

## **1. Executive Summary:**

Before getting weak, castor seed in NCDEX spot and open markets continued to trade up in the first week of Nov and with trickling arrivals from new crop, better crop outlook and lower demand for oil in the international market restricted market to continue with bull run in the second, third and the fourth week of Nov. During this period NCDEX spot slipped from 4775 to 4580 per qtl. and pressure is likely to continue as arrivals are expected to improve from Jan onward with lower than normal demand for the castor products.

Arrivals in Gujarat market have improved in Nov. Some seed from old crop too is entering into the market as market participants expect weakness to continue as crop would around 2.5 to 3 lakh tonne more than last year(10.70 lakh tonne). Some traders sees production over 15 lakh tonne. As crop duration is long and arrivals continue from Jan to May clear picture of exact yield would emerge by Feb end.

Area under castor seed was recorded at 10.35 lakh ha. on 10th Oct ,2014 against 9.84 lakh ha covered in last year. It is 52 thousand ha higher than last year. Area in Gujarat was recorded at 7.33 lakh ha against 6.22 lakh ha last year. However, area has decreased in Rajasthan from 1.92 to 1.49 lakh ha this year. Area in Andhra Pradesh has increased slightly from 1000 ha to 45 thousand ha this year. However in Telengana it has decreased from 83 to 66 thousand ha. this year. In other states there has been no major change in area. Higher area coverage hints higher production this year as weather has been favourable till now.

Lower demand for castor products and better crop prospects with trickling arrivals from the new crop weigh on the market fundamentals. There is also a gossip in the market that ample old stock is stored in the market and players/stockists would like to dispose off them before mid February. However, demand for oil from overseas market and stockists strategy would play a crucial role to direct the price in the month of December.

FOB quotes In Kandla has decreased considerably from \$1515 to \$1470 per tonne in last two weeks and it is likely to rule in the range of \$1560 to \$1475 in the month of December.

Demand from China, EU, US and Japan is expected to remain weak till December. Major players would buy only need based buying until arrival gets its peak.

Overall market sentiment remains steady to slightly weak in Dec.



### 2. Market Highlights:

- Castor seed price in Gujarat has decreased by 1.10 percent from Rs 45250 last month to 44750 per tonne in Nov. It is almost 4.72 percent higher than price realized in Nov, 2013. Price was ruling Rs 43732 per tonne in Nov 2013. Market expects weakness to continue till the mid of the month and steady during the second half of the month.
- Castor meal extraction, ex Kandla too has increased from \$117 to \$135 per tonne in last one month. It is almost 25 percent higher than Nov. 2013 quote. It is almost 15.38 percent higher than Oct, 2014 quote.
- Sowing activity is almost over and we can conclude it at 10.35 lakh hectare this year against 9.84 lakh ha covered in last year. It is 52 thousand ha higher than last year. Area in Gujarat was recorded at 7.33 lakh ha against 6.22 lakh ha last year.
- Govt has released First Adv. Estimate of food grains for 2014-15 on 19, Sept, 2014 and estimated 19.63 lakh tonne production this year against the target of 16.65 lakh tonne. The target is unlikely to materialise as yield in Gujarat will be below last year level.
- Castor Oil (First Grade) FOB Kandla (Export) quote decreased from \$1515 to \$1470 per tonne in Nov. The net loss of \$45 per tonne in a month on the back of better crop prospects and higher arrivals amid sluggish demand for castor products.
- No change in overseas market change in this month. Price of castor oil in Rotterdam too has increased from \$1728 to \$1753 per metric tonne during last one month. The wide difference between Indian FOB quote (Kandla) and Rotterdam quote is due to branding and higher freight . India lacks branding in castor oil.
- Castor Oil commercial is being traded at Rs 85,500 per tonne, almost Rs 1000 per tonne lower than Nov. However, it is ruling 12.25 percent lower than Nov, 2013 average price.
- As crude palm oil 5 % is available at Rs 42000- 43000 per tonne (Ex Kandla), soap industry in domestic market has reduced buying of commercial castor oil at Rs 86500 per tonne.
- Importers of castor meal extraction too have reduced their buying at \$135 per tonne and they may wait for new crop expected from mid February for bulk buying. 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
<b>Carry out</b>	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 (**Agriwatch will revise estimate in March 2015**)

#### 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
<b>Carry out</b>	<b>0.7</b>	<b>0.4</b>	<b>0.1</b>	<b>0.3</b>

**\*Agriwatch Preliminary Estimate For 2014-15(Revision is likely in March 2015)**

- ❖ 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
<b>2014-15*</b>	19.63	<b>Not published</b>	<b>Not published</b>	16.64	<b>Not published</b>	<b>Not Published</b>
*Revised production figure in 1st Adv. Estimate for 2014-15 Govt production Target for 2014-15						

