

1. Executive Summary:

Castor seed and its products continued to trade lower in the first half of Sept due to sluggish demand and weak trading activities amid weak inner tonne. However in the second half of the review month buyers became active at lower level getting support from crop loss news in Gujarat. Rains generated water lodging in the field and strong wind damaged around 20 to 30 percent crop in major parts of main growing region in Gujarat.

Buyer's fresh interest crop loss and active bulls operators helped market to drive unexpectedly up. Seed prices in various markets moved up by 6 to 8 percent and hovered in the range of Rs 4000 to Rs 4500 per quintal. Market is likely to move further up as bulls operators have increased their position in long month contracts. However, market is aware that current price would not sustain at higher level as area under castor has gone up by 90 thousand ha. this year and buyers interest would decrease at higher level.

Area under castor seed has gone up to 10.23 lakh ha.(till 25 Sept.) against 9.33 lakh ha last year, an increase of almost 90 thousand ha. It hints higher production this year as weather so far has been favourable in Rajasthan, Gujarat (except one round of heavy rains) and Andhra Pradesh. Sowing is almost over and it may end up with 10 .30/35 lakh ha. Area in Rajasthan has been registered at 1.49 ha almost 0.43 thousand ha lower than last year. However, it has improved considerably in Gujarat to 7.22 lakh ha against 5.73 lakh ha last year. There is a slight variation in minor producing states.

Demand for castor oil in global market has decreased in August and Sept, 2014 in comparison to last year in the same month. In managed to export 38960 tonne oil in August,2014 while last year in August the export was registered at 39,196 tonne. Sept fig too is not very encouraging. India exported 43139 tonne castor oil in Sept 2013,While in Sept 2014 the volume may decrease to 40,000 tonne. Lower export demand may restrict price.

Castor oil first grade FoB Kandla quotes hover in the range of \$1410 to \$1430 per tonne during the month of Sept getting clue from fluctuations in seed market and demand from overseas market. FoB quotes may move in the range of \$1420 to \$1440 per tonne In the month of October.

Agriwatch expects seed market to trade steady to slightly firm despite higher area coverage and production estimates. Govt has released First Advance Estimate for 2014-15 on 19, Sept, 2014 and estimated 19.6 lakh tonne production this year. Production target for 2014-15 has been set at 16.65 lakh tonne. As area has increased around 0.90 lakh ha , overall production is set to increase this year.

Overall outlook for seed market remains steady firm in the month of October.

Market Highlights:

- Farmers in Gujarat have opted to restrict re-sowing of castor and use this field for mustard sowing. Out of total damage in around 10,000 ha, farmers may use 60 percent area for mustard as per local feedback.
- Bull operators are active in futures and trying to drive market up despite poor response from demand side. Stockists see market to touch the psychological figure of 5000 for seed at this point of time. However, buyers disagree as demands for castor products remain discouraging.
- Castor meal extraction (bulk Ex-Kandla) is being traded at \$112 with a variation of \$4 per tonne throughout the month. it is 17.89 percent per tonne higher than the average price realized during Sept 2013. With higher price demand for meal is bound to decline considerably in October. Chinese buyers are active.
- Castor meal in domestic market is being traded at Rs 6550 per tonne. Meal price has posted a gain of Rs 250 per tonne during the month. As it is lean season, prices are unlikely to decline below Rs 6250 per tonne in the month of October. Demand has already decreased.
- Govt has released First Advance Estimate for 2014-15 on 19, Sept, 2014 and estimated 19.6 lakh tonne production this year. The estimate seems a little bit higher. it would be very early to comment on the crop size at this point of time. However one thing is clear that production is going to be higher than last year.
- Castor Oil (First Grade) FOB Kandla (Export) quote increased from \$1420 to \$1430 per tonne in Sept. Oil trade at Rotterdam has been reported at \$1728 per tonne. Price has moved up by \$15 per tonne in last two weeks.
- Castor Oil commercial is being traded at Rs 84500 per tonne, almost Rs 500 per tonne higher than August. However, it is ruling 13.78 percent higher than the price realized in, sept 2013.
- 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	15.8	14.04	11.7	16.64
Imports	0	0	0	0
Total Availability	17.3	18.34	15.54	17.18
Consumption	13	14.5	15	16
Exports	0	0	0	0
Total Usage	13	14.5	15	16
Carry out	4.3	3.84	0.54	1.18

Preliminary production estimate by Agriwatch for 2014-15, based on normal area coverage and initial feed back from farmers. Agriwatch will revise production estimate in December. Govt.'s first adv estimate has projected 19.6 lakh tonne seed production this year.

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**

Note: There is no change in Agriwatch Estimate

- ❖ 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.

