



Castor Seed & Oil Monthly Research Report

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**Outlook and Review:
Domestic Front**

Castor seed cash markets/trades have seen a surprising move taken by NCDEX regarding castor seed contracts in the last week of January-2016. The exchange suspended all futures contracts in castor seed on 27th Jan quoting some irregularities at brokers/trades end. NCDEX has appointed an external auditor to find out the role of clients and brokers who traded castor futures. Notably, it had suspended all futures contracts on 27th Jan-2016 after a few members long the commodity faltered in meeting their mark-to market obligations. The exchange has also placed the trading terminals of some of its members, namely, Mid India Commodities P Ltd, Investsmart Commodities Ltd, Neer-Ocean Multitrade Private Ltd and Leo Global Commodities P Ltd in 'square-off mode' until further notice. SEBI too wants to know the reason under which contracts had been suspended.

Market regulator SEBI may tighten risk management norms after suspension of castor seed contracts. SEBI was seen taking action after receiving contract suspension report from NCDEX. An exchange is under regulatory obligation to inform Sebi before taking any such drastic decision. Sources say that the exchange should have acted a week to 10 days earlier, which would have helped avert the crisis. It is the first case of suspension when market was decreasing.

Castor seed and oil markets traded down in January-2016 and downward pressure is likely to continue in the month of Feb-2016 too as new arrival is due in March-April. All India average prices for seed declined by 4.98 % from Rs 3430.65 to Rs 3259.76 per qtl. Prices of seed in Gujarat decreased by 12.95% from Rs 3782.25 to Rs 3292.59 per qtl. Castor seed average price in Rajasthan declined by 6.22 % in January from Rs 3514.35 to Rs 3295.73 per qtl. In Telangana average price declined by 9.83 % to Rs 3201.95 per qtl. More decrease is expected in February and all India average price may dip below Rs 3000 in the weeks ahead.

At oil export front, volume was seen decreasing in comparison to Dec-2015. India exported 37878.08 tonne castor oil in Jan-16, lower by 23.97 % from Dec 2015. China, EU and US were active buyers throughout the year as seed and oil prices continue to rule lower in comparison to previous year. India exported castor oil at an average FoB of \$1298.8 per tonne in January-2016, lower by 2.24 % from previous month. However, it is higher by 3.77% from Jan-2015.

Good production prospects, higher availability of old stock and declining prices despite better demand for oil from overseas market would continue to encourage buyers to cover their short position. Arrival from new crop started and pressure on market fundamental may continue despite suspension of futures contract. Agriwatch expects peak arrival season in April this year and by then price may touch R2700/2800 per qtl. More dip from this level is unlikely as farmers would not release stock below this level. Major stake holders are eyeing on castor conference scheduled to be held on 13 February, 2016 in Ahmadabad, Gujarat, where, final size of the crop would be clear. Agriwatch expects over 15 lakh tonne seed production this year. Castor conference held in Palanpur in last week of January -2016 estimated production around 15 lakh tonne this year.

Recommendation:

Agriwatch advises to buy seed around Rs 2800 to Rs 2850 per qtl for stock purpose.

Seed Supply & Demand:

MY 2015-16 is likely to end with higher carryout stock from 4.54 lakh tonne to 5.66 lakh tonne. Consumption of seed is expected to increase by 0.50 lakh tonne from 13.5 lakh tonne to 14.0 lakh tonne.

Quarterly S/D table shows consumption in third and fourth quarter would decrease continuously. In third quarter it is expected to be around 2.8 lakh ton, which will decrease to 2.1 lakh tonne in fourth quarter as usual.

Higher seed availability would lower seed price during Jan-March-2016 and it may decrease to Rs 3000 to 3200 per qtl. during peak arrival time.

However, private trades expect lower carryout (around 4.75 to 5.0 lakh tonne) for 2015-16 season. Seed consumption is almost steady and it hinges between 13.5 to 14 lakh tonne per year as per traders view. Overall scenario for current quarter is bearish upto March-2016.

