan	195	170	265.62	280	320.63
Tamil Nadu	3	4	1.8	1.9	1.87
West Bengal	0.5	0.5	0.06	0.1	0.07
<b>India</b>	<b>993</b>	<b>1081</b>	<b>1656.34</b>	<b>1664</b>	<b>1869.57</b>

### Agriwatch Preliminary Production Estimate Under Deficit And Normal Rainfall Condition

As rainfall status has improved considerably in last two months from -42% from LPA to -18 LPA now, Condition is almost normal for castor seed and Agriwatch expects 16.64 lakh tonne production in 2014-15. However, higher rainfall in Sept-Oct may reduce yield and we need to have a close eye on rainfall in current month.

### 13. Monthly Technical Analysis:

**Commodity:** Castor Seed

**Contract:** Oct.

**Exchange:** NCDEX

**Expiry:** Oct. 20, 2014

### Castor Seed





### Technical Commentary:

- Candlestick chart shows weakness in the market.
- RSI is moving down in neutral region favours bears.
- Momentum indicator MACD is in negative territory cautions bulls.
- The nearest by support is 3981 while first resistance 4250.
- Stake Holders are advised to sell on rise.

### Strategy: **Sell on Rise**

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Castor Seed	NCDEX	Sept	3981	3850	4038	4100	4250
Pre-Market Intraday Trade Call*			Call	Entry	T1	T2	SL
Castor Seed	NCDEX	Sept	<b>Sell</b>	Below 4075	4000	3981	4101

### Cash Market (Deesa) Price Projection For Sept:

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	3900-3950	3950-3975
Medium Term (30 days)	3950-4000	3975-4025

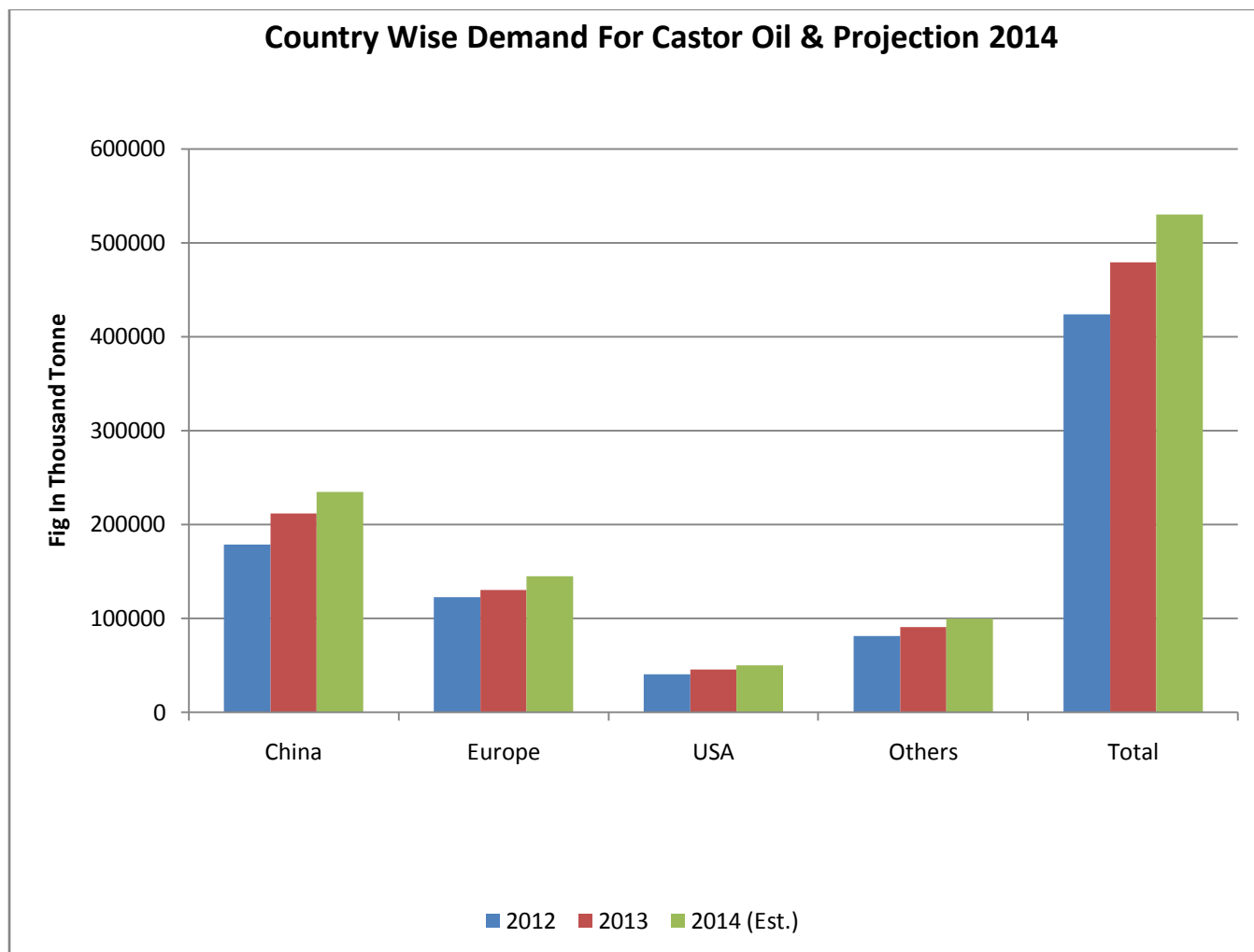
### International Market Updates:

Major buyers like China, EU and US are unwilling to buy oil in bearish market trend. Current FOB quotes in Kandla hover in the range of \$1425 to \$1430 per tonne. Buyers bids are in the range of \$1405 to \$1410 per tonne on FOB basis Kandla.. However, planters/stockists are unwilling to release stock at this level.

China has covered 75 % of its need of over 2 lakh tonne oil so far. Europe and US too have brought 70 percent of its need of 1.4 and 0.6 lakh tonne oil so far. In remaining 4 months they would not buy aggressively as per feedback received from domestic exporters/stockists. Lower than normal demand from major buyers and better crop prospects would not allow market to go for any bull run in the month of Sept. 2014.

At Rotterdam oil quote too has declined from \$1730 to \$1715 per tonne. Other small buyers too are in wait & watch mood. So, domestic market is likely to remain in pressure at least for a month.

## 1. Country Wise Demand:



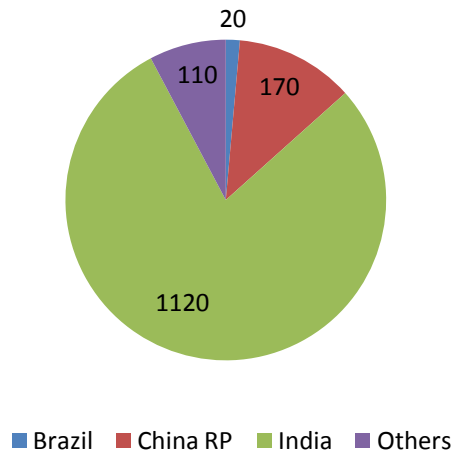
Despite higher expected demand for oil by China, EU & US in 2013-14, off-take by these countries has declined due to higher price (\$1430 to \$1485 per tonne) of oil in July and August. It is almost 18 percent higher than the price fetched during July – August 2013.

Total export volume is expected to be lower than projected for 2013-14 at least by 5 to 6 percent. Fresh deal can be seen from mid Oct. by then price might be stabilized and clear picture of area / yield would emerge.



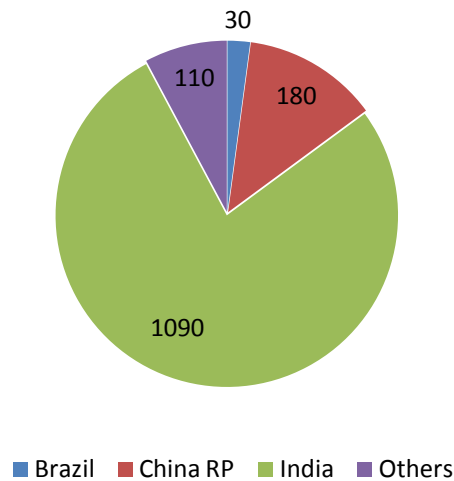
2.

