

1. Executive Summary:

Castor seed market continued to slip during the month of January and further dip is expected in the month of Feb as arrival from new crop is to pick up by the end of this month supported by higher carryout and lower demand for seed in recent past months. Castor futures market decreased by Rs 1000 from 5000 to around Rs 4000. Cash market too decreased from Rs 5005 to Rs 4075 in Patan in January. Cash market may trade in the range of Rs 3850 to Rs 3900 per qtl.

FMC, the market regulator's attempt to check abnormal fluctuation and unexpected huge open interest with 100 percent margin bore fruits to some extent. The highest delivery was registered in Jan-2015 on the NCDEX. Recently it had directed the exchange to make advance staggered delivery in castor seed and coriander. Resultantly, delivery started from 29th Dec instead of pre set date from 11th Jan. It had levied 100 percent margin from December 26th, 2014.

Because of this action stock increased from 205,000 tonne to 430,000 tonne in one month. Open interest too reduced from 346,000 tonne to 36,000 tonne during this period. In Jan total delivery was recorded at 203,000 tonne.

Overall stock from old crop is higher than expectation as market undermines stock in the hands of farmers and traders. After the highest volume of delivery in January stock still is over 4.5 lakh tonne from old crop. Higher volume of delivery is expected in February too. Higher delivery from the warehouses of exchange would ensure higher availability of oil in the weeks ahead.

As crop size is lower (in the range of 12 to 14 lakh tonne) than expectation this year, market fundamental for second half may be bullish. Major stockists would retain stock and buy from new crop too just to drag market up in their favour. However, fundamental for the second quarter for the year remains bearish.

This year market may see wide variation in planted and harvested area. Total planting this was recorded at 10.35 lakh ha. however, harvested area may contract to around 9.25 lakh ha. as per feedback received from farmers and traders. So assessment over crop size varies widely. Even at yield front Agriwatch see variations.

FOB quote at Kandla decreased considerably from \$1450 to \$1395 per tonne in last four weeks and may dip more in the weeks ahead by \$10 to \$20 per tonne in the month of February. It is 1.48 percent lower than the price realized in Jan, 2014. Seed price too declined 8.94 percent during last one month. However, meal price is ruling higher from Jan, 2014 by \$15 per tonne to \$132 per tonne.

Major buyers of oil like China, EU, USA, Japan and Taiwan may be active for fresh buying from March and it may help seed price to move range bound around 3900 / 3950 level in domestic market

2. Market Highlights:

- Castor seed price in Gujarat has decreased by 8.94 percent from Rs 45300 last month to 41250 per tonne in January. It is almost 2.85 percent lower than price realized in Jan, 2014. Price was ruling Rs 42458 per tonne in Jan 2014. Market expects weakness to continue by the end of this month as arrival pressure may be felt.
- Castor meal extraction, ex Kandla too decreased slightly from \$135 to \$132 per tonne in the month under review. However, it is almost 23.36 percent higher than Jan. 2014 quote. Demand for meal extraction is weak right now and Agriwatch expects some improvement in shipment in the month of February.
- Latest survey report says that harvested area would decrease in comparison to sowed/planted area by 10 to 12 percent and final size of the crop would be lower than previous expectation. Production of seed may be in the range of 12.5 to 13 lakh tonne this year, almost 1 lakh tonne higher than last year. This year area under castor crop was registered at 10.35 lakh ha. against 9.84 lakh ha covered in 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 \$1450 to \$1395 per tonne in January. The net decline of \$55 per tonne in a month due to higher stock and increased availability of seed. Around \$15 to \$20 per tonne more dip is expected. Pressure would remain on seed price.
- Decrease in overseas market was seen in the month of January. Price of castor oil in Rotterdam has decreased from \$1752 to \$1700 per tonne during the month. More decline is expected in Feb and Mar this year. 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 3000 per tonne higher than the beginning of January, 2015. However, it is 0.49 percent lower than the price realized in Jan 2014.
- Castor meal ex Kandla is being traded at Rs 7700 per tonne, almost 4.49 percent lower than the price realized in December, 2014. However, it is 21.22 percent higher than the price of Jan, 2014.