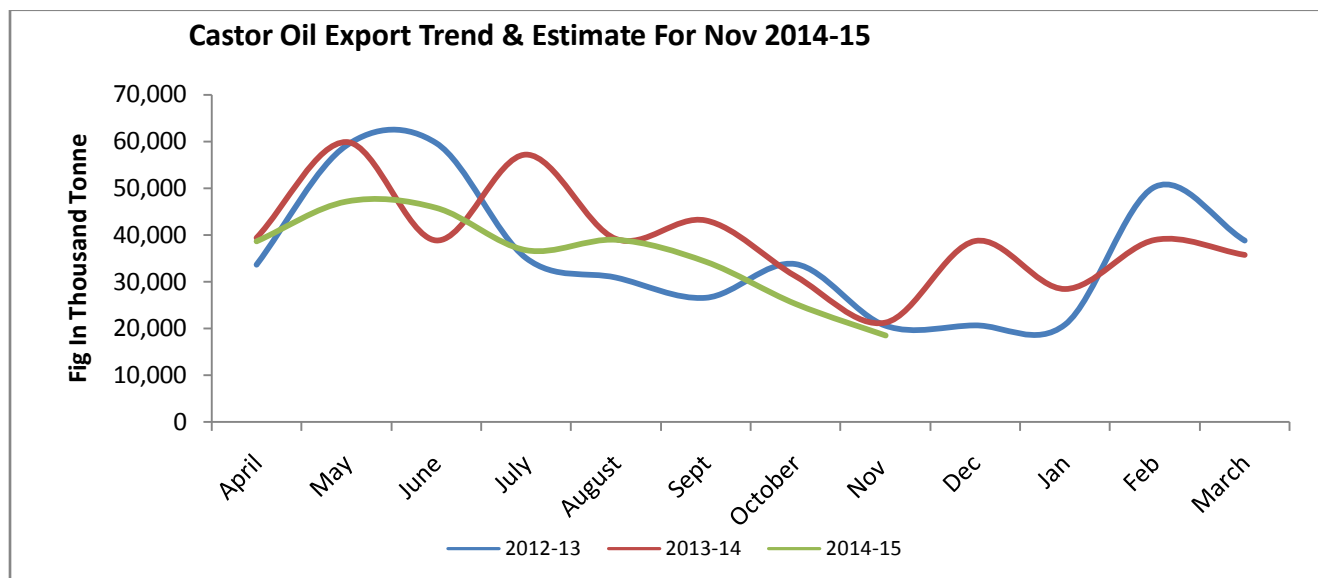
Govt. has fixed production target at 16.65 lakh tonne for 2014-15 and market sees it as a practical target. Agriwatch had estimated 16.64 lakh tonne production for 2014-15 in June before sowing based on farmer's intention, lower rainfall and counting three years production average. The target is achievable 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 Area With % Change In 2014:

Comparative Castor Sowing Area In Lakh Hectare			
States	2014	2013	Change
<b>A.P.</b>	0.46	0.45	0.01
<b>Telengana</b>	0.66	0.83	-0.17
<b>Bihar</b>	0.01	0.01	0
<b>Gujarat</b>	7.33	6.22	1.11
<b>Haryana</b>	0.01	0.01	0
<b>Karnataka</b>	0.12	0.14	-0.02
<b>Maharashtra</b>	0.17	0.15	0.02
<b>Odisha</b>	0.07	0.07	0
<b>Rajasthan</b>	1.49	1.92	-0.43
<b>Tamil Nadu</b>	0.04	0.04	0
<b>All India</b>	10.36	9.84	0.52
Source : Ministry of Agriculture, GOI (As on 9th Oct.2014)			



### 7.Castor Oil Export Trend & Projection For Nov.:



Castor oil export trend shows sluggish demand June onward and continued under pressure till Nov. Total export in oct was registered at 25250(estimate) tonne. It may dip further in Nov at around 19/20 000 tonne. Recovery in export may be seen in next quarter.

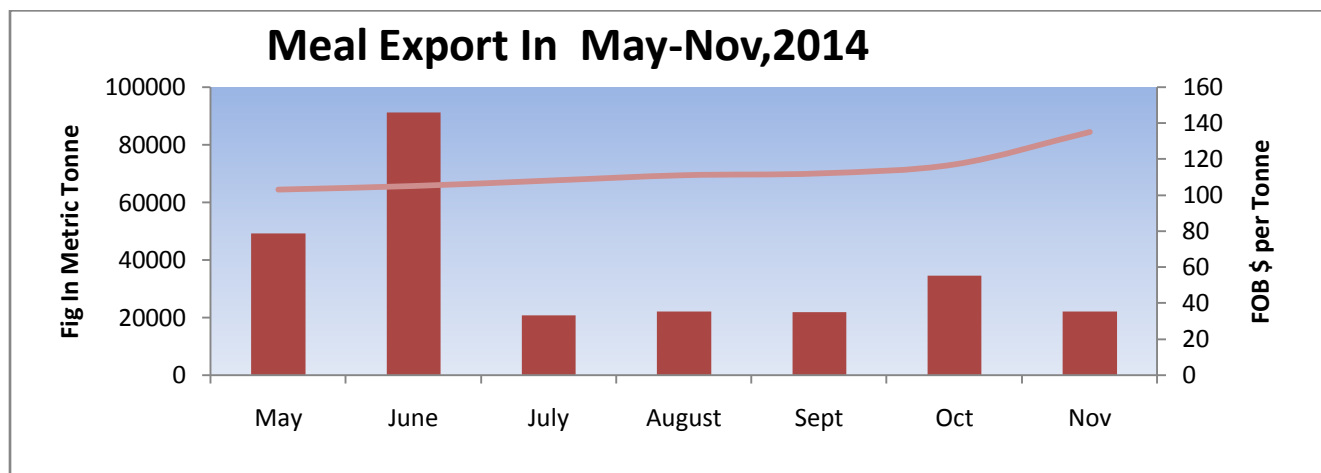
### 8.Castor Oil Export Trend Yearly Table:

