

August 3<sup>rd</sup>, 2011

## CASTOR SEED SEASONAL REPORT



Higher area under castor across major castor growing regions in India by around 15% might be a hurdle for price rise in castor seed. Weakened export demand and slack spot activities might keep the prices under pressure. Bad shape of the global economy is affecting export demand of commodity. Scenario can change if the economies across globe return to good shape and manufacturing sector development take place in the short term.

### **RECOMMENDATION:**

**Castor Seed September NCDEX: Buy at 5150-5210 TP 5600/6050 SL 4920 (15-40 days)**

**Castor Seed October NCDEX: Buy at 5200-5250 TP 5650/6100 SL 4970 (15-40 days)**

**Castor Seed September/October NCDEX: Sell at 5650/5800 TP 4800, SL above 6000 (2-3 months)**

**Introduction:** Castor is a non edible oilseed crop that can survive in the arid conditions across globe. Castor seed in India is generally a Kharif sown crop which is sown during June-July across the country and harvested during December-January. The arrivals would take 1-2 month's time after harvest to peak up across major markets. The post harvest operations take a fort night to month's time because of which peak arrival season would be December and January.

Average yield of castor is 1.17 million tons in India. Production and yield has gradually increased from 2005-06. The commodity gained importance as industrial uses of the castor oil increased and the major producer remained India. Adaptability of crop for any deviations in weather conditions has made it more preferable amongst the other crops grown during Kharif season.

Major producers which contribute to the castor production in India are Gujarat, Andhra Pradesh, Rajasthan and others. The productivity is better in Gujarat at 603 tones/hectares, Rajasthan at 108.73 tones/hectares while in Andhra Pradesh productivity is 96.23 tones/hectares.

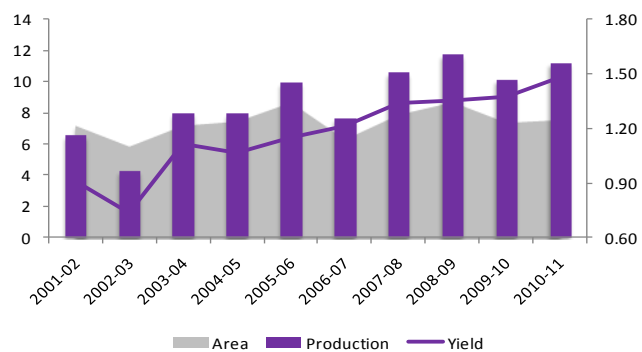
**Global scenario:**

World's average total production of Castor seed is around 12.5 lakh tons and it's majorly scattered in more than 30 countries. Major global producers of castor oil are India, china, Brazil. India contributes to more than 65% of the world's share of castor oil.

**Uses:** Indian variety of castor has an oil content of 48%. Out of 48% about 42% of oil is being extracted and rest is the cake. Castor seed uses have diversified over the years. The oil extracted is used from medicinal purposes, cosmetics, manufacturing of soaps, plastics, synthetic resins, to fibres, paints, varnishes, lubricants, dyes, leather treatments, greases, hydraulic fluids, machining oils, rubbers, and sealants. Diversified uses have driven exports of castor oil from India in the near past.

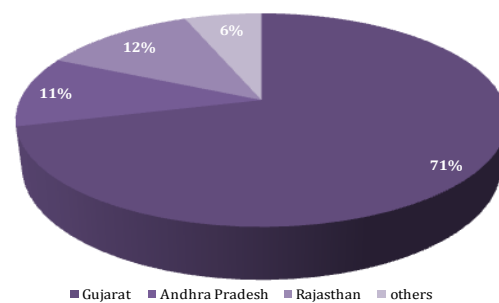
Exports from India have been increasing at the rate of 7% year on year in the last 3 years. Major importing regions are totally dependant on imports. Other major producers of castor in world are Brazil and China where the production is sufficient enough to meet domestic demand. India solely caters to the increasing demand of the castor oil. Exports drastically surged in last three years due to strong demand from importing countries. Exports during 2010-11 are slightly lower than last year because decreased performance of manufacturing sector in the last six months.