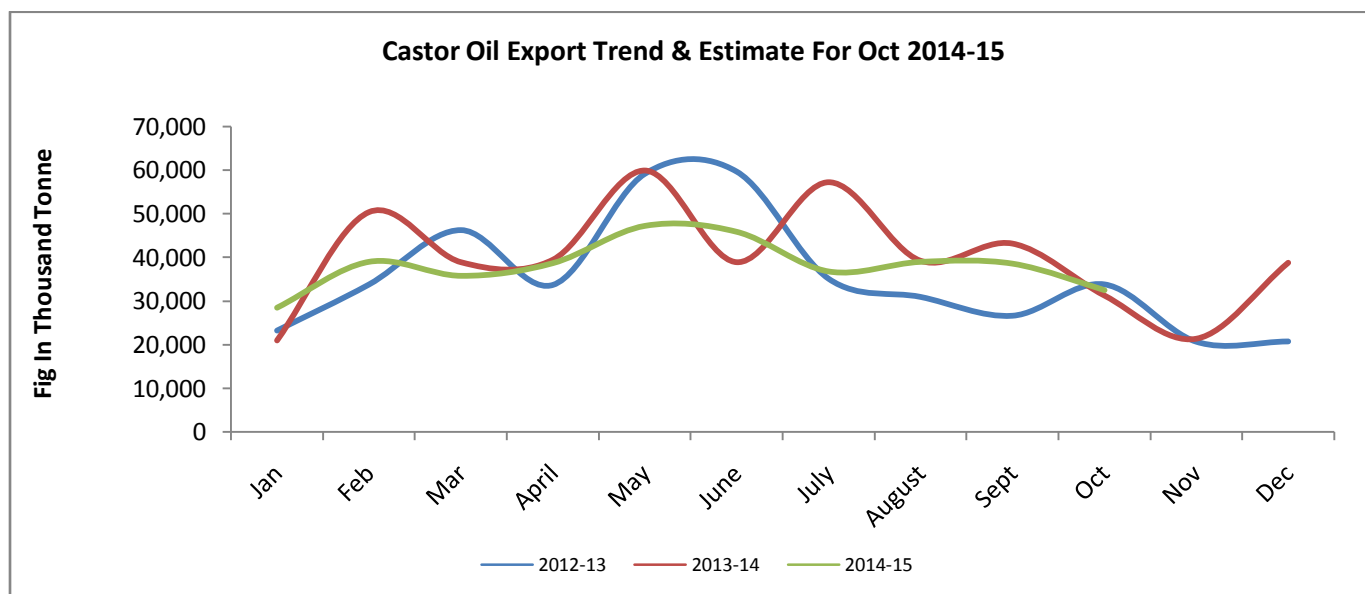
- ❖ Carryout for 2014-15 is expected to increase from 0.1 to 0.3 lakh tonne. However, it will be lower than 2011-12 & 2012-13.

5. Variation In Production Estimates:

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	16.89	10.5	11.8	11.7	11.6	12.05
2014-15* *	19.6	Not published	Not published	16.64	Not published	Not Published
** Govt production estimate for 2014-15 as per 1 st Adv Estimate released on 19.09.2014						

Govt. has fixed production target at 16.65 lakh tonne for 2014-15 and market sees it as a practical target. However, in first adv estimate govt. expects 19.6 lakh tonne production in 2014-15. 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 10..23 lakh ha. so far. Sowing is almost over now and may end up with given figure.

6. Castor Oil Export Trend & Projection For October:



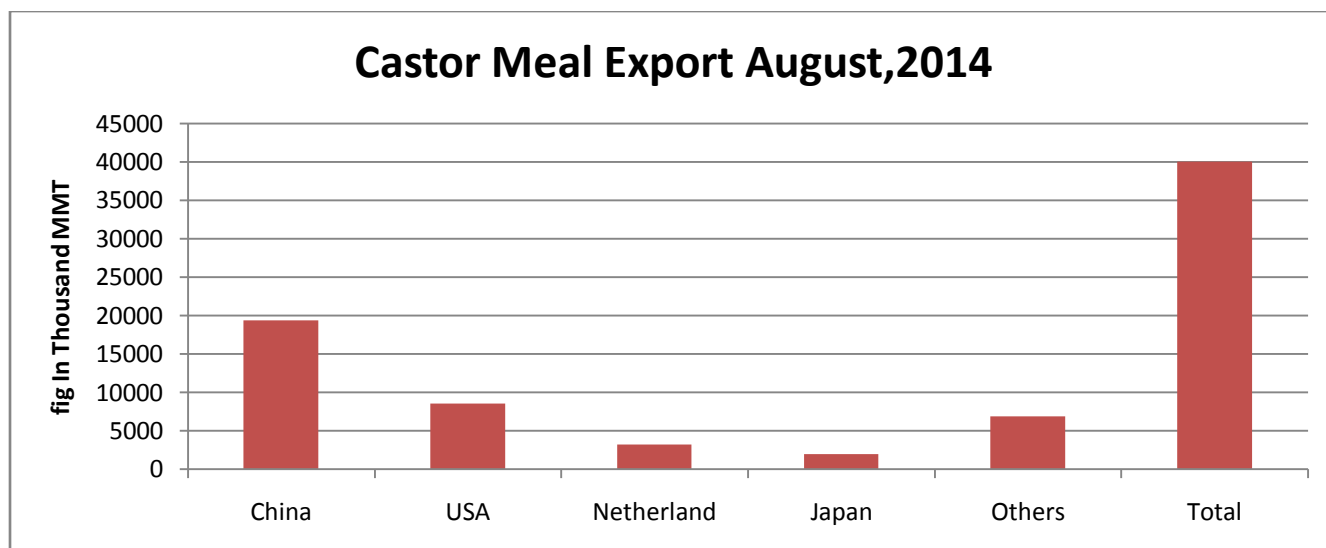
Castor oil export trend shows that export volume has not been encouraging this year in comparison to last year. June onward export volume has been declining. However, Agriwatch expects better offtake in Nov-Dec, despite lean season and higher prices.