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	36766
August	40,426	30,963	39,196	38990
Sept	18,319	26,641	43,139	34285
Oct	21,909	33,841	31,228	25250
Nov	17,545	20,682	21,307	18500

Source: IBIS, SOPA & Trades



Quotes:



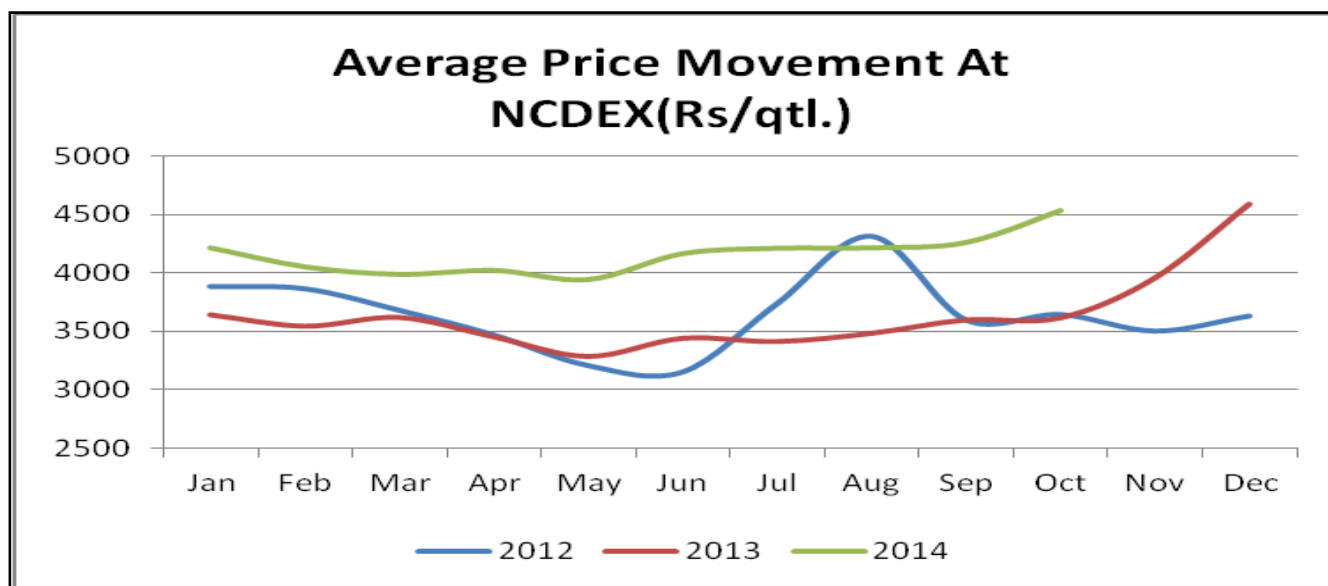
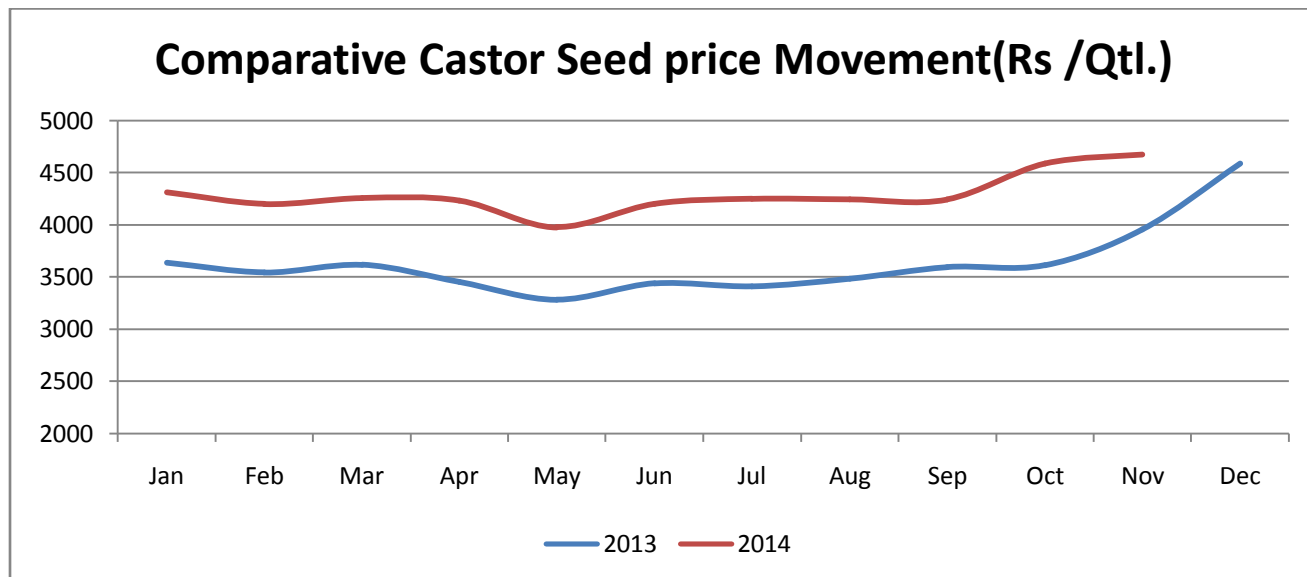
Castor meal export has decreased sharply due to higher price from sourcing port. It is being traded at \$135 per tonne. All major buyers are in a wait and watch mode now .

