

SEASONAL COMMODITY INSIGHT

16th December 2014

Castor Seed

Domestic Scenario

India's castor production fluctuates between 0.6 to 1 million tonnes a year. Castor is sown in August and harvested in Oct-Dec every year. Gujarat accounts for over 76 per cent of India's castor seed production, followed by Andhra Pradesh (17.37 per cent) and Rajasthan (5.35 per cent).

The average Indian consumption of castor oil is 100,000 ton per year. The Indian variety of castor has 48 % oil content of which 42% can be extracted, while the cake retains the rest. On an average soap makers accounts for 25,000 ton while paint and allied sectors consumes 35,000 ton of the Indian consumption. In internal combustion engines, castor oil is renowned for its ability to lubricate under extreme conditions and temperatures, such as in air-cooled engines. The lubricants company Castrol takes its name from castor oil. Castor seed meal is offered in bulk & in plastic bags. Demand in spot is huge as shippers are buying to complete their export orders. Cold and untimely rains had affected yield of the castor crop this year.

State wise Production of castor Seed in India

('000 MT)

States	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gujarat	665.00	533.00	708.00	852.00	831.00	986.00	1803.00	1493.00	930.00
Rajasthan	135.40	104.40	159.20	177.30	86.20	210.70	410.10	341.09	190.00
Andhra Pradesh	140.00	87.00	129.00	81.00	64.00	121.00	52.00	105.00	65.00
Karnataka	27.00	16.00	16.00	18.00	12.00	16.00	14.00	7.00	-
Orissa	8.80	10.50	11.50	10.90	10.00	8.90	8.20	8.10	-
Others	14.50	11.40	29.90	31.80	5.80	7.70	7.70	9.28	20.00
All India	990.70	762.30	1053.60	1171.10	1009.00	1350.30	2294.90	1963.47	1205.00

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation & Solvent Extractors' Association of India

From the Table 1 it can be concluded that the production of Castor seed in major states has been increasing

gradually in two major producing states namely Gujarat, and Rajasthan, while in the other states it has been on the gradual decline. In the last nine years the national production has increased by over 189.25 per cent and the most significant growth was noticed in Rajasthan (376.25 per cent) and in Gujarat (220.08 per cent). The main reason behind this significant jump is the persistence demand of castor meal from the Middle East, and Europe.

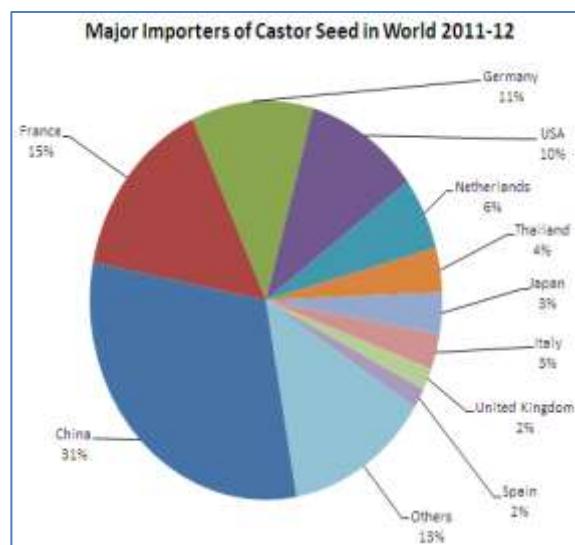
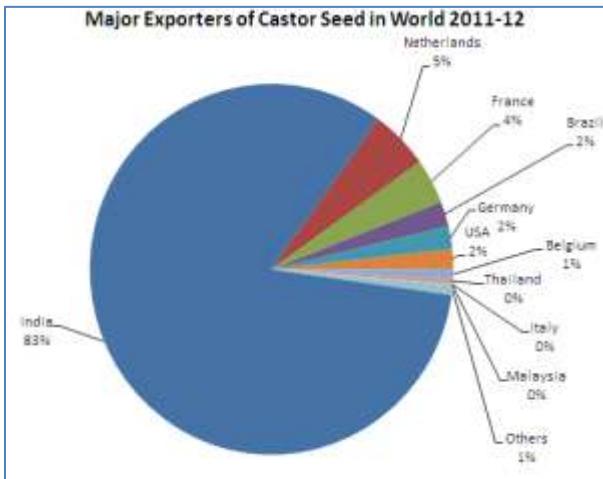
International Scenario

India is largest producer of castor seed in the world and it constitutes about 83.18 per cent of the total global production. The other major producers are China (8.68 per cent) and Brazil (1.33 per cent). However, in the global castor seed market, India plays key role as largest supplier of castor seed oil and cake. Global supplies are influenced by Indian production.

Global production of Castor Seed ('000 MT)				
Country	2008-09	2009-10	2010-11	2011-12
India	1171.10	1009.00	1350.00	2339.00
China	190.00	170.00	150.00	200.00
Brazil	122.14	91.08	95.18	120.17
World	1609.04	1395.68	1720.56	2784.52
Source: FAO Statistic				