Castor Seed Quarterly Supply & Demand Projection For 2015-16						
All units in lakh tonnes	2014-15	2015-16	Apr-Jun	July-Sep	Oct-Dec	Jan-Mar
Carry in	6.04	4.54	5.66	14.76	10.56	7.76
Production	12	15.12	15.12	0	0	0
Imports	0	0	0	0	0	0
Total Availability	18.04	19.66	19.66	14.76	10.56	7.76
Consumption	13.5	14	4.9	4.2	2.8	2.1
Exports	0	0	0	0	0	0
Total Usage	13.5	14	4.9	4.2	2.8	2.1
Carry out	4.54	5.66	14.76	10.56	7.76	5.66
Av Monthly Cons.	1.13	1.17	1.63	1.40	0.93	0.70
Stock to Month Use	4.04	4.85	9.04	7.54	8.31	8.09
Stock to Cons. Ratio	0.34	0.40	3.01	2.51	2.77	2.70

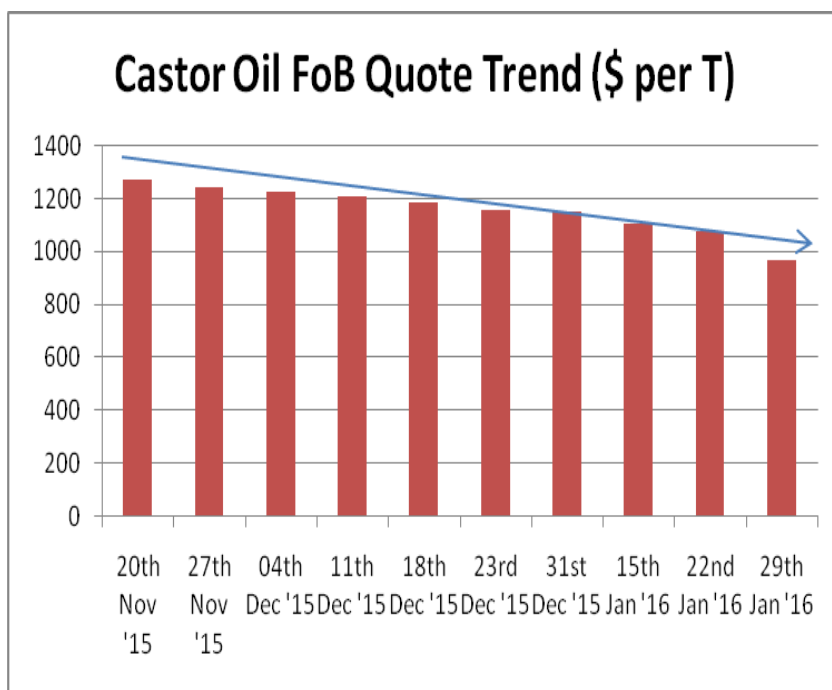
Castor Oil: Domestic Market Fundamentals

Castor oil FoB Kandla quote decreased from \$1275 to \$970 per tonne in last three months. Higher supply and availability of old stock and higher production estimate may drag price down further. Supply would exceed normal demand.

Paint, soap and adhesive industries would continue to purchase oil at around Rs 6650-6700 per qtl. for meeting their normal demand..These industries use around 20 percent castor oil out of total production.

For medicinal purposes its use is limited and demand remains almost steady. Around 2.5 percent is used as medicine in domestic market.

FoB price for oil will continue to remain under pressure in February too. However, if farmers restrict their seed release, price may firm up from current level.