**Global Production In 2012-13 (Fig. In Thousand Metric Tonne)**



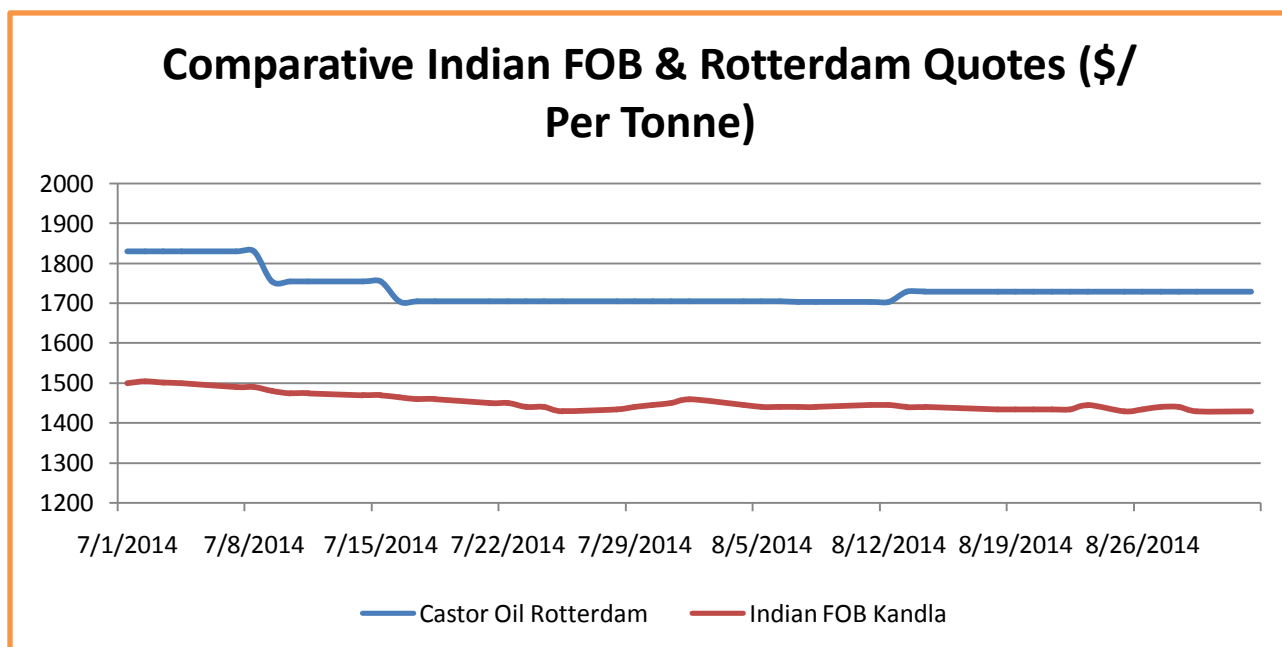
**And Their % share In production**

**Expected Production Contribution By Various Countries In 2013-14 (Fig. In Thousand Metric Tonne)**



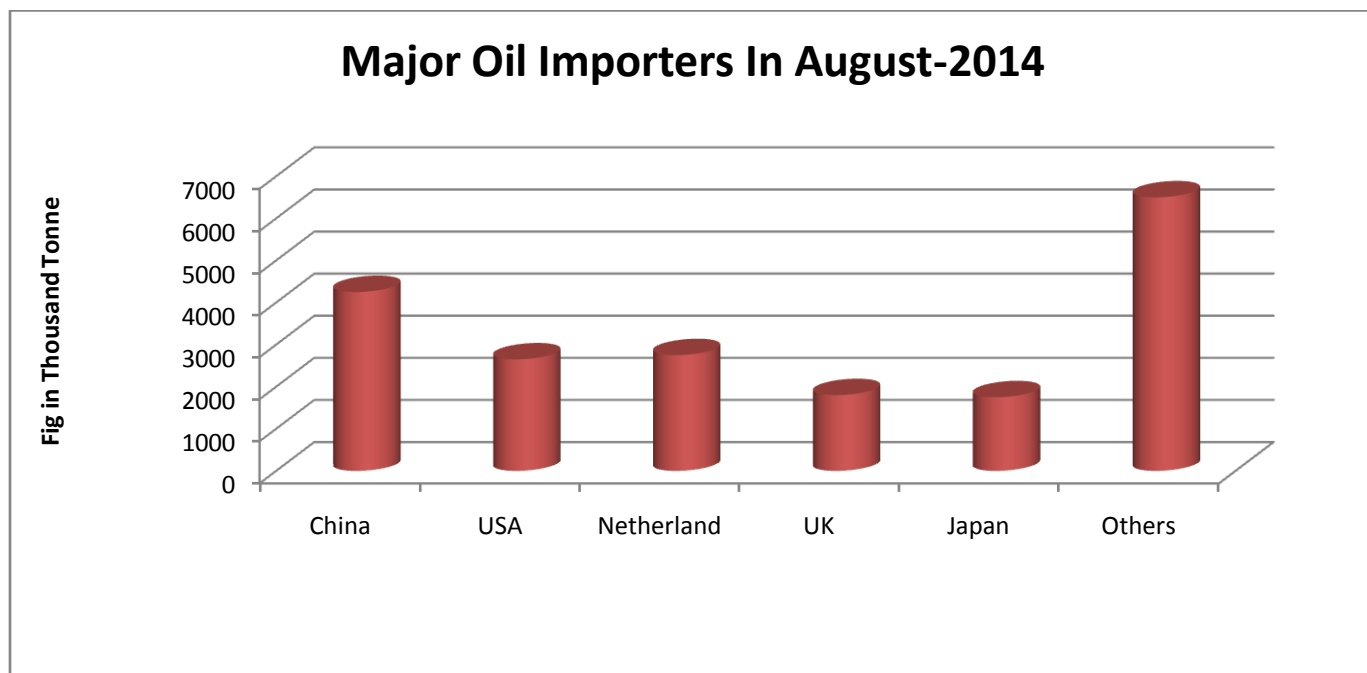
Note: Agriwatch would estimate global production for 2014-15 in November, by then sowing in various countries would be almost over.