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	38,960
Sept	18,319	26,641	43,139	*38,550
Oct	21,909	33,841	31,228	
Nov	17,545	20,682	21,307	

Source: IBIS, SOPA & Trades *expected

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 sept too. Total around 40,000 tonnes of meal has been exported in the month of Sept at an average FOB price of \$109 per tonne basis Kandla. However, it has been hovering in the range of \$105 to \$112 per tonne in the month of Sept. Buying from Chinese importers is likely

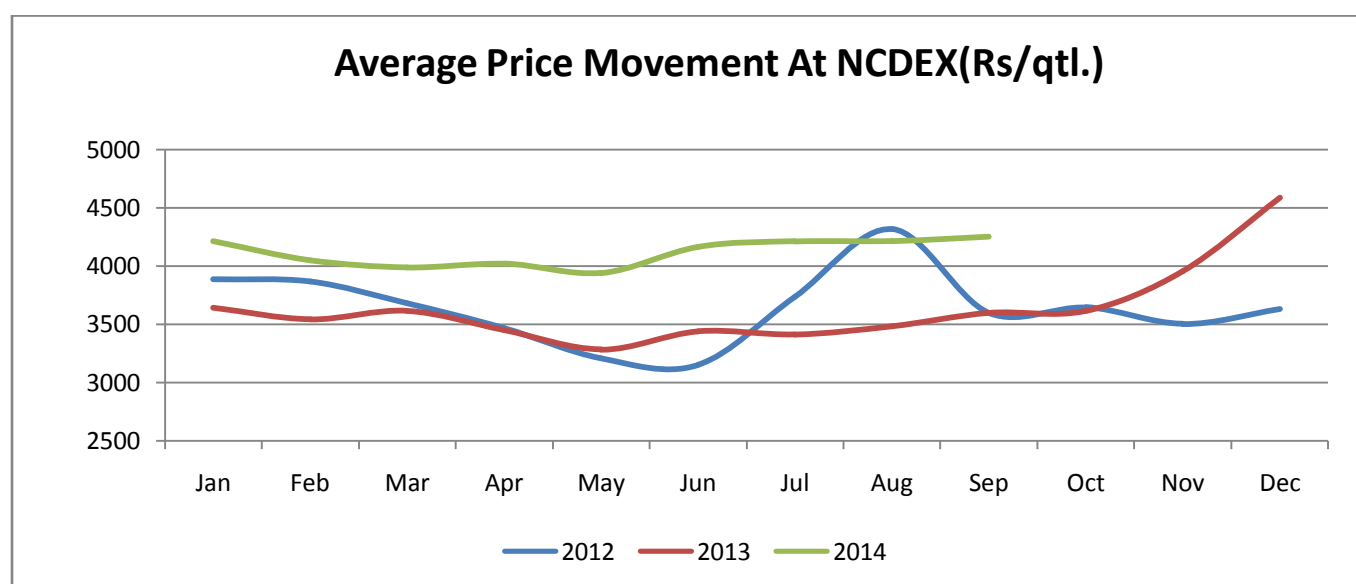
to decrease as they have covered at least for two months demand. Netherland and others buying share would increase in Sept. However higher price limits normal business.

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

Comparative Prices Of Castor Products Including Seed					
	25 th Sept'14	19 th Sept'14	25 th Aug'14	Sept/A ve/2013	Change % from last year
Castor seed (Gujarat)((Rs./M.T) Ex-Mandi	41750	41250	41750	36200	15.53
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	112	110	110	95	17.89
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	6550	6450	6300	5873	11.53
Castor Oil (First Grade) FOB Kandla (Export)\$/Tonne	1430	1420	1430	1218	17.41
Local rates for oil in domestic market(Rs./M.T.) for comm.	84500	84000	85500	74723	13.08