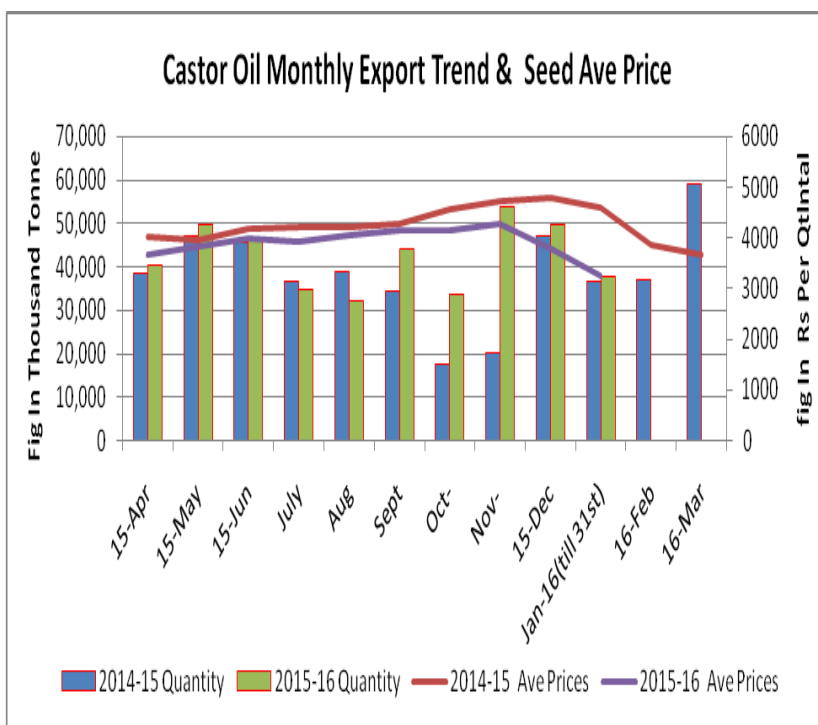


Castor Oil Monthly Export Trend & Seed Ave Price: Domestic Market Fundamentals

India exported around 37878 T castor oil during Jan-2016, lower by 23.97 % from Dec-2015. Ave FoB quote for January was registered at \$1298.08 per tonne.

Monthly all India average price for seed decreased by 4.98 % from Rs 3430.65 to Rs 3259.76 per qtl in January-2016. As downward pressure on seed continues due to bumper production prospects, more dip in average price is likely in the weeks ahead.

Under emerging scenario prices of seed may trade stable to slightly weak as arrival pressure would be felt by March end. As crop size is good and farmers in Gujarat are well off, they can hold stock until prices get firmer.

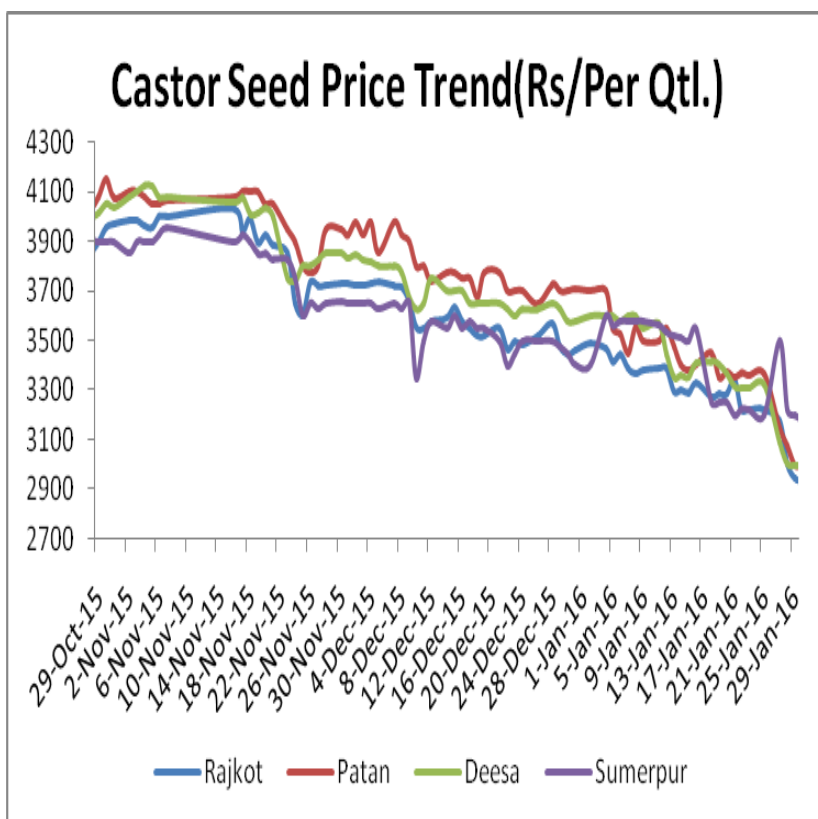


Castor Seed Price Trend: Domestic Market Fundamentals

Mostly cash markets like Rajkot, Patan, Dessa and Sumerpur decreased considerably and pressure on cash market may continue as buyers for seed are in wait & watch mood.