#### 4. Quotes For Castor Oil In Rotterdam:

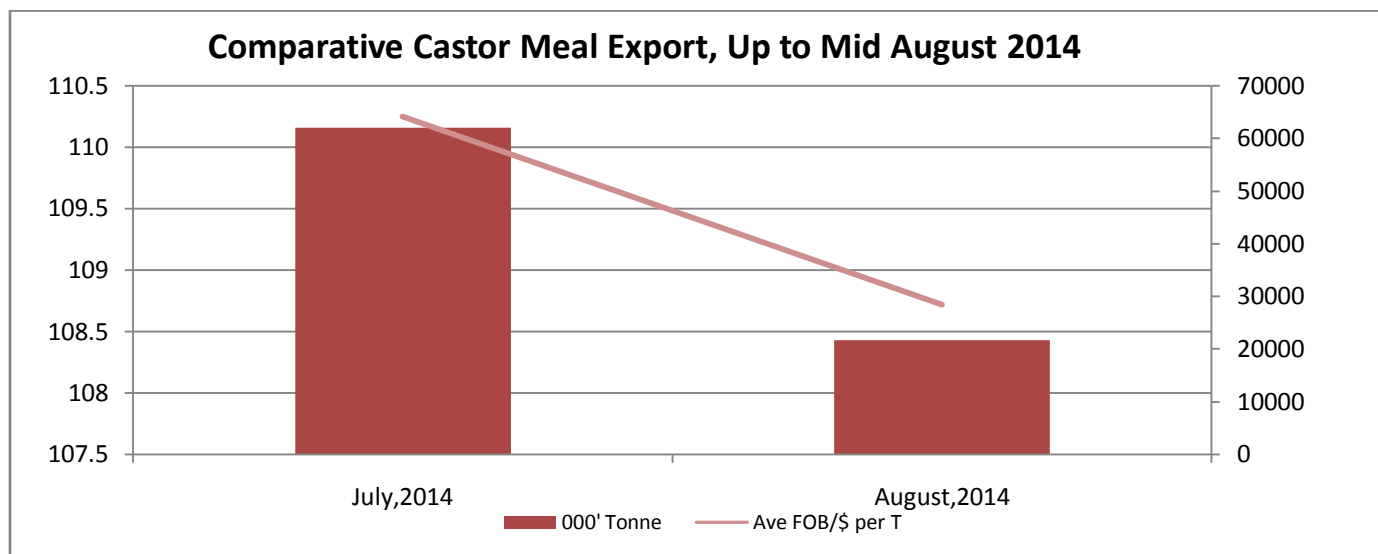


Source: Reuters, Sopa & IBIS

#### 4. Major Buyers For Oil In August:



Source: IBIS



### 5 .Overall View On Market Sentiments For September:

Demand for castor seed products will remain at lower side in descending market. Higher production prospects in 2014-15 on the back of higher area coverage and better crop growing condition in Rajasthan, Gujarat and Andhra Pradesh would continue to weigh on market fundamentals. Standing crop condition is good so far and market expects better yield in normal condition. Overall, cash as well as futures market may trade lower in Sept/Oct. Indian FOB (Kandla) may decrease from \$1430 to \$1385/90 per tonne by the end of Sept.

### 6 Recommendation:

Stake holders should sell on futures on rise while stockists may release stock at current price or may hold stock it back for two-three months to fetch better price.

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