3. Castor Seed Demand/Supply:

All units in lakh tonnes	2011-12	2012-13	2013-14	2014-15 E
Carry in	1.5	5.3	5.84	4.54
Production	15.8	13.04	11.7	13
Imports	0	0	0	0
Total Availability	17.3	18.34	17.54	17.54
Consumption	12	12.5	13	13.5
Exports	0	0	0	0
Total Usage	12	12.5	13	13.5
Carry out	5.3	5.84	4.54	4.04

Revised estimate for castor seed on 5th Feb,2015

High lights of S&D:

- ❖ Castor seed balance sheet shows that the current marketing season (Jan to Dec) would end up with 4.04 lakh tonne seed, slightly lower than 2013-14 carryout.
- ❖ The govt. has set the production target at 16.65 lakh tonne for 2014-15. The set target is unlikely to materialize even in normal weather condition.
- ❖ Agriwatch estimate around 13 lakh tonne production this year which brings total availability to 17.54 lakh tonne, almost same as last year.
- ❖ Seed consumption in India is growing with steady pace with 50,000 tonne per year and Agriwatch see seed consumption at 13.5 lakh tonne in 2014-15.
- ❖ Indian export of oil may be in the range of 4.4 to 4.5 lakh tonne and domestic consumption 50,000 tonne. This translates seed consumption around 11 lakh tonne. The rest two lakh tonne may be consumed as derivatives.
- ❖ 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	0.2
Production	5.5	6	5	6
Imports	0	0	0	0
Total Availability	6	6.7	5.4	6.2
Consumption (domestic)	1.4	1.6	1.2	1.2
Exports	4.2	4.7	4	4.5
Total Usage	5.3	6.3	5.2	5.7
Carry out	0.7	0.4	0.2	0.5

***Agriwatch has not revised oil consumption estimate, may be revised in March)**

- ❖ The season 2014-15 is likely start with the lowest oil stock of 0.2 lakh tonne as carry in. Higher production in 2014-15 from last year and weak overseas/local demand for castor oil would increase stock to 0.5 lakh tonne, the highest level in last three years..
- ❖ Carryout would increase from 0.2 to 0.5 lakh tonne in 2014-15 due to higher production prospects and lower demand. Total availability of oil too would increase from 5.4 to 6.2 lakh tonne in 2014-15.Despite higher availability crushing has been lower,otherwise carryout would have been more than the given figure.
- ❖ Domestic consumption is unlikely to increase from previous year due to higher price of seed. Soap and other adhesive industries/paint industries have reduced the use of castor oil considerably and switching to palm stearine as it is ruling lower.
- ❖ Castor oil export from India may increase slightly from 4 lakh tonne to4.5 lakh tonne.

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	11.30
2014-15*	19.63	Not published	11 to 13	13.00	Not published	11.00
*Revised production figure in 1st Adv. Estimate for 2014-15 Govt production Target for 2014-15						

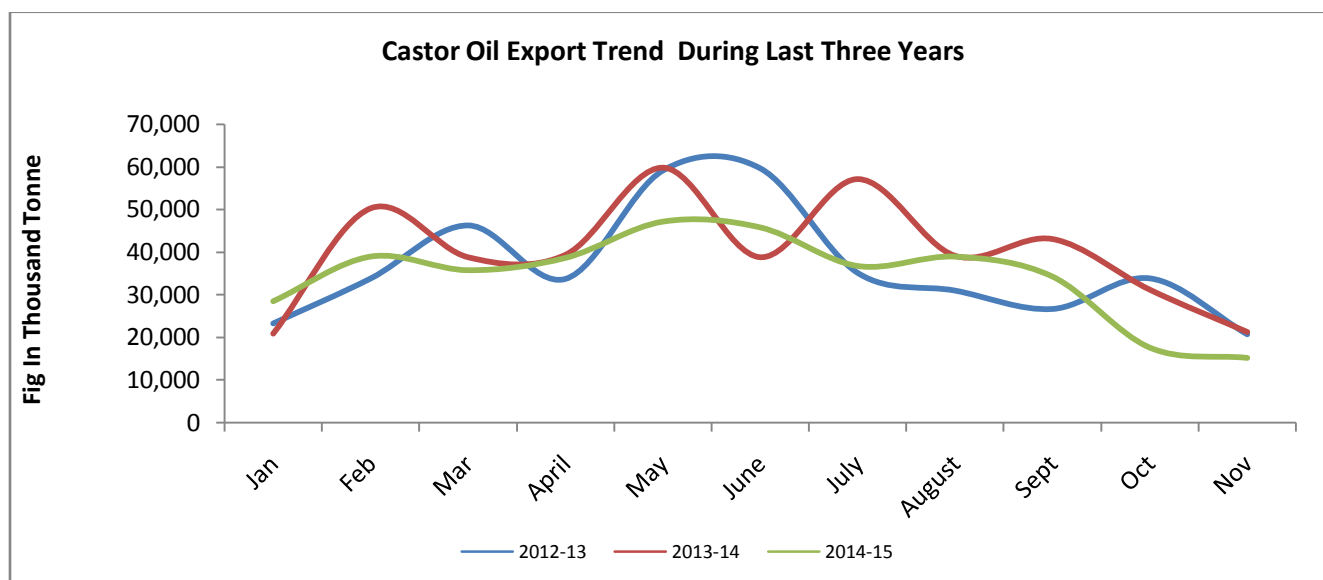
Govt. has fixed production target at 16.65 lakh tonne for 2014-15 and market sees it as a practical target. Agriwatch has revised production estimate at 13.00 lakh tonne for 2014-15 . More data from private sector is awaited.