In the month of January-2016 seed prices decreased Rs 350 to Rs 400 per qtl in comparison to Dec-2015.

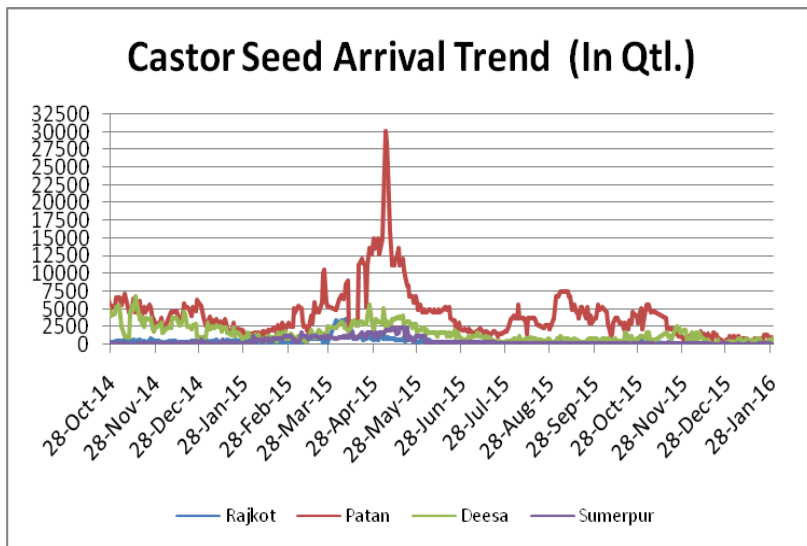
Availability from old stock is higher and new crop is in very good condition. With expectation of early arrivals inner tone in the market has turned weak. Slight correction is expected. However, overall sentiment remains weak for the last quarter of the ongoing season.



Castor Seed Arrival Trend: Domestic Market Fundamentals

Castor seed arrivals continued to decrease in the month of Jan-2016 with declining prices in the various markets. Major dip was seen in Patan where it decreased by 32 % from 1200 qtl to 850 Qtl a day.

Arrival pressure from new crop is expected by end of March. With prices ruling lower, farmers are not in a hurry to sell new seed at lower price.



Domestic Market High Lights:

- Market regulator SEBI may tighten risk management norms after suspension of castor seed contracts. SEBI was seen taking action after receiving contract suspension report from NCDEX. NCDEX had informed Sebi before suspending the contracts. An exchange is under regulatory obligation to inform Sebi before taking any such drastic decision. Sources say that the exchange should have acted a week to 10 days earlier, which would have helped avert the crisis.
- Castor oil export from India decreases by 39.22 % to 4026.41tonne during the week ended 25th Jan-2016. Average FoB quote realized during the week is lower by 4.01% from previous week at \$1258.49 per tonne. The gap between the highest and the lowest quotes is higher by \$700 per tonne.
- As Per Gujarat Agriculture Directorate latest update castor seed production in Gujarat may decrease by 13 % this year to 12.66 lakh tonne. Gujarat had produced 14.56 lakh tonne seed last year. It is second advance estimate by agri state directorate. In first adv estimate production was pegged at 14.68 lakh tonne. Lower production estimate may hamper declining trend in seed price.
- Agriculture statistics Division, DES has released its 1st Adv estimates of Production of food-grains for 2015-16 on 16.09.2015. It has estimated 19.44 lakh tonne seed production this year. The production target for 2015-16 has been fixed at 20.34 lakh ton. India has produced 19.63 lakh tonne castor seed in 2014-15 as per revised 1st Adv estimate. Private trade estimate for the year is much lower and is between 15 to 16 lakh tonne for 2015-16. However, it is too early to opine about the final size as sowing is just over.

Castor Oil Demand-Supply Side:
Highlights:

The season 2015-16 is likely to start with higher oil stock of 25000 tonnes as carry in. Production is estimated at 6.7 lakh tonne considering higher domestic and overseas demand.