Source: IBIS, SOPA & Trades

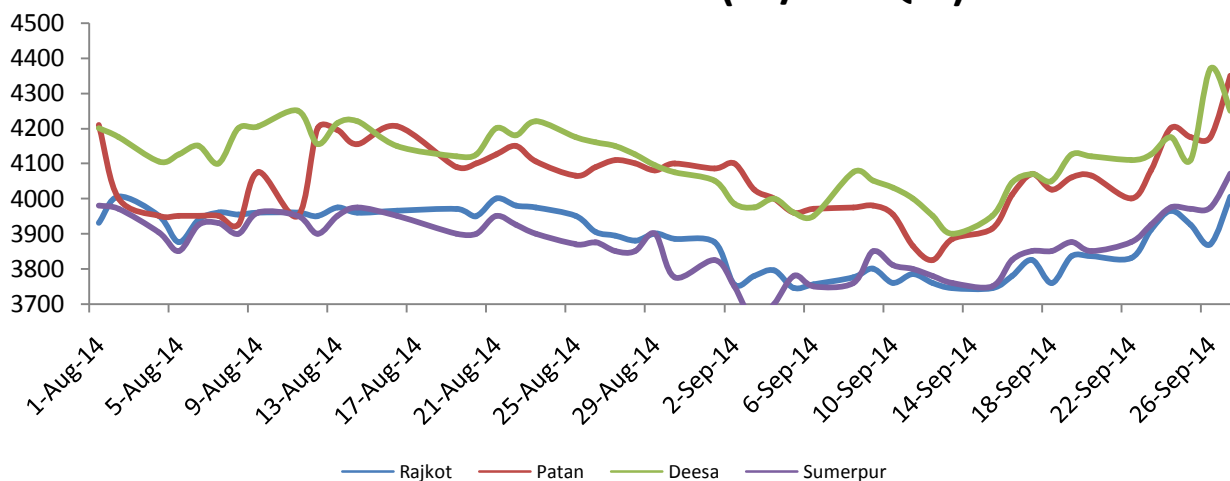
10. Yearly Average Price Variations At NCDEX :





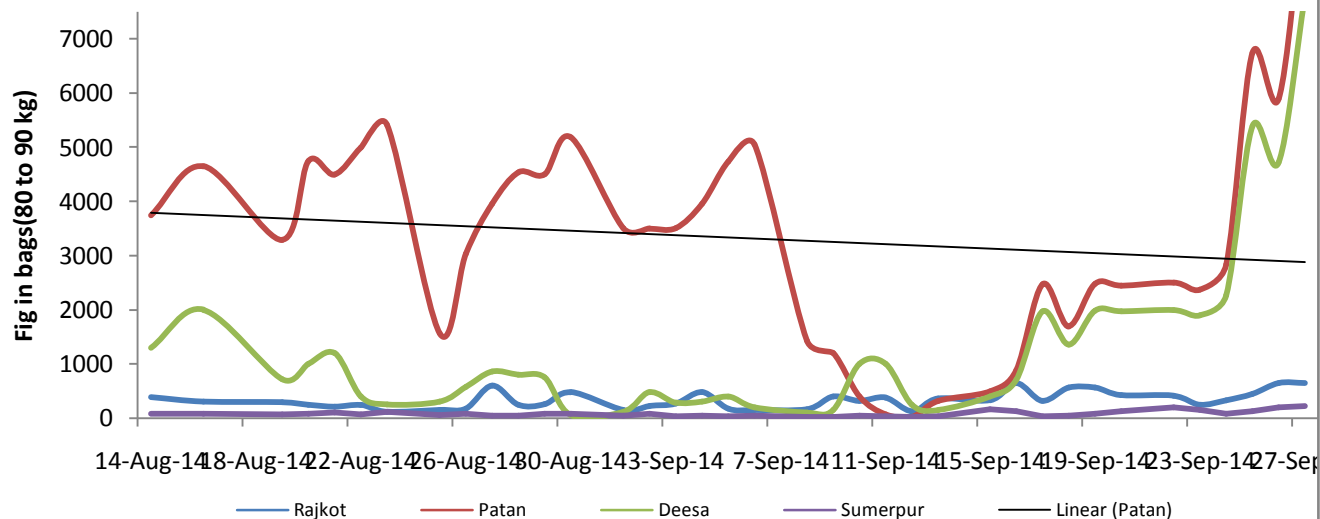
Seed price in NCDEX is ruling higher in comparison to last year due to lower crop size last year and stock holdings despite better area coverage and production estimate. Bulls operators are active and they have ability to drag market up against normal fundamental. Average price at NCDEX may move up from 4252 to 4275 in October.

Castor Seed Price Trend(Rs/Per Qtl.)



Castor seed market moved unexpectedly up in the second half of Sept and firmness is likely to continue after a correction in the market. Bull operators are active, stockists are unwilling to release stock as they expects more firmness in the market. However, a downward correct is due at this level.