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

Comparative Prices Of Castor Products Including Seed					
	5th Dec'14	28th Nov'14	5thth Nov'14	Average Dec-13	CHANGE % from last year
Castorseed (Gujarat)((Rs./M.T) Ex-Mandi	44750	44250	45250	42732	4.72
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	135	135	117	108	25
<b>EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla</b>	8100	8100	7100	6512	24.39
Castor Oil (First Grade) FOB Kandla (Export)\$ /Tonne	1470	1475	1515	1470	00
<b>Local rates for oil in domestic market(Rs./M.T.) for comm.</b>	85500	88000	86500	87548	-2.24

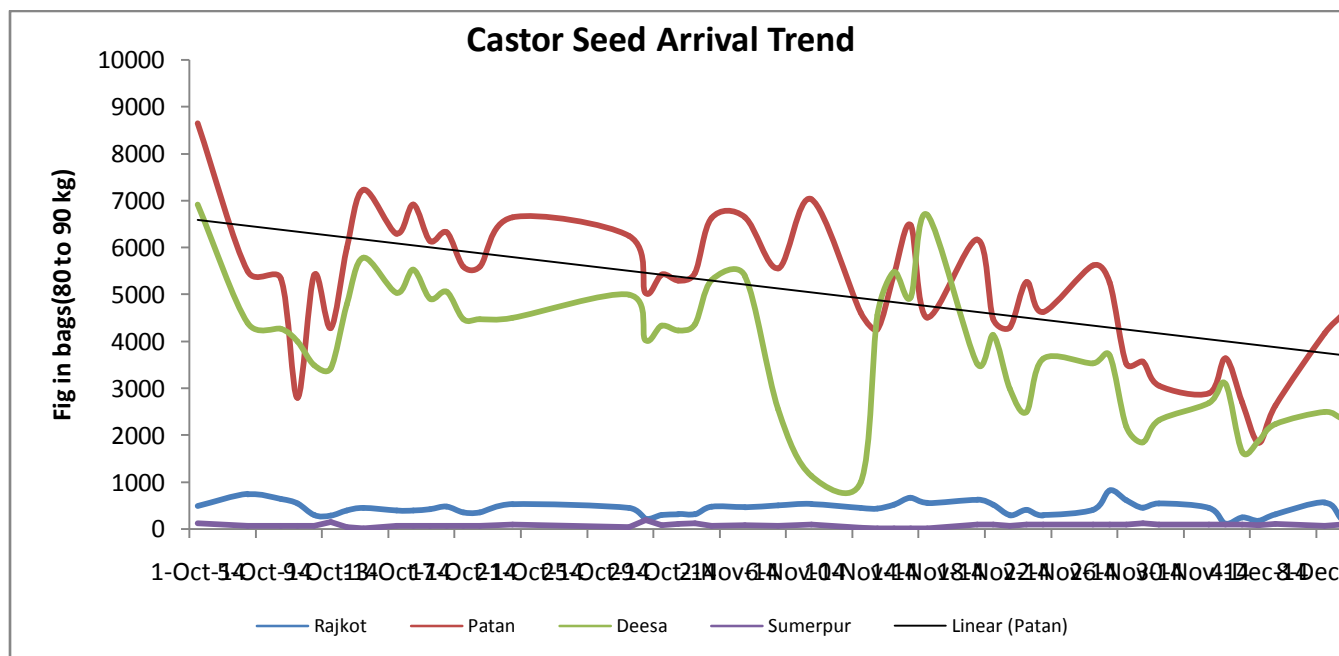
Source: IBIS, SOPA & Trades

### 11.Price Variation In 2013 & 2014:



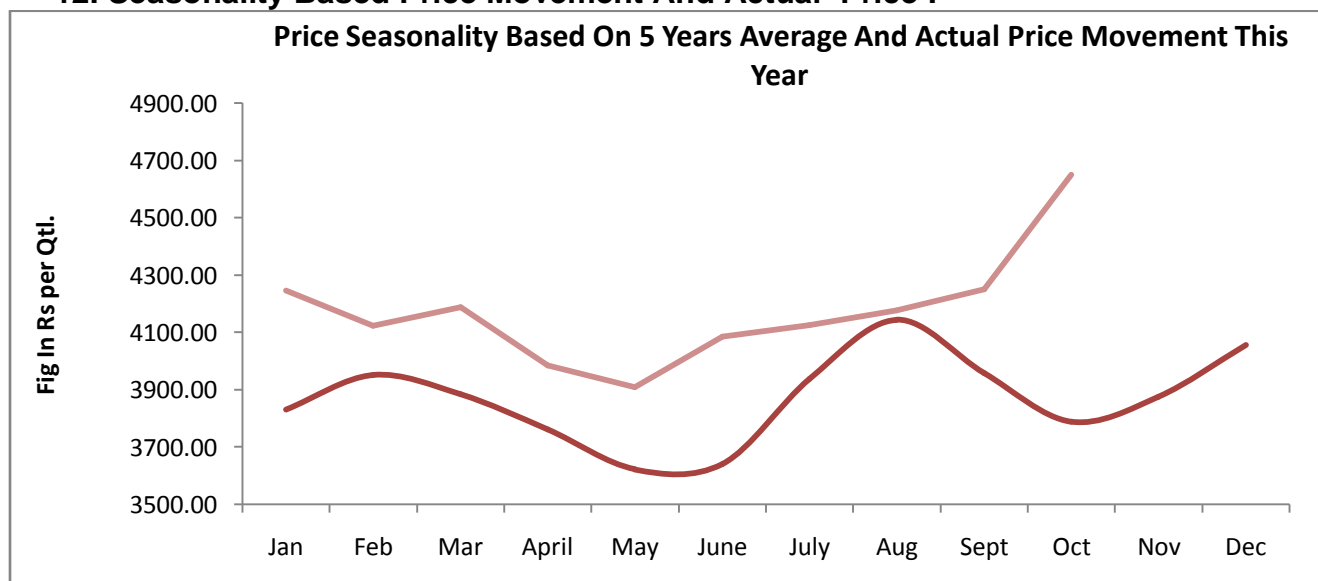
Castor seed prices in major markets continued to trade firm as above given chart shows. Uptrend is likely to continue till mid December as demand for oil at higher level may continue