Carryout would increase from 0.25 thousand tonne to 0.45 lakh tonne for 2015-16 due to higher production. Total availability of oil too would increase from 6.15 to 6.95 lakh tonne in 2015-16.

Domestic consumption may slightly increase from 0.9 lakh tonne to 1 lakh tonne in 2016. Soap and other adhesive /paint industries may increase the use of castor oil considerably due to cheaper availability of seed and oil in 2016.

Castor oil export from India may increase from 5 lakh tonne to over 5.5lakh tonne in 2016 due to improved demand from US, European Union and China, the major importer of Indian castor oil. Other importing countries too may increase buying in 2016.

Unit in lakh tonne	2011-12	2012-13	2013-14	2014-15	2015-16(E)
Carry in	0.5	0.7	0.4	0.15	0.25
Production	5.5	6	5	6	6.7
Imports	0	0	0	0	0
Total Availability	6	6.7	5.4	6.15	6.95
Consumption (domestic)	1.4	1.6	0.75	0.9	1
Exports	4.2	4.7	4.5	5	5.5
Total Usage	5.3	6.3	5.25	5.9	6.5
Carry out	0.7	0.4	0.15	0.25	0.45

Variation In Production Estimates & Forecast For 2015-16:

Comparable Production Estimates(Fig. In Lakh Tonne)						
	Govt.Fig	Oil world	Private Trades	Agriwatch	Nelson/Area govt	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	11.3
2014-15	17.33	15.06	11 to 13	12	12.78	12.95
2015-16*	19.4	-	14.50	15.12	-	-
*1 st Adv..Estimate for 2015-16						

- As per Govt 1st Adv estimate castor production could be around 19.4 lakh tonne in 2015-16
- Agriwatch preliminary estimate is 15.12 lakh tonne

Castor Area With % Change In 2015 as on 28 th Sep-2015:

Progressive Castor Seed Area In Lakh Ha.Till 8th Oct, ,2015			
	2015	2014	% Ch
Andhra Pradesh	0.48	0.45	6.67
Telangana	0.4	0.5	-20.00
Arunachal Pradesh			
Assam			
Bihar	0.01	0	
Chhattisgarh			
Gujarat	7.81	7.34	6.40
Haryana	0.02	0.01	100.00
Himachal Pradesh			
Jammu & Kashmir			
Jharkhand			
Karnataka	0.1	0.12	-16.67
Kerala			
Madhya Pradesh			
Maharashtra	0.12	0.17	-29.41
Odisha	0.07	0.07	0.00
Punjab			
Rajasthan	1.98	1.49	32.89
Tamil Nadu	0.03	0.04	-25.00
Uttar Pradesh			
Uttarakhand			
West Bengal			
Others			
Total – All India	11.02	10.19	8.15

Overall castor area coverage is higher by 8.15 percent from last year.Gujarat and Rajasthan-the leading producing states- have covered higher area.

Oil Export Monthly Volume:

Castor Oil Export(Monthly)	Quantity MT	Ave FOB Kandla(\$/T)	% Ch Over Previous Year	2014(export)MT
2015-April	40533	1391.3	4.84	38661
2015-May	49863	1365.76	5.70	47176
2015-June	46573	1379.28	1.63	45824
2015-July	34835	1338.19	-5.25	36766
2015-August	32335	1335.3	-17.00	38960
2015-September	44075	1361.1	28.55	34285
2015-October	33599	1359.77	90.90	17600
2015-November	33464	1361.48	65.75	20189
2015-December	49819.7	1330.93	5.77	47104
2015-January	37878.08	1298.8	3.77	36501
2015-February				37018