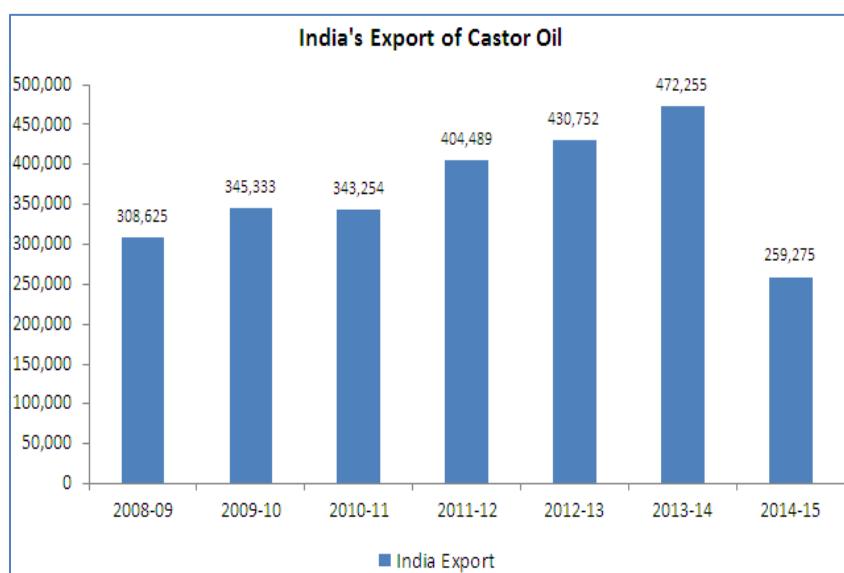
The top six importing nations accounts for 77 per cent of the total global imports of which a whopping 31 per cent is done only by China. The second most important destination is France contributing to 15 per cent of the total imports. The other countries worth mentioning are Germany, USA, Netherland and Thailand. Thus, going by the share of the quantum of the imports done in the last year, one should be

focused enough to track the prices and the sentiments of Castor seed trade in China and France.



global share of 5 per cent. The other exporting nations worth mentioning are France, Brazil and Germany.

The major importers of castor oil from India are China, France, Netherland, USA, Japan and Thailand. China is the largest importer with a share of almost 35 per cent, France with 25 per cent, Netherland 16 per cent, USA 7 per cent, Japan 3 per cent and Thailand 3 per cent. Imports from France in 2010-2011 have shot up by more than 100 per cent as compared to the year 2009-2010 as the global demand for Synthetic flavors and fragrance industry which makes major use of castor oil's derivatives in it has picked up tremendous pace. France is the leading nation for



picking up this pace. Castor seed oil and meal are major products of the seed and both are export oriented commodities. Castor seed oil exports during April-Dec 2014 stood at 3.67 lakh MT. The exports have almost quadrupled from 2006-07 to 2013-14 and has been increasing every year. The exports have averaged nearly 400000 MT in last six years and giving foreign exchange returns of about Rs. 3000 Crores every year.

Global Trade Scenario

Castor Seed & Castor oil are both export oriented commodities. Since India produces more than 83 per cent of global castor seed, the study of the India's export for the same is of paramount importance. In 2013-14, the export of castor oil has improved substantially for the country by 153.07 per cent and for the meal the exports have increased by about 185.98 per cent over 2006-07. In the last 8 years the export of castor meal and castor seed oil has averaged to about 3.11 lakh MT and 3.33 lakh MT respectively.

Trends in export of castor seed from India (MT)

Year	Castor Meal	Castor Oil
2006-07	186,610	186,610
2007-08	176,177	176,177
2008-09	308,625	308,625
2009-10	345,333	345,333
2010-11	209,036	343,254
2011-12	341,308	404,489
2012-13	383,392	430,752
2013-14	533,668	472,255

Source: The Solvent Extractors' Association of India

Price trend Analysis

As per price seasonality index given in the chart, castor seed prices touches peak in August and December months that is lean season. The prices remain mostly stable or weak in February-June period that is peak arrival season. However, the price movement may largely influenced by crop output estimates. Although, arrivals start as early as January, the peak season in Gujarat is seen in March-April. The movement in the current years can be detailed as under. Despite marginal increase in production estimates for 2013-14 season, the uptrend is expected to continue in 2014 due to low carry forward stocks. The robust growth in castor seed meal exports and oils has left low carry forward stocks. Fresh crop harvest has started and peak season is in Feb-April. At present, spot and future prices are trading around Rs4400-4600 per quintal.

Castor seed futures were trading at Rs1500-1600 when it was launched in 2005 and it was mostly stable for first one year. The price rally started in mid-2006 from Rs1600 levels and saw unprecedented rally for nearly 5 years. It touched all time high of Rs6150 levels in February 2011. Fall in production during 2009-10 (9.78 lakh tonnes) and normal production in 2010-11 pushed up prices to record highs. The exports for its products like castor seed oil and meal also gained momentum 2010. Thereafter, prices fell about 54 percent from record highs and touched Rs2800 per quintal in June 2012. Despite robust growth in export of castor seed meal and also oil in 2011 and 2012, prices fell on record output in 2011-12 season. The fresh rally in prices started in November 2013 from Rs3400 levels and touched Rs. 4600 in spot markets, even as futures has crossed Rs5000 levels recently. The spot price is at present trading at Rs. 4000-4100 per quintal.



Price forecast: Technical Outlook (NCDEX)



Explanation:

The technical picture is still looking bullish on a whole with indicators looking slightly biased towards higher price action. RSI has corrected lower from overbought conditions but the overall slant of the indicator looks supportive of bullish price action. Prices are also above long term moving averages indicating that the long term bullishness is still intact. In the case of castor seed, the parabolic SAR has been in the red region supporting the underlying strength in the prices but the lower range of the Bollinger band is indicating a reversal signal which is positive for the prices.

Technical Recommendation:

The market is expected to trade bullish in the coming months with the top side target of 6200 (December 2014) with maximum down side expectation of 3750.

Price Expectation

Commodity	Units	Current Market (16.12.2014)	Market View	Technical Projections		
				Support	T1	T2
Castor Seed	Rs. / Qtl	4616	↑	3750	5200	6200

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