**Figure 1: Area, Production and Yield of Castor**



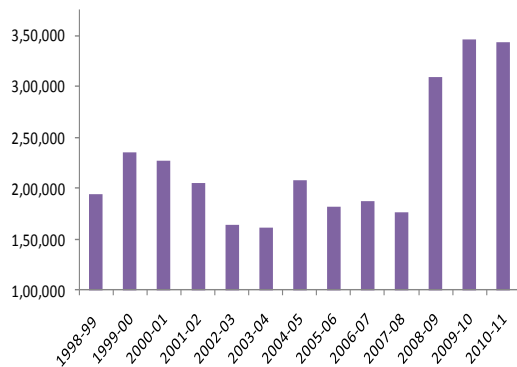
source: KCTL Research and SEA

**Figure 2: Major Castor Seed producing states**



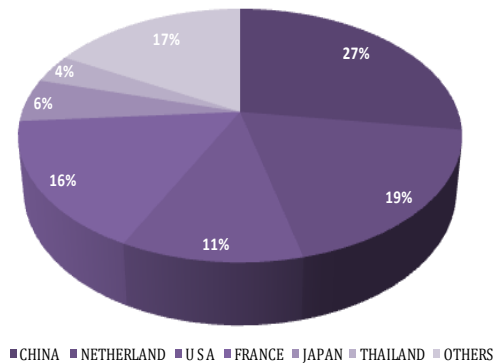
Source: India Stat and KCTL Research

**Figure 3: Castor exports from India**



Source: SEA

**Figure 4: Major castor seed importing nations**



Source: APEDA

**Outlook:**

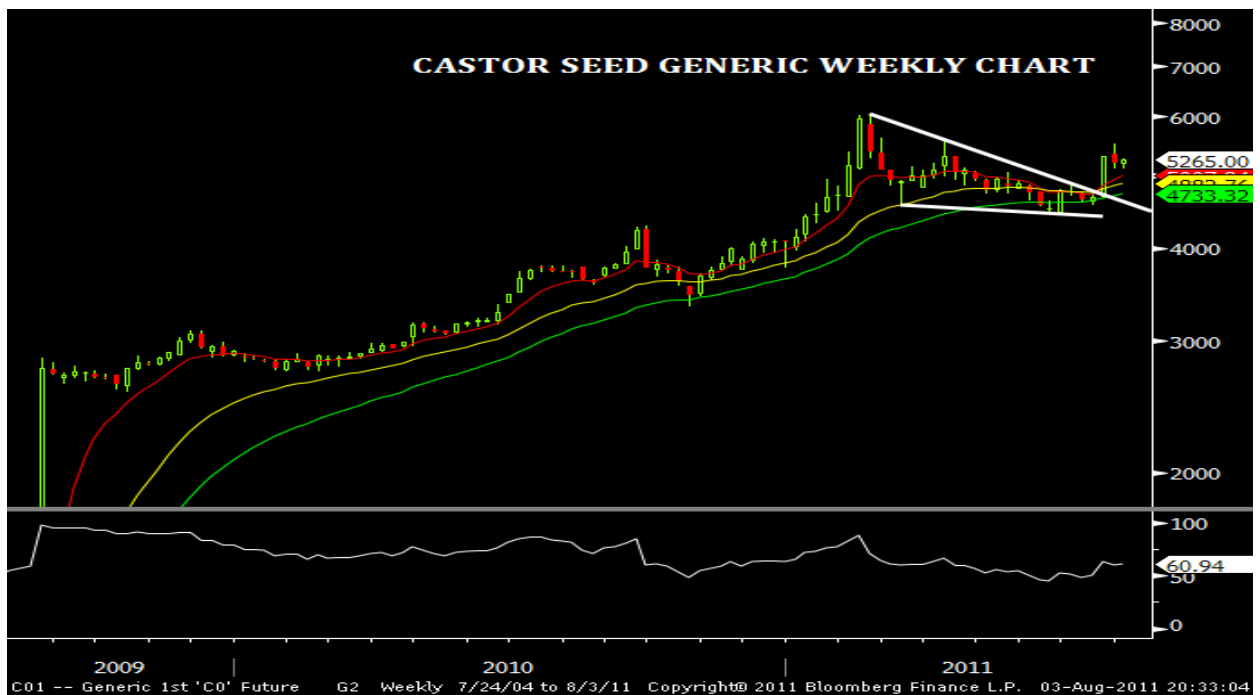
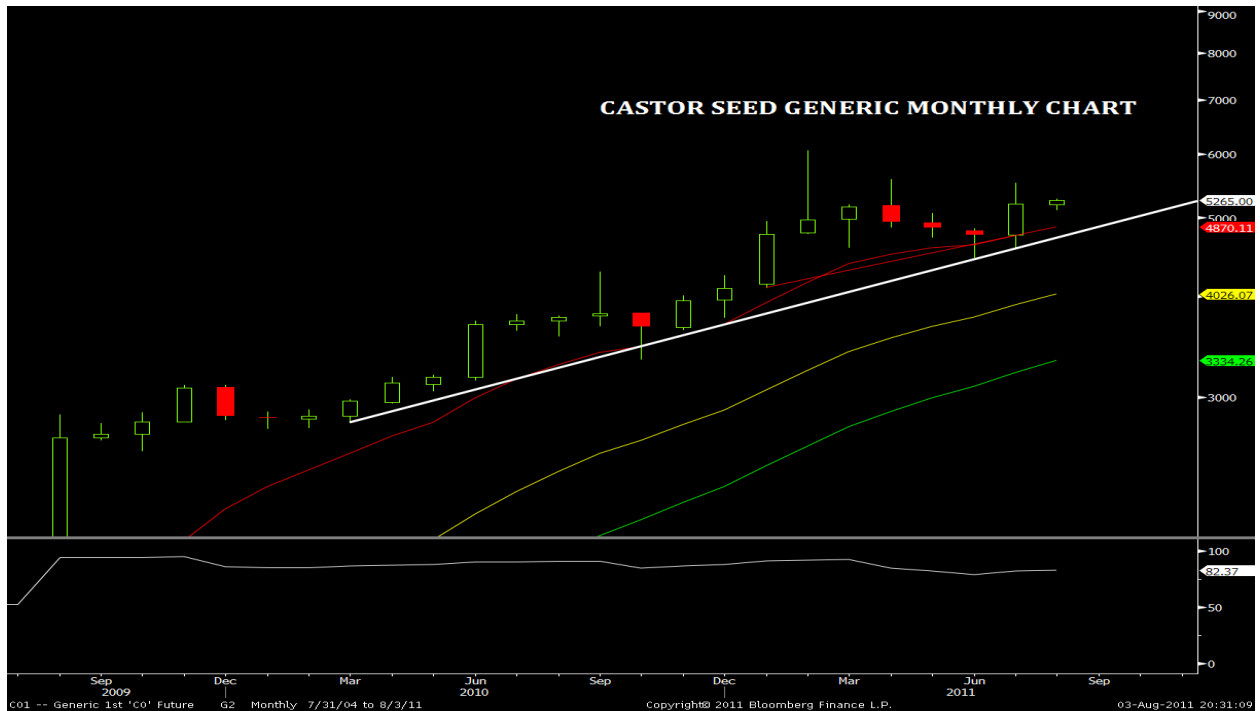
Castor seed prices are might resume bearish trend in the short term. Acreage has substantially increased in Rajasthan as per the central agriculture ministry. Delayed rains have resulted in choosing castor seed amongst other crops. Monsoon rains were very scattered in southern India which resulted in opting castor based on higher returns from commodity during last year. Based on the Acreage numbers the production might also increase by around 10-15% to 12.5 million tons compared to 11.2 million tons last year. Considering the economic concerns across globe manufacturing is expected to decline further in the short run. Castor oil which is majorly used in preparations of lubricants might retain lower demand. This might have negative impact on the prices in short run. Physical participants who have stocked anticipating further rise in prices might liquidate across major markets as the first advance estimates hit the market. Currently spot activities are also much sluggish which might exert pressure on prices. Later on the crop arrivals will start hitting the markets across Gujarat and rajasthan regions during November and December. Castor seed from south India starts hitting the market from December which might later on keep prices further under pressure. Any changes in global economic scenario might bring in some export orders which might lead to buying at lower levels there on.