2015-March				59294
Total	402974.78	1352.191		569378

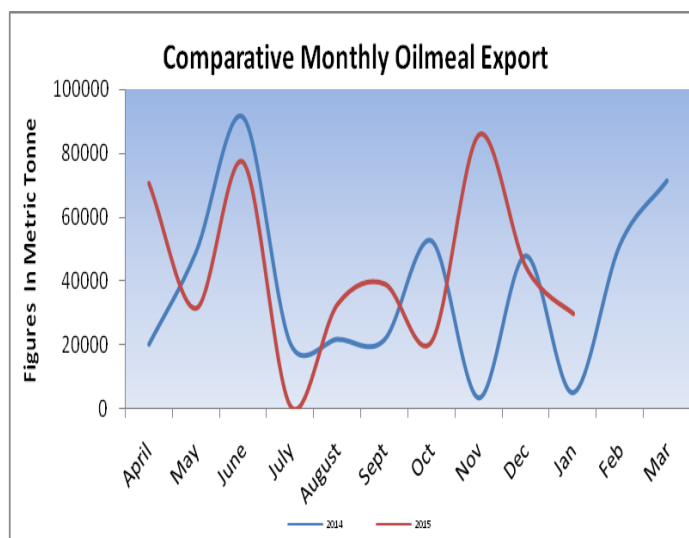
Source: Agriwatch, IBIS & Sopra

Castor Meal Export:

Castor meal export volume decreased by 7.91 % percent in Jan-2016 in comparison to Dec-2015 and is likely to increase in the weeks ahead as seed prices have decreased and availability is expected to increase with new arrivals.

FOB quotes for meal has decreased slightly in Jan from \$92 to \$82 per tonne

More dip is expected in Feb-2016.



Comparative Prices Of Castor Products Including Seed					
	29 th Jan '15	22 nd Jan '15	29 th Dec'15	29 th Jan '15	Change
Castorseed (Gujarat)((Rs./M.T) Ex-Mandi	32500	34500	37500	43765	-34.66
Castor Meal Export (FAS) (US\$ / MT),Ex Kandla	82	87	97	133	-62.20
EXPORT (FOR) Ports (Rs./MT)Castor meal bulk Kandla	5400	5700	6000	7909	-46.46
Castor Oil (First Grade) FOB Kandla (Export)\$/Tonne	970	1020	1165	1426	-47.01
Local rates for oil in domestic market(Rs./M.T.) for comm.	67000	73000	78000	87740	-30.96

Cash Market (Deesa)Expected Price Range For January-2016:-

Expected Range	Rs/Qtl.(Low)	Rs /Qtl.(High)
Short term (15 days)	2850-2900	2900-2950
Medium Term (30 days)	2800-2900	2850-2950

Outlook For February:

Castor seed cash market is likely to trade steady to slightly firm as prices of seed have decreased below normal expectation at this point of time. As production cost is higher, farmers would not prefer to sell seed below Rs2800 per qtl. They would like to wait till market recovers. Expectation of lower arrival, release from farmers and continuous demand for oil at lower price would continue to support seed market. Around 75% of old stock has been crushed out so far. So, more dip below Rs 2800 seems a remote possibility now. Buyers /stockiest may start buying at this level.

International Market Fundamentals

International Market Updates:

The season 2014-15 ended with 4.6 lakh tonne castor oil export from India. The new season started (April to March) with higher volume of export and in first nine months. India exported 2.57.55 lakh tonnes castor oil against 2.41.67 lakh tonne during the corresponding period last year. Major buyers were China, EU and US.

Global Castor Seed production is expected to touch 17.47lakh Tonne in 2015-16 against 1691 last year. It is a preliminary estimate and will be revised in December-2015. India dominates global market in seed production with 90 percent contribution. The below given diagram shows production contribution of various countries.

Castor Oil export may increase this year by 5 to 6 percent by the end of MY 2015-16. Preliminary estimate shows total export may cross 5 lakh tonne in 2015-16. The season will end in March 2016. As of now total registered export is 4.02 lakh tonne till Jan- 2016.