. 6. Castor Area With % Change In 2014:

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



7. Castor Oil Export Trend-2014.:



Castor oil export trend shows sluggish demand June onward and continued under pressure till December. Total export during last 12 months was registered at 382298 tonne and Agriwatch expect 18000 tonne export in December. Thus total export from Jan to Dec-2014 was recorded at 400000 tonne.

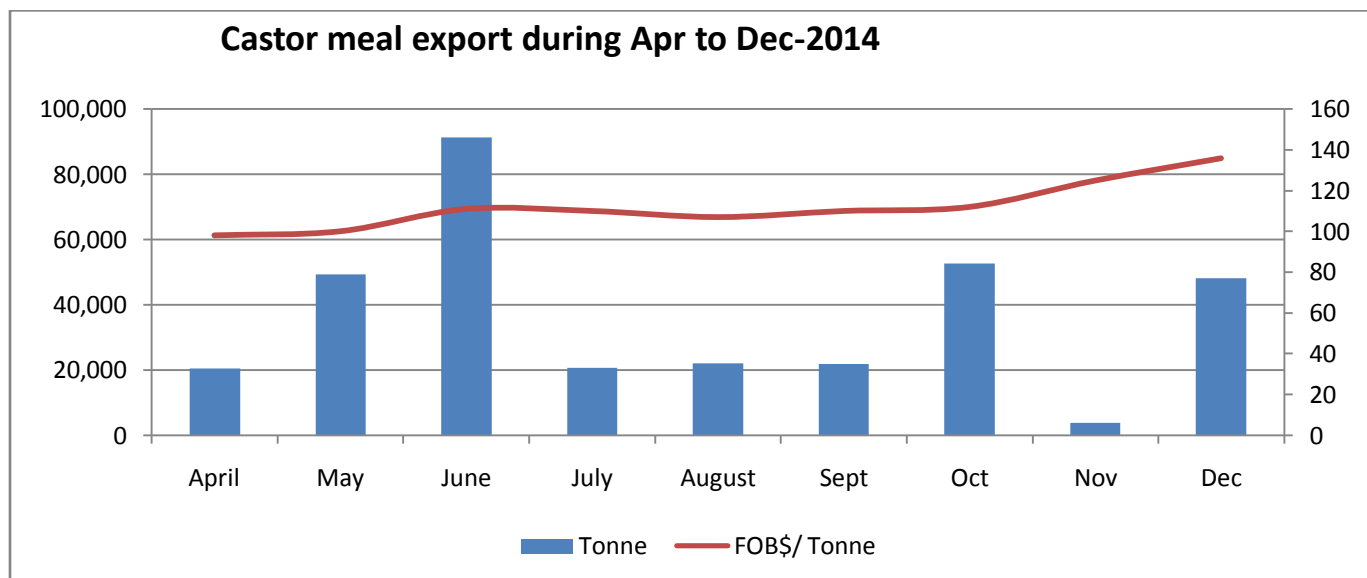
8. Castor Oil Export Trend Yearly Table:

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	38,661
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	34,285
Oct	21,909	33,841	31,228	17,600
Nov	17,545	20,682	21,307	15,189
Dec(E)	20,462	20,742	38,744	18,000

Source: IBIS, SOPA & Trades



Quotes:



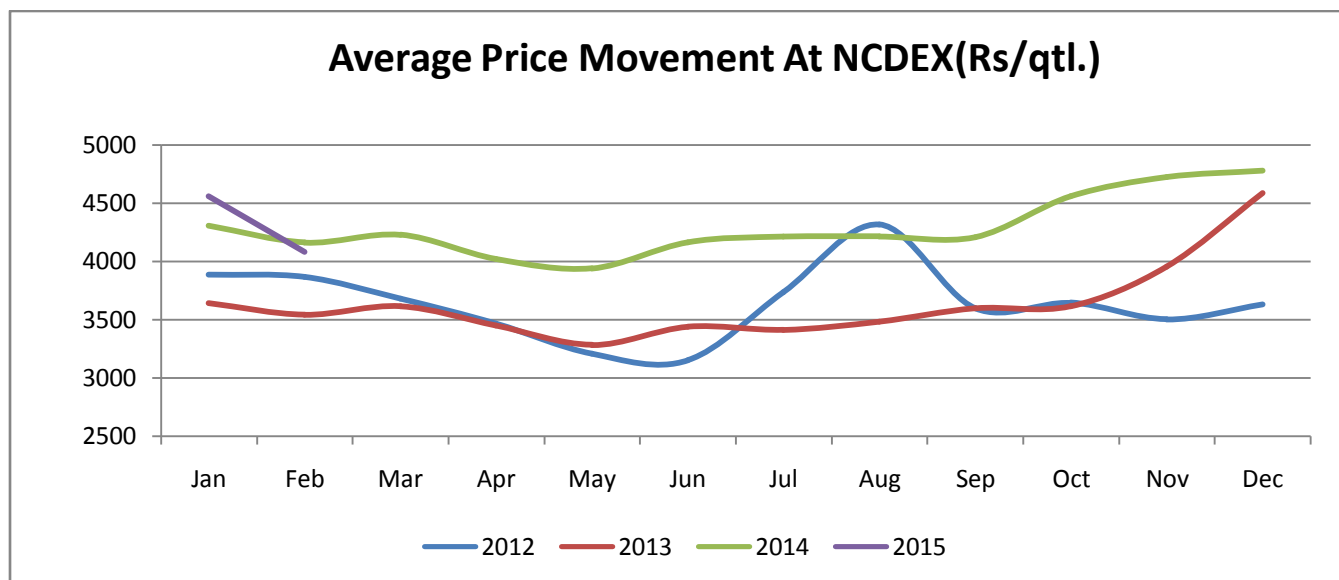
Castor meal export increased sharply in Dec despite higher quote. Export pace is likely to continue in the month of February too. It is being traded at \$136 per tonne. Major buyers may start fresh buying as prices are likely to decrease in the months ahead with higher seed supply into the market.

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

Comparative Prices Of Castor Products Including Seed					
	30th Jan'15	23 th Jan'15	30th Dec'14	30th Jan '14	CHANGE %
Castorseed (Gujarat)((Rs./M.T) Ex-Mandi	41250	43000	45300	42458	-2.93
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	132	132	135	107	18.94
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	7700	7700	8100	6,352	17.51
Castor Oil (First Grade) FOB Kandla (Export)\$/Tonne	1395	1410	1450	1416	-1.51
Local rates for oil in domestic market(Rs./M.T.) for comm.	85500	87500	88500	85920	-0.49

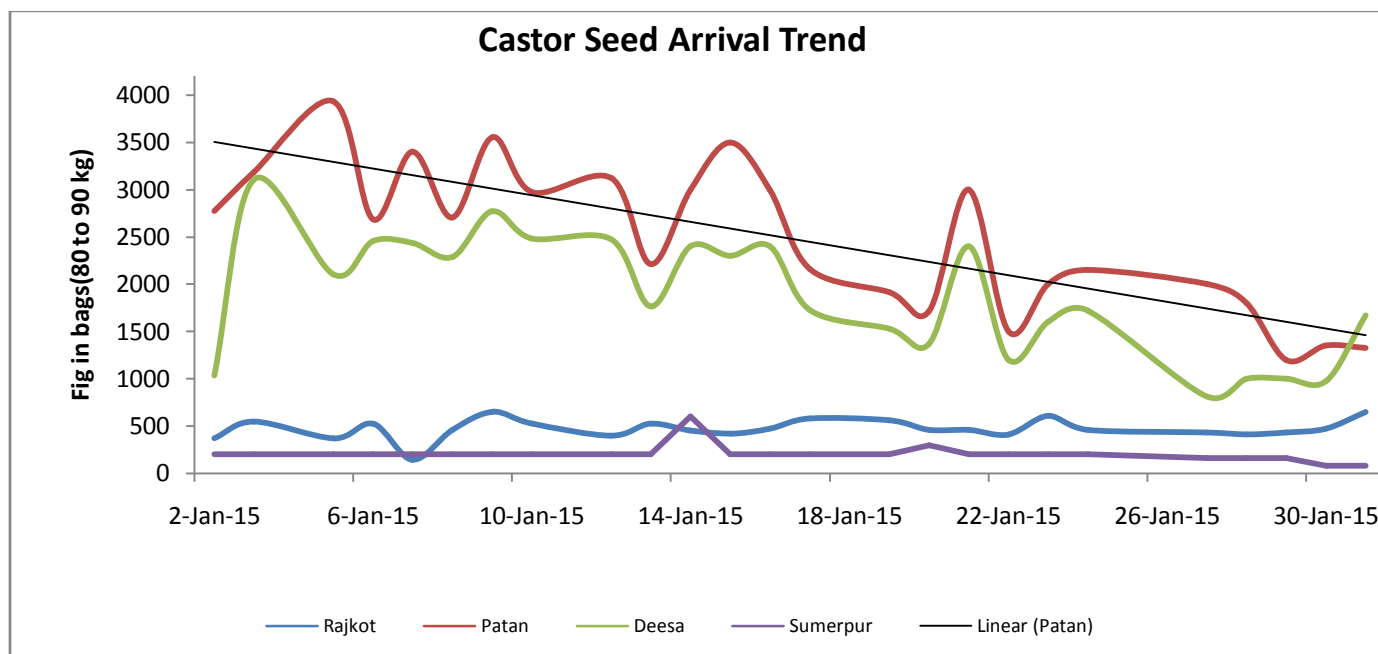
Source: IBIS, SOPA & Trades

11. Price Variation In 2013 & 2014:



Castor seed prices in major markets continued to trade weak as above given chart shows. More dip in average price seems on the card in the weeks ahead.