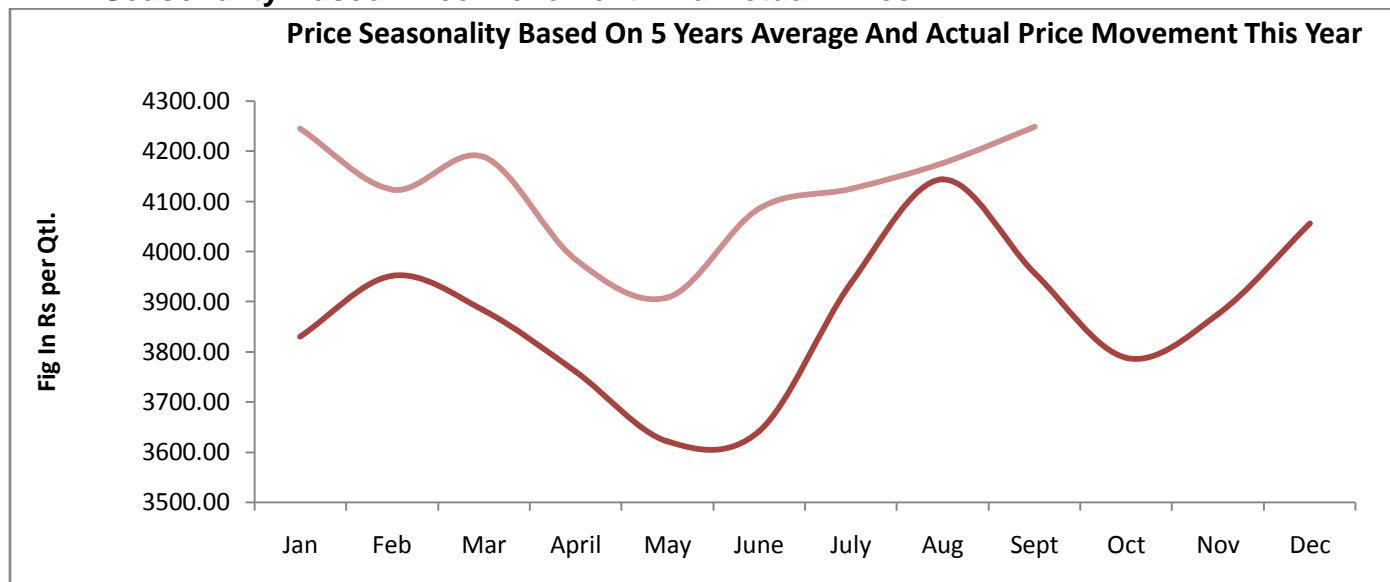
Castor Seed Arrival Trend





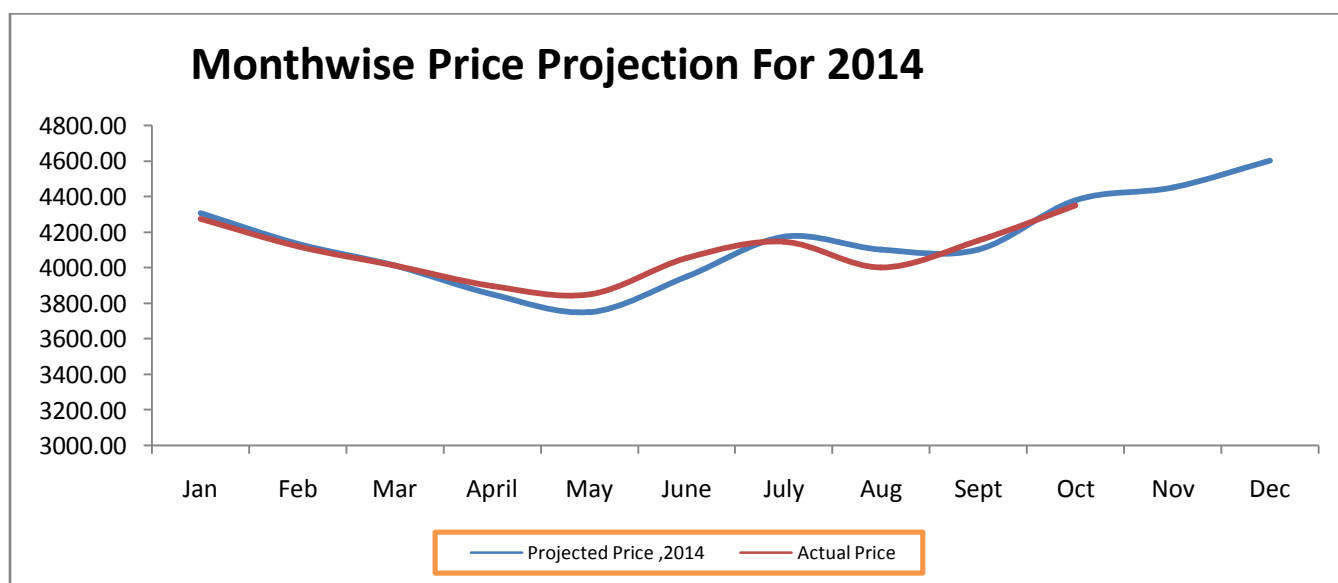
With increasing prices arrivals too increased in the fourth week of Sept However no major change has been witnessed in Sumerpur and Rajkot. Arrival increased considerably in Patan and Deesa as the above given chart shows.

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. However this year prices move otherwise. As market fundamental remains firm at this point of time Agriwatch expects price to increase in Oct. despite higher area coverage and good condition of crop so far.