Castor seed arrivals in major markets have decreased last month due to weak market. However, arrival may increase in the weeks ahead.

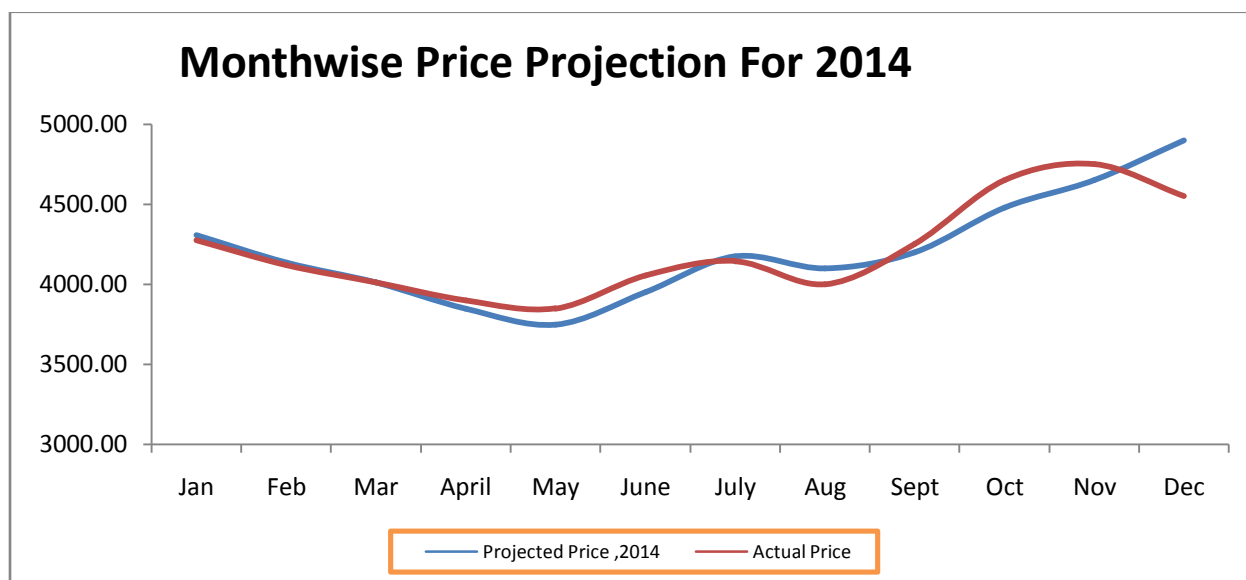
## 12. Seasonality Based Price Movement And Actual Price :



Price seasonality of castor seed shows that price starts declining with Sept. and actual price movement in the market (Deesa) follows almost same trend. But this year we see opposite trend based on seasonality. Main reason for opposite movement is attributed mainly to lower seed production last year.



### 13.Cash Market Price Projection For November:



Price may rule lower in the month of Dec2014.

### 14.Agr-watch 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.

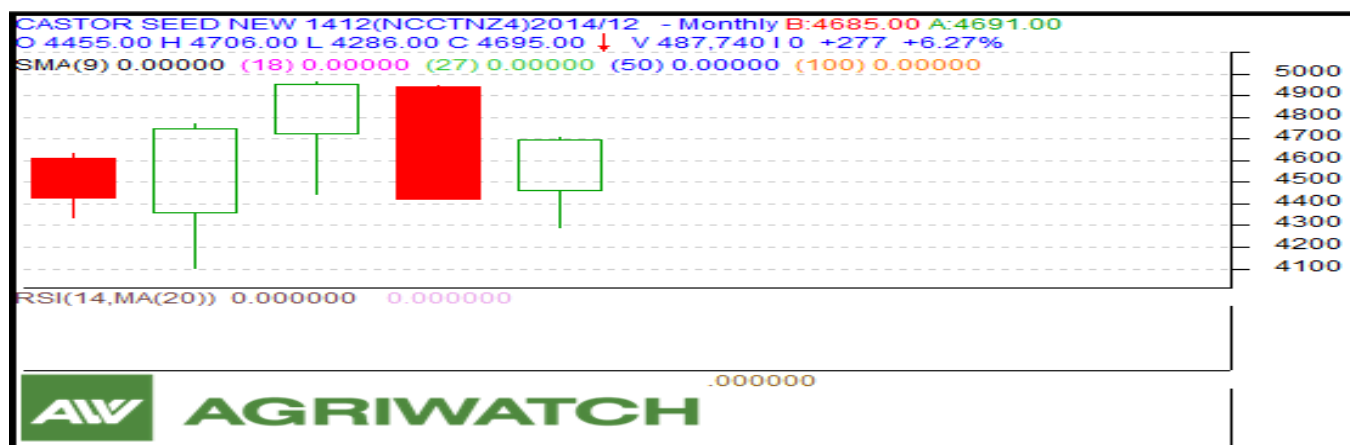
### 15. Monthly Technical Analysis:

**Commodity: Castor Seed**

**Contract: December.**

**Exchange: NCDEX**

**Expiry: Dec. 20, 2014**



### Technical Commentary:

- Candlestick chart shows firmness in the market.
- RSI moving steady in neutral region favours range bound movement.
- Momentum indicator MACD is in positive territory cautions bears.
- The nearest by support is 4450 while first resistance 4708.
- Stake holders are advised to sell on rise.

### Strategy: Sell on rise

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Castor Seed	NCDEX	Dec	5401	4450	4695	4708	4968
Pre-Market Intraday Trade Call*			Call	Entry	T1	T2	SL
Castor Seed	NCDEX	Dec	<b>Sell</b>	Below 4710	4550	4500	4768

**Cash Market (Deesa) Price Projection For Nov:**

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	4500-4550	4550-4600
Medium Term (30 days)	4600-4650	4650-4700

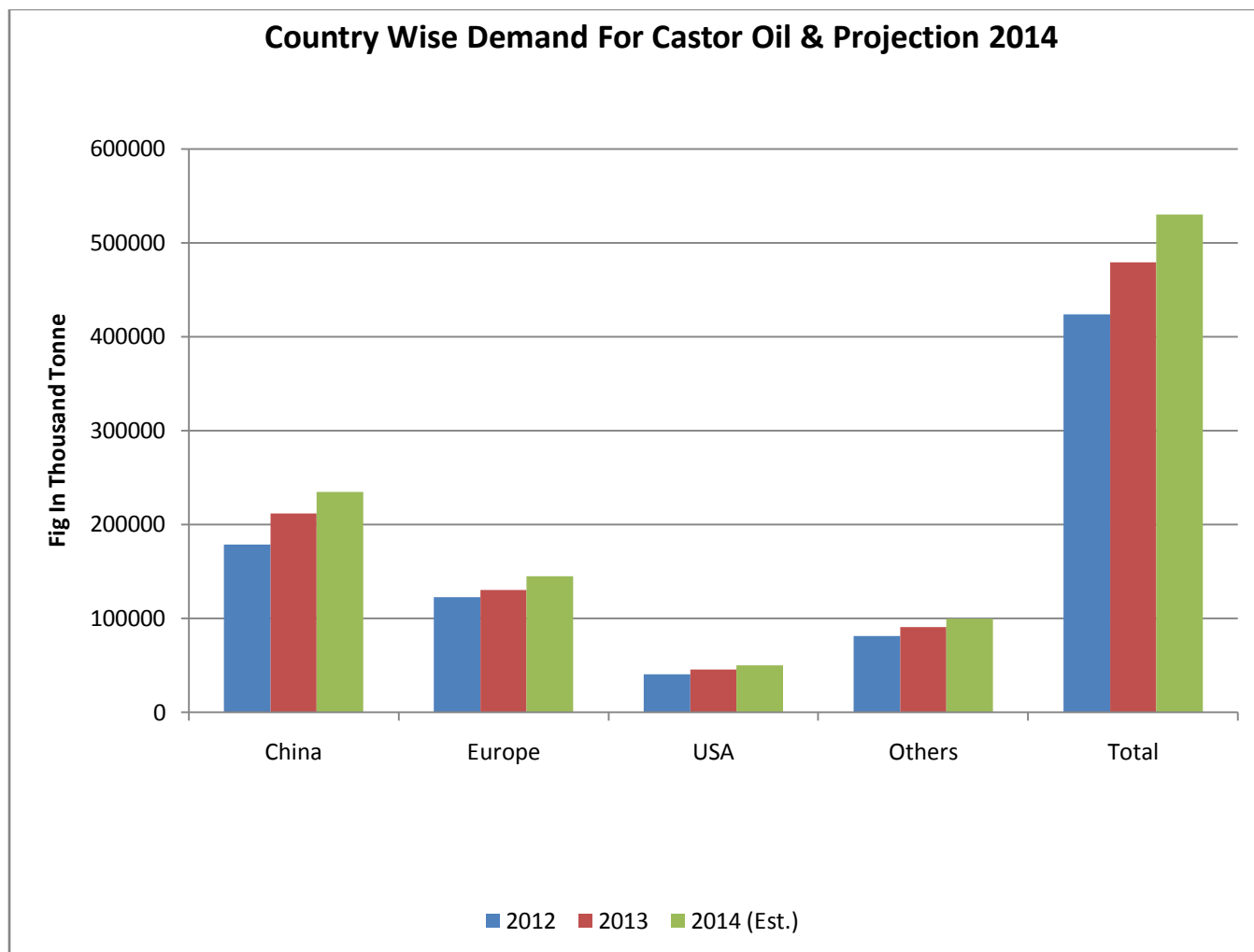
**International Market Updates:**

Major buyers like China, EU and US are engaged in need based buying as market is ruling higher. However, market participants expect market to dip from current level in the near term.. Current FOB quotes in Kandla hover in the range of \$1470 to \$1475 per tonne. Buyers bids are in the range of \$1450-1460 per tonne on FOB basis Kandla.