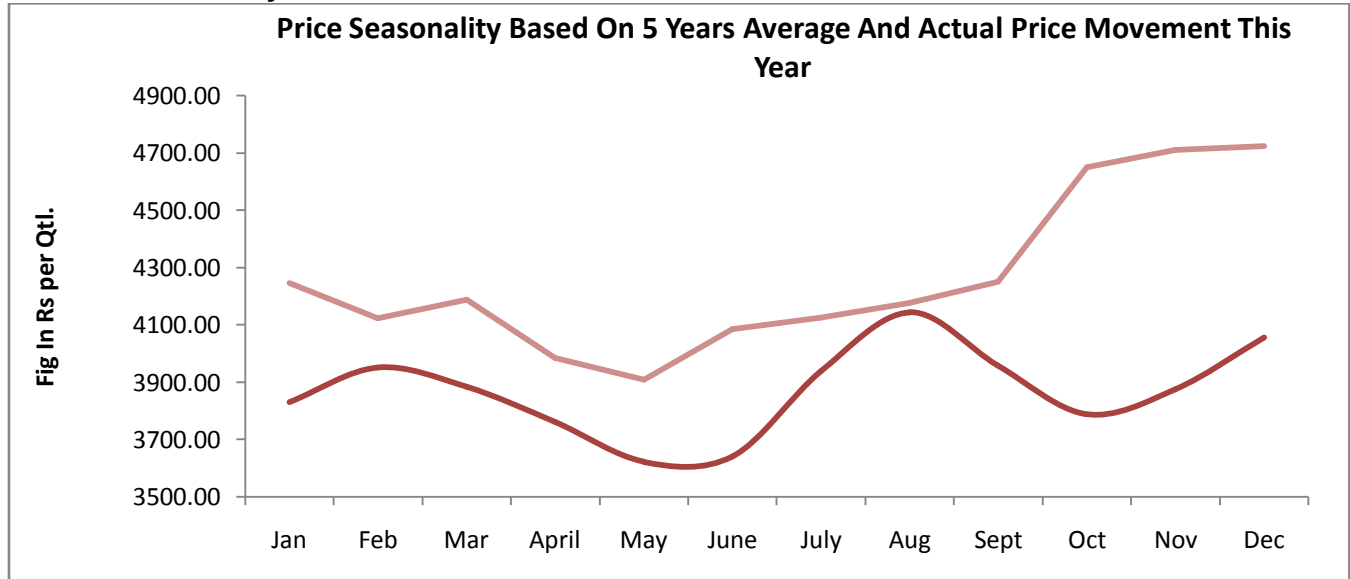
Castor Seed Arrival Trend:



Castor seed arrivals in major markets have decreased, except Deesa, slightly in January. Arrival momentum would increase from mid February.