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 cross Rs4400 per qtl. by mid October in Deesa. 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
India	993	1081	1656.34	1664	1869.57

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: Nov.

Exchange: NCDEX
Expiry: Nov. 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 4528 while first resistance 4680.
- Stake Holders are advised to sell on rise.

Strategy: **Sell on Rise**

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Castor Seed	NCDEX	Nov	4528	4431	4620	4680	4800

Pre-Market Intraday Trade Call*			Call	Entry	T1	T2	SL
Castor Seed	NCDEX	Nov	Sell	Below 4650	4530	4431	4681
.							

Cash Market (Deesa) Price Projection For Oct:

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	4250-4300	4300-4350
Medium Term (30 days)	4350-4400	4450-4500

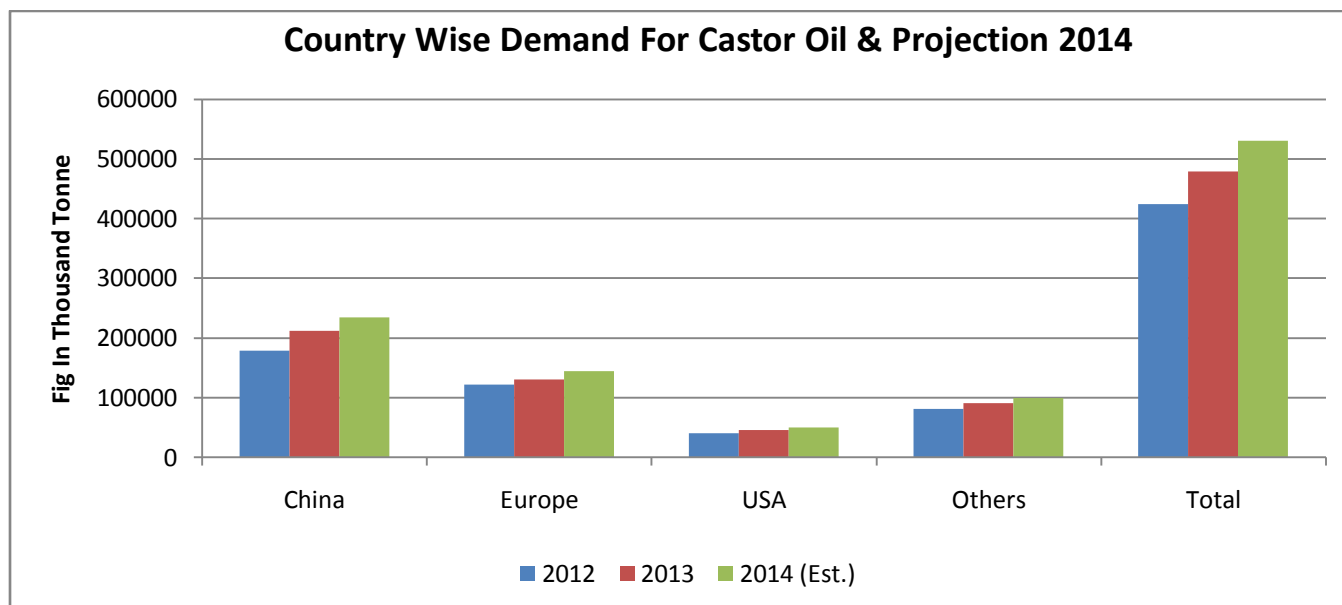
International Market Updates:

Major buyers like China, EU and US may increase buying in increasing market. Current FOB quotes in Kandla hover in the range of \$1425 to \$1430 per tonne. Buyers bids are in the range of \$1420 to \$1430 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 Rottardam oil quote too has declined from \$1715 to \$1730 per tonne. More buying may support price. However a correction is due in the market.

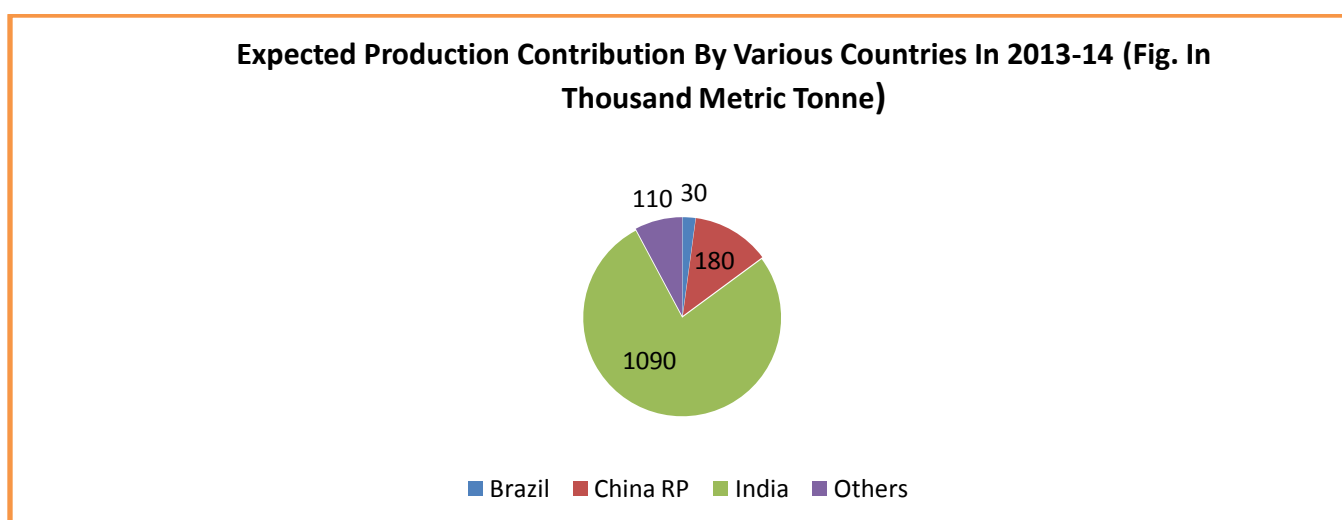
1. Country Wise Demand:



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.

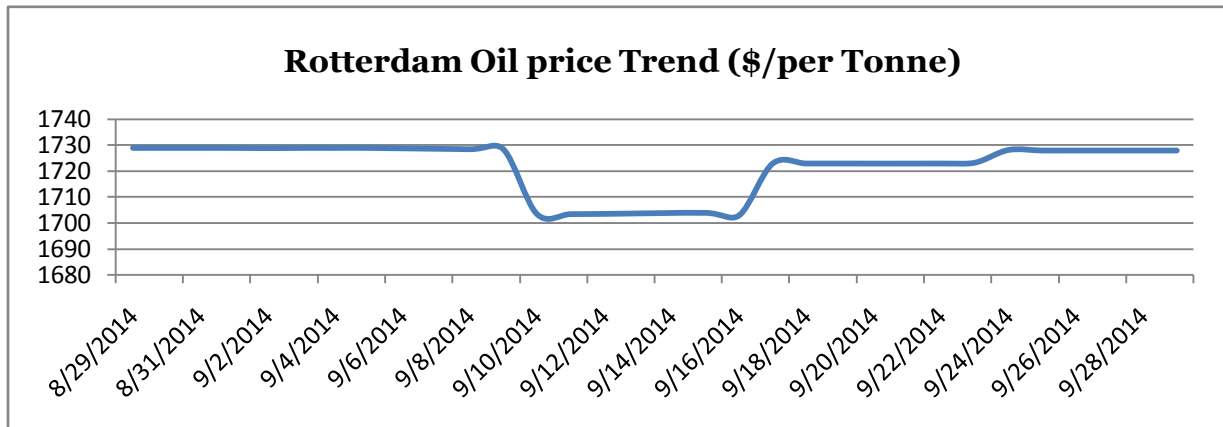
2. Major Producers And Their % share In production





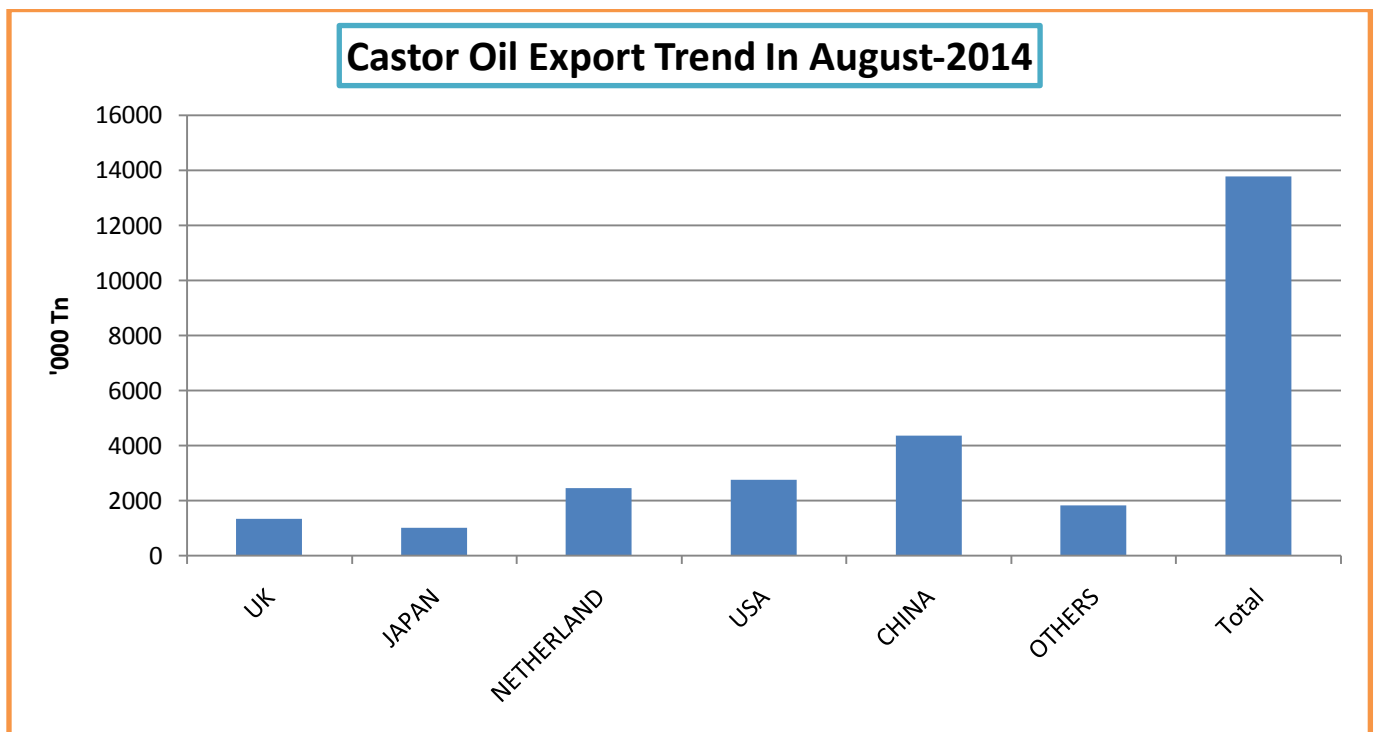
Note: Agriwatch would estimate global production for 2014-15 in November, by then sowing in various countries would be almost over.

