

Castor Seed Report

Castor (*Ricinus communis L.*) is a non edible oilseed, belonging to the *Euphorbiaceae* family. India is the leader in global castor production and dominates in international castor oil trade. The Indian variety of castor has an oil content of 48%. Out of 48% about 42% of oil is being extracted and the cake retains the rest. The Castor seed products have widespread application in many industries like Paint, Lubricant, Pharmaceutical, Textiles, etc.

Seasonality

Castor is a perennial crop but grown as an annual for economic purpose. Castor grows well in tropical conditions. It grows best in heat and humidity. The crop duration is 4-5 months. In India, it is sown in July/August and harvesting commences around January/February. The arrivals in the market start from January onwards till mid of May.

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Gujarat										
Andhra Pradesh										

Sowing
 Growth stage
 Harvesting

Processing of castor seed

Castor seed harvested from field is dried till the pods open. Seeds are hulled by using de-hullers or by hand to remove the seed from the pod. Seed contains about 50 percent of oil by weight.

Extraction of oil from castor seeds is done in a manner similar to that for most other oil seeds. The ripe seeds are allowed to dry, when they split open and discharge the seeds. These seeds are cleaned, cooked and dried prior to extraction. Cooking is done to coagulate protein (necessary to permit efficient extraction), and to free the oil for efficient pressing.

The first stage of oil extraction is pre-pressing, using a high pressure continuous screw press – called the expeller. Extracted oil is filtered, and the material removed from the oil is fed back into the stream along with fresh material. Material finally discharged from the press, called cake, contains 8 to 10 percent oil. It is crushed into a coarse meal, and subjected to solvent extraction with hexane or heptane.

Uses

Castor oil and its derivatives are extensively used in the manufacture of

- ❑ Surfactants
- ❑ Specialty soaps
- ❑ Coatings
- ❑ Lubricants
- ❑ Plastizers
- ❑ Paper inks

Indian Scenario

India is one of the largest castor seed producing countries in the world. The production in India has been witnessing an increasing trend since beginning of the current decade due to increased usage of castor oil in different industries. Moreover, strong export demand for castor oil was also one of the reasons for rise in production.

According to the Solvent Extractors' Association of India, the castor seed production in the country rose by 12% to 10.2 lakh tonnes in 2008-09 from 9.1 lakh tonnes in 2007-08 due to increased acreage and favourable weather condition. In 2008, castor seed acreage increased by 10.36% to 8.52 lakh hectares against 7.72 lakh hectares in 2007. Castor seed recorded a highest yield of 1331 kg per hectare last year. The sufficient rainfall and irrigation sources especially in Gujarat have improved the yield in India.

Cultivation of castor seed mainly confined to western states like Gujarat and Rajasthan both together contributes 87% to total production. Gujarat has the largest share in India production with 71% followed by Rajasthan (16%). Apart from these two states, it is also grown in southern state of Andhra Pradesh, which accounts for 9% of the total production.

Export of castor seed oil by India

India is largest exporter of castor seed oil as it is largest producer of the seed. In the recent past, export of castor oil from India is witnessing an increasing trend due to increased export demand from major importing nations. In FY08-09, India had exported 308,625 tonnes (worth of Rs1821.57 crore) of castor oil against 176,177 tonnes (valued at 757.28 crores) shipped in the FY07-08.

Present condition

With the commencement of South West Monsoon, the sowing of castor seed was in full-swing and has been seeing a good coverage throughout sowing period. Farmers were attracted by higher price realization in the last season. Following table gives clear picture of sowing progress since June.

	2008	2009	% Change
5-Jun	0.03	0.04	33.33
12-Jun	0.04	0.04	0.00
19-Jun	0.04	0.11	175.00
5-Jul	0.24	0.96	300.00
10-Jul	0.56	1.15	105.36
17-Jul	0.88	1.31	48.86
31-Jul	1.74	2.18	25.29
6-Aug	3.28	3.76	14.63
13-Aug	5.00	4.10	-18.00

The sowing declined marginally in second week of August due to poor performance of monsoon in major growing regions of the country. Till 13th August 2009, area cultivated with castor seed was 4.10 lakh hectares, down by 18% from 5 lakh hectares planted in the same period last year. The sowing will continue till mid-September, hence, we have to closely monitor the sowing progress till September to arrive at final production figure.

Market influencing factors

- ◆ Sowing and progress of south-west monsoon in western parts of the country
- ◆ Production of castor seed in India and also in China and Brazil
- ◆ Arrivals pattern in spot markets
- ◆ Export demand for Indian castor oil and exchange rate
- ◆ Prices of other edible oils

Price analysis

It is not a right time to give projection on castor seed output as the sowing is going on. The sowing will continue till mid-September, hence, we have to closely monitor the sowing progress. At the same time, performance of monsoon during sowing period plays a vital role in deciding yield level. If the acreage falls short of last year's level we can expect rise in the prices in near term. However, prices may come under pressure once the freshly harvested crop starts moving to the market. In the long term, prices may trade on a negative note.

Technical Analysis



The price chart suggests completion of CYCLE-1 at 676 levels and since then it corrected and made a low 418.80. Again, market has resumed an uptrend and currently trading at 534 levels. In our earlier report we did a wave analysis which was almost accurate with the recent market movement. As per our previous analysis in castor seed, we expected intermediate wave-(b) to complete somewhere around 510, but the market has now extended till 535 levels. Hence there is a slight change on wave analysis and a wave extension is expected.

Going by the current scenario, intermediate wave (b) is likely to extend at least till 550 or 575/580

Now, looking back at the chart analysis, the whole price chart of castor seed suggests, we are into a corrective CYCLE-2 which needs to complete its wave A-B-C pattern. Going by the recent price development, wave-A and wav-B to end around 560-580 range. If market moves inline with our expectation, then ***resumptions of wave-C*** can not be ruled out.



The above chart is suggesting market to make an initial higher correction and then a big decline. However, the chart itself is a self explanatory. As per the chart we expect market to test around 560-580 and then to 420 levels.

Predicting till 420 levels seems little early but the price target is derived based on the wave analysis...

Conclusion/ Recommendation:

Market is expected to move towards 560/580 range and since then it may correct to 420/430 levels. Long term investors should go short on higher levels for a possible target of 420/430.

Note: At the Exchange, the price quotation has been changed to Rs./quintal from Rs./20kg from September contracts onwards. Hence the September and future contract prices will be quoted around Rs. 2700 per quintals. In our analysis we have taken the price chart for Rs. /20kg. As per the levels mentioned in the report, the actual levels would be around 2800/2900 (560/580)

Example: Current market price for August contract: 535 means $535 \times 5 = 2675$

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