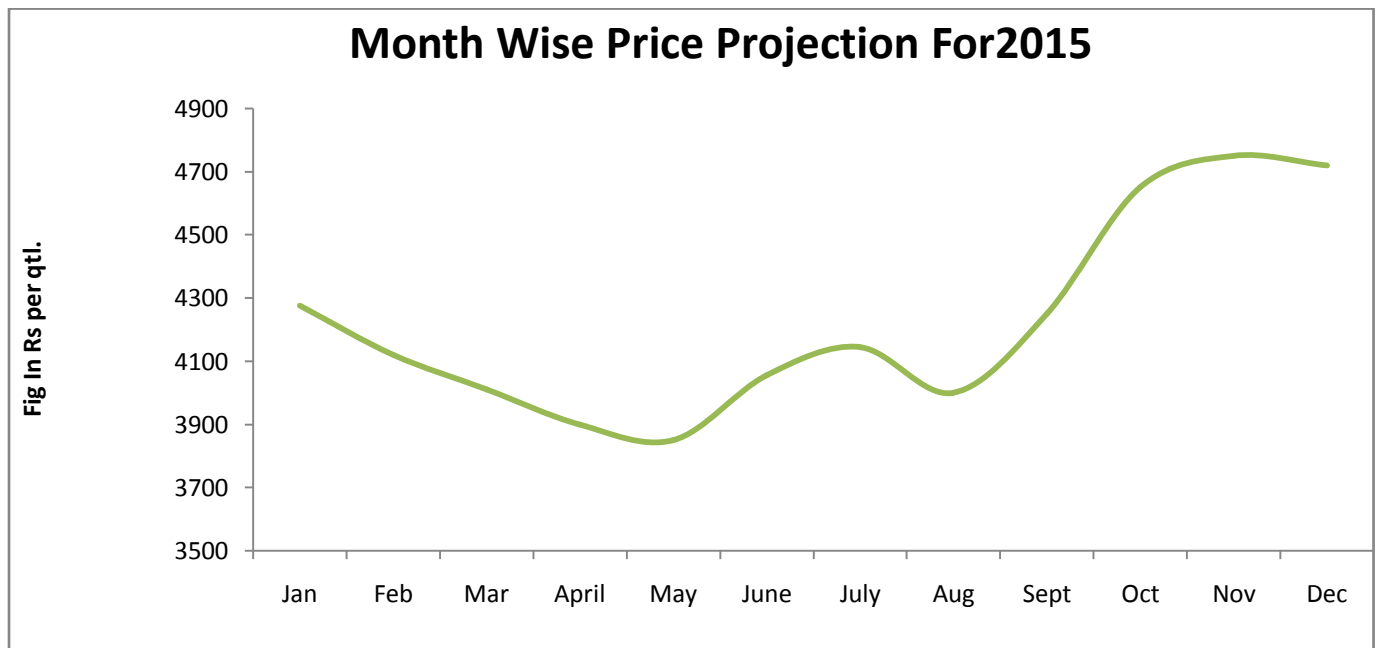


12. Seasonality Based Price Movement And Actual Price :



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 ignoring seasonality. Main reason for opposite movement is attributed mainly to lower seed production last year and stock holding.

13. Cash Market Price Projection For Feb, 2015:



Price projection is based on the tendency of stock retention and lower crop size. Market may witness same price trend seen in 2014.

15. Monthly Technical Analysis:

Commodity: Castor Seed

Contract: March.

Exchange: NCDEX

Expiry: March. 20, 2015



Technical Commentary:

- Candlestick chart shows weakness in the market.
- RSI moving down in neutral region favours bears.
- Momentum indicator MACD is in negative territory cautions bulls.
- The nearest by support is 3850 while first resistance 4150.
- Stake holders are advised to sell on rise.

Strategy: Sell on rise

Intraday Supports & Resistances			S1	S2	PCP	R1	R2
Castor Seed	NCDEX	Feb	3850	3736	4000	4150	4275
Pre-Market Intraday Trade Call*			Call	Entry	T1	T2	SL
Castor Seed	NCDEX	Feb	Sell	Below 4075	3900	3850	4150



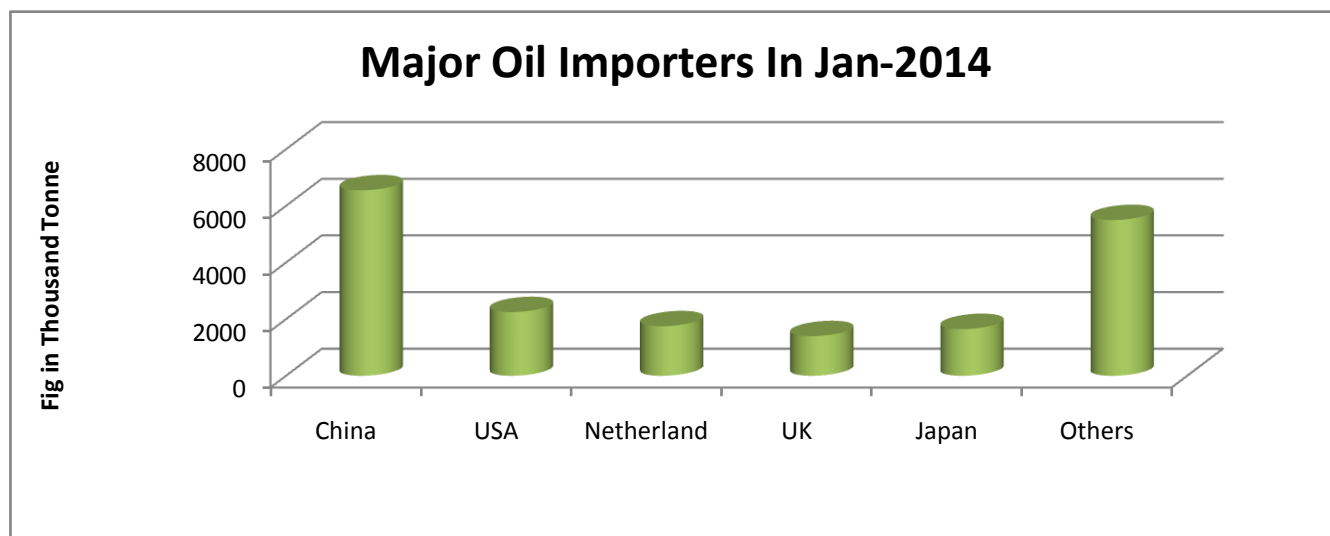
Cash Market (Deesa) Price Projection For Feb:

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	3900-3950	3950-4000
Medium Term (30 days)	3850-3900	3900-4000

International Market Updates:

- Major buyers like China, EU and Japan may enter into the market in March for fresh oil import deal. The year 2014 ended with 4 lakh tonne oil export. This year some improvement may be seen as importing countries have not imported oil as per our expectation. This year improvement expected.
- Some fresh buying interest has been reported at \$1390 per tonne for castor oil at Kandla Port. Buyers are interested to buy at \$1380/1390 per tonne. As seed is under pressure dip in oil price seems to be on card.
- Castor meal demand may improve as availability of meal around \$125/128 seems possible in the weeks ahead with higher seed availability for crushing. It is being traded at \$132 per tonne at Kandla. Bulk buying is expected in March –April, the peak arrival season and likely lower price.
- At Rotterdam oil quote too has decreased from \$1728 to \$1700 per tonne in the month of January.

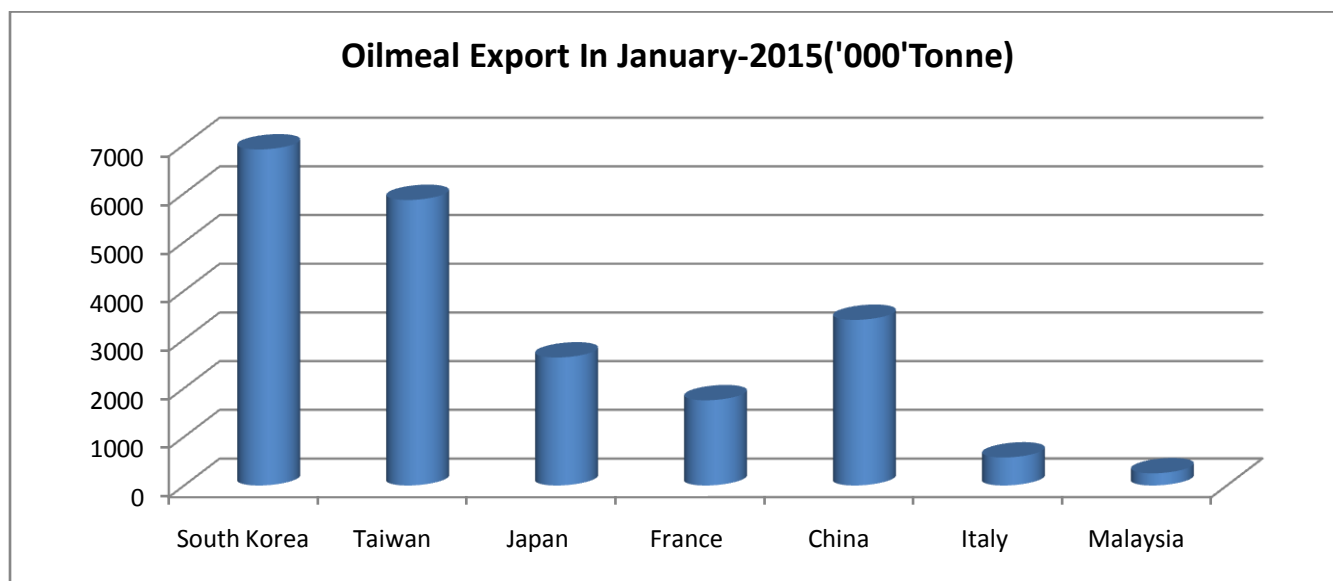
Major Oil Importers In Jan-2015:



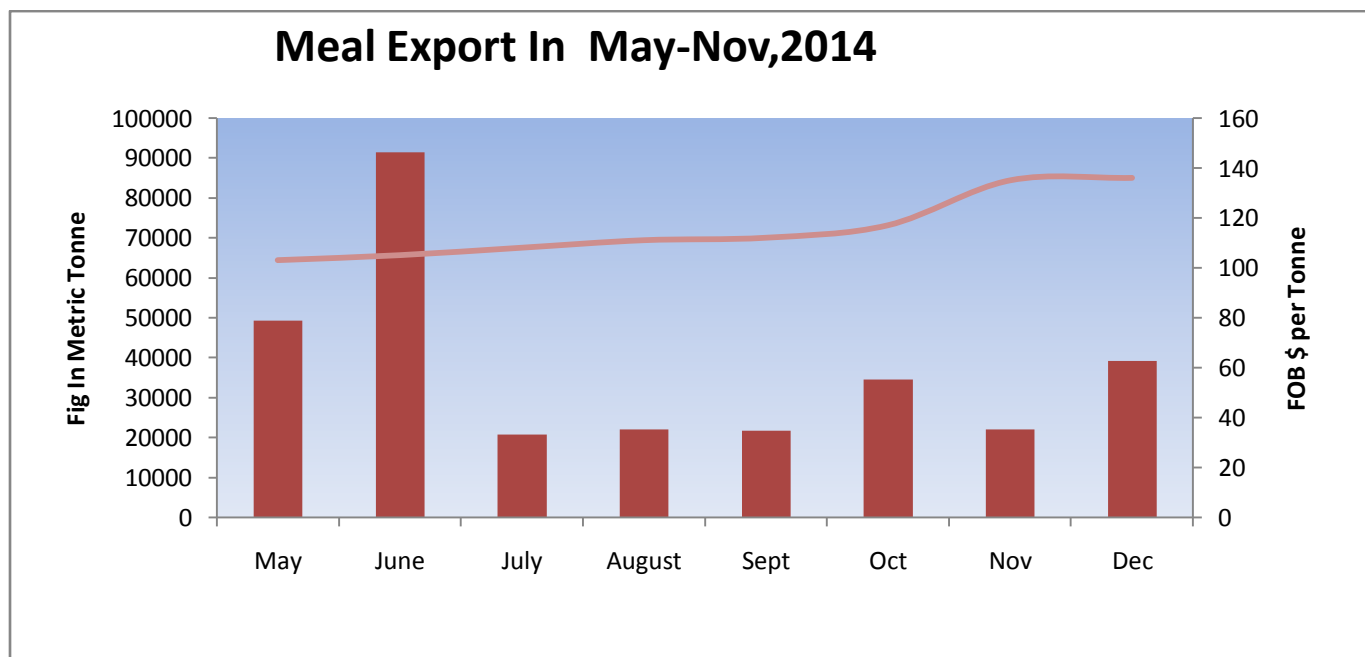


Around 20,000 toone oil has been exported in the month of Jan and export volume would increase with decreasing seed prices. Major buyers may enter into the market from March,by then price of seed may stabilize.

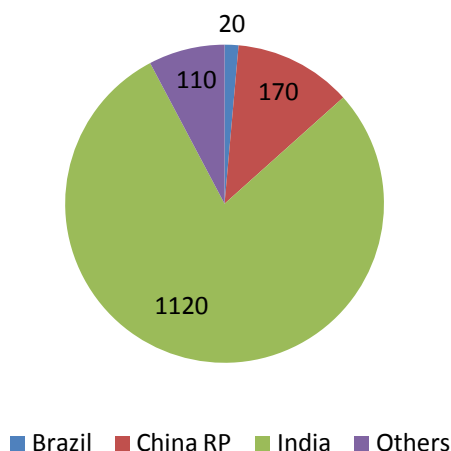
Major Oil Meal Importing Countries:



Oil meal export May to June and Ave FOB quote:

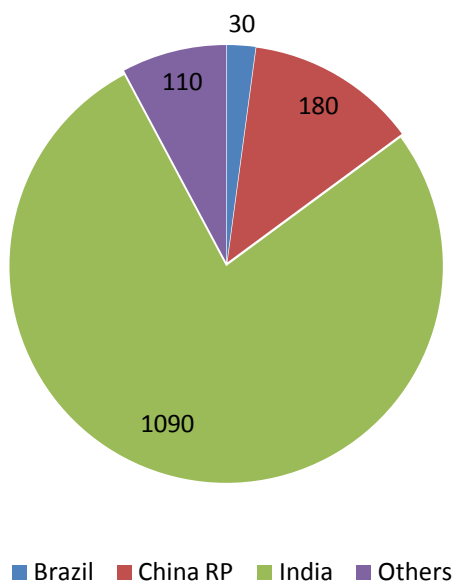


Global Production In 2012-13 (Fig. In Thousand Metric Tonne)



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 March, 2015, by then sowing in various countries would be almost over.

Overall View On Market Sentiments For February:

Cash market is likely to dip more in the month of February as arrival is bound to increase despite considerable crop loss in Gujarat and Rajasthan this year. Planters may wait for price stabilization and they are in no hurry to buy at this point of time. They have taken considerable quantity from NCDEX warehouses in the month of January which meets their immediate requirement. So pressure on seed market would continue in the month of January.

Recommendation:

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

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