4. Quotes For Castor Oil In Rotterdam:

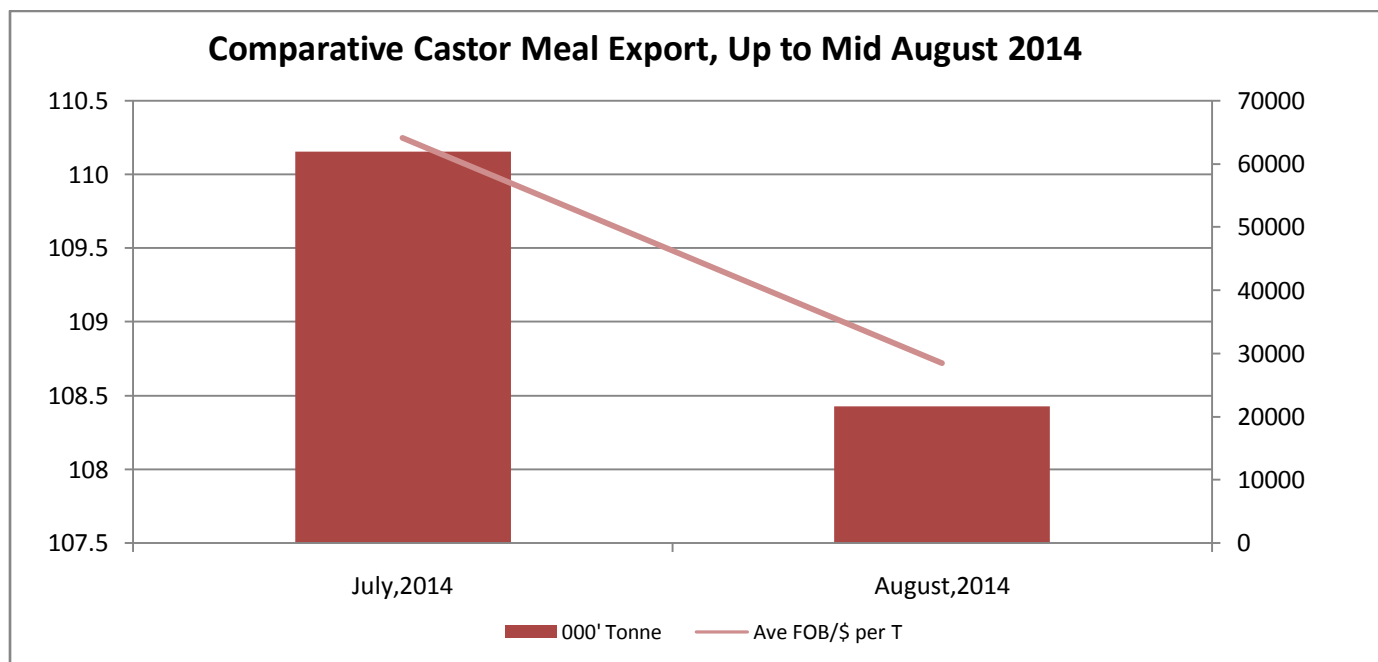


Source: Reuters, Sopa & IBIS

4. Major Buyers For Oil In August:



Source: IBIS (Sept data will be available by next week)



Sept data will be available by next week

5 .Overall View On Market Sentiments For September:

As market has entered into the lean season prices may rule steady to firm. However one correction is expected at current level. Production is bound to increase. But its impact will not be felt before Dec-Jan. Higher area coverage, prospects for better yields and stock available with stockists would not allow market to go for any bull run. However, market may test 5000 level in Nov.FOB quotes May hover in the range of 41430 to 41440 per tonne in October.

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 months to fetch better price.

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