Country wise Demand For Oil:

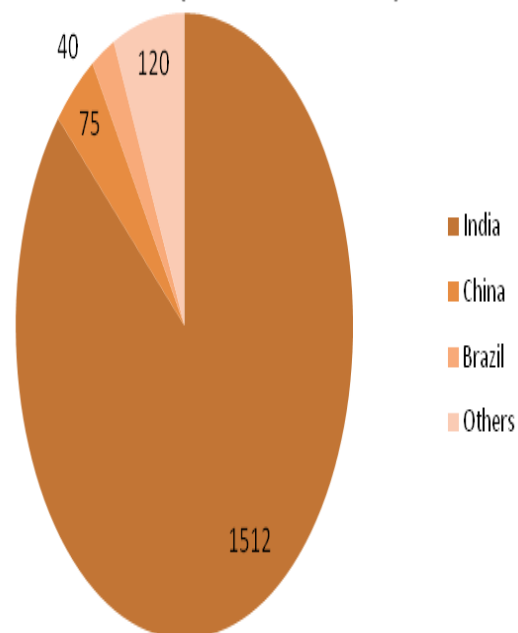
Castor oil export in 2015-16(new season) may increase from 5 lakh tonne to 5.4 lakh tonne.

China, Europe and USA may buy around 2.15, 1.60 & 0.6 lakh tonne respectively in the new season.

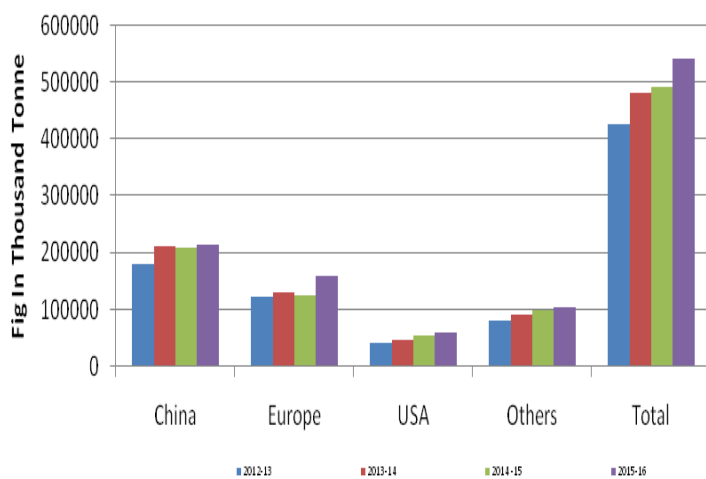
Other countries too would buy higher oil in 2016 as paints and adhesive industries have grown with good pace in all developing countries.

Others country's contribution may increase from 1 lakh tonne to 1.05 lakh tonne this year.

Global Castor Production Estimate For Crop Year 2015-16 (in "ooo" Tonne)



Likely Country Wise Demand For Castor Oil In MY 2015-16



**Outlook For February:
Price Table:**

Commodity	Monthly Average Prices (Rs/ Quintal)			Change
Center	Market	Jan. 2016	Dec. 2015	
Gujarat	Patan	3407	3794	-387
	Harij	3390	3723	-333
	Rajkot	3287	3588	-301
	Gondal	3319	3694	-375
	Deesa	3392	3710	-318
	Bhabar	3374	3687	-313
	Mehsana	3343	3729	-386
	Kadi	3371	3713	-342
	Sabarkatha	3367	3759	-392
	Gandhi Nagar	3401	3746	-345
	Ahmedabad (Sanand)	3304	3552	-248
	Halvad	3322	3666	-344
	Junagadh	3336	3700	-364
	Dhrol	3278	3632	-354
Rajasthan	Jodhpur	3488	3697	-209
	Sumerpur	3246	3542	-296

Center	Market	Monthly Arrivals (Quintal)		Change
		Jan. 2016	Dec. 2015	
Gujarat	Patan	19422	28682	-9260
	Harij	7801	4313	3488
	Rajkot	4940	3570	1370
	Gondal	2943	3638	-695
	Deesa	10158	12539	-2381
	Bhabar	18272	6236	12036
	Mehsana	1428	2292	-864
	Kadi	28748	17368	11380
	Sabarkatha	2067	998	1069
	Gandhi Nagar	3055	2396	659
	Ahmedabad (Sanand)	390	7709	-7319
	Halvad	2903	1676	1227
	Junagadh	717	995	-278
	Dhrol	105	34	71
Rajasthan	Jodhpur	996	1136	-140
	Sumerpur	2400	2132	268
Total Arrivals/Above Markets		106343	95714	10629



Note: We have incorporated traded quantity of seed in particular mandis. It does not signify the total arrivals.

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