China has covered 80 % of its need of over 2 lakh tonne oil so far. Europe and US too have brought 75 percent of its need of 1.4 and 0.6 lakh tonne oil so far. In remaining 2 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 Nov.2014.

At Rottardam oil quote too has increased from \$1728 to \$1753 per tonne.

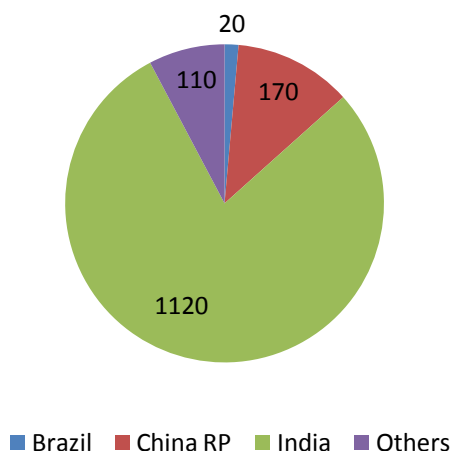
## 1. Country Wise Demand:



Despite higher expected demand for oil by China, EU & US in 2013-14, offtake by these countries has declined due to higher price (\$1500 to \$1515 per tonne) of oil in Oct and Nov. It is almost 21 percent higher than the price fetched during Oct –Nov 2013.

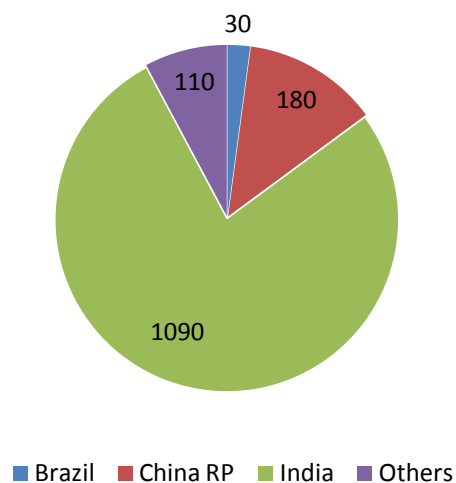
Total export volume is expected to be lower than projected for 2013-14 at least by 5 to 6 percent. Fresh deal can be seen from December. By then price might be stabilized.

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



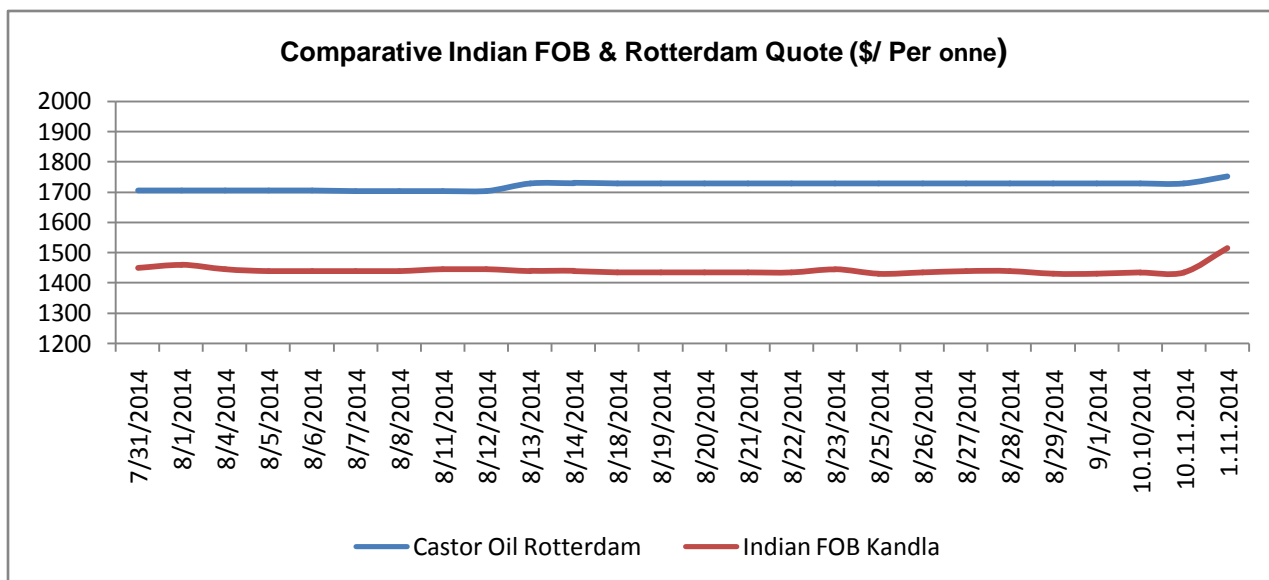
## 2. Major Producers And Their % share In production