States	2011	2010	% change
A.P	1.5	1.33	13%
Chattisgarh	1.44	1.4	3%
Gujarat	0.6	0.58	3%
Karnataka	1.91	1.7	12%
M.P	57.2	50.88	12%
Maharashtra	26.39	23.98	10%
Rajasthan	8.69	5.29	64%
<b>Total</b>	<b>97.82</b>	<b>85.34</b>	<b>15%</b>

**Technical Analysis:**

Castor seed futures made an upside breakout after a long consolidation last month. In the monthly chart prices are witnessing **“RISING THREE”** method formation and last month’s candle stick close (Green) suggesting a bullish trend and confirmation of the rising wedge. In the same way prices are also witnessing **“TREND LINE”** support at 4700 levels. On sustained trade above is likely to continue its bullish trend. If we look into the weekly chart prices are witnessing **“FALLING WEDGE”** formation which is a bullish pattern and suggesting prices to upside potential. The targeting for this pattern is likely to be an origin point (6050 levels). The momentum indicator **MONTHLY RSI-14** is trading at 0.823 levels though entered into the overbought zone and still has potential to trade higher. The **MOVING AVERAGE** principle suggesting upside prospective as prices are trading well above the short & medium term EMA’s of (8,21&34) months.

**Conclusion:** Based on all these parameters we from KCTL Research expect Castor seed prices to trade higher and recommend buying near the support levels.



### **Disclaimer**

The report contains the opinions of the author that are not to be construed as investment advice. The author, directors and other employees of Karvy, and its affiliates, cannot be held responsible for the accuracy of the information presented herein or for the results of the positions taken based on the opinions expressed above. The above-mentioned opinions are based on the information which is believed to be accurate and no assurance can be given for the accuracy of this information. There is risk of loss in trading in derivatives. The author, directors and other employees of Karvy and its affiliates cannot be held responsible for any losses in trading.

Commodity derivatives trading involve substantial risk. The valuation of the underlying may fluctuate, and as a result, clients may lose their entire original investment. In no event should the content of this research report be construed as an express or an implied promise, guarantee or implication by, or from, Karvy Comtrade that you will profit or that losses can, or will be, limited in any manner whatsoever. Past results are no indication of future performance. The information provided in this report is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

We do not offer any sort of portfolio advisory, portfolio management, or investment advisory services. The reports are only for information purposes and not to be construed as investment advice.

For a detailed disclaimer please go to following URLs:  
<http://www.karvycomtrade.com/disclaimer.asp>  
<http://www.karvycomtrade.com/riskDisclaimer.asp>