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



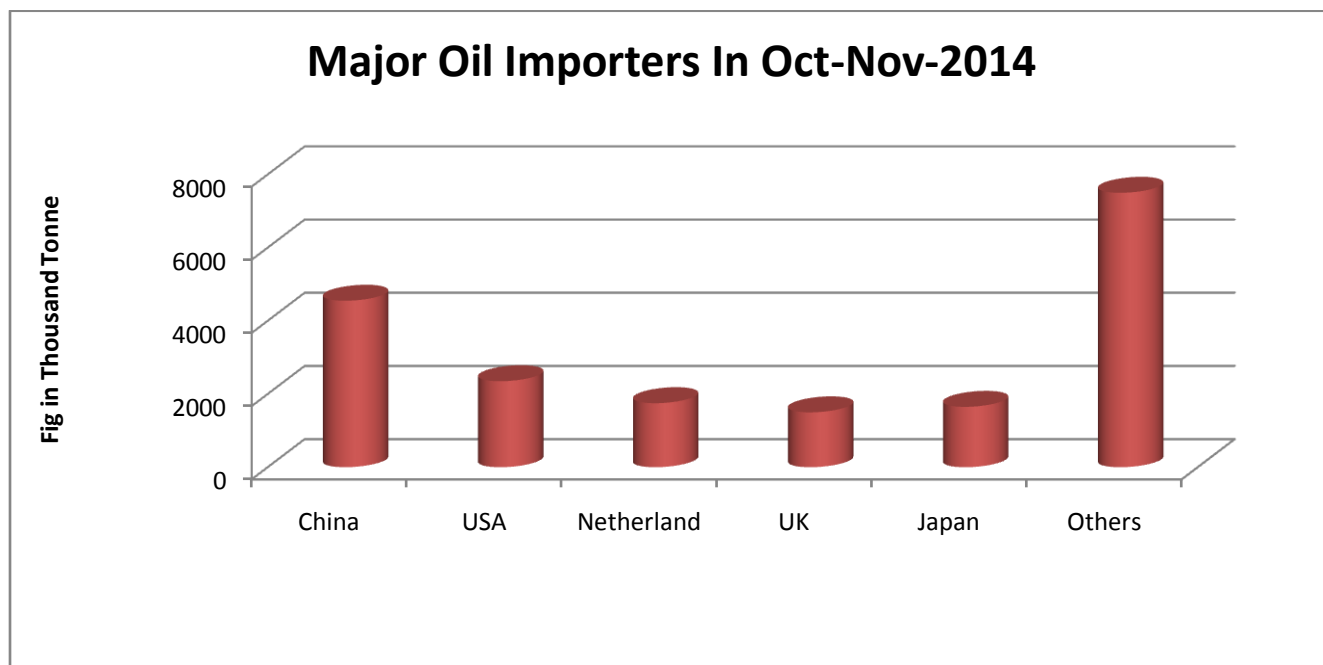
Note: Agriwatch would estimate global production for 2014-15 in November, by then sowing in various countries would be almost over.

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



Source: Reuters, Sopa & IBIS

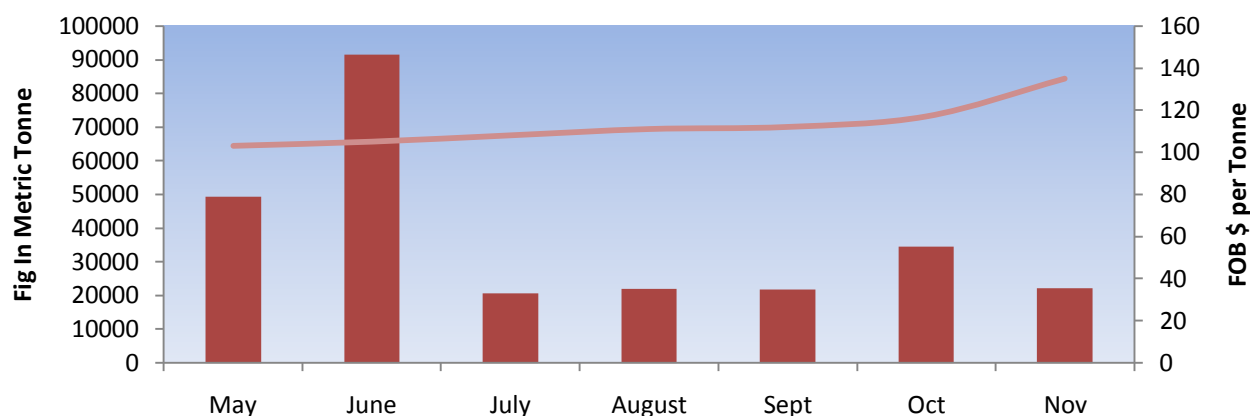
#### 4. Major Buyers For Oil In August:



Source: IBIS



### Meal Export In May-Nov,2014



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

Castor market is likely to see a downward correction from current level as buyers have restricted buying at higher level. There is a general talk in the market that market still holds ample quantity of seed and it would continue to flow in the market at higher level. Cash market should dip to Rs 4300/4400 level in Dec. once again.

#### 5. Recommendation:

Stake holders should sell on futures on rise while stockists may release stock at current price.

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