



Castor seed and Oil

S&D, technical analysis, price forecast, macro and risk management picture

By

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COMMODITY PRICE RISK MANAGEMENT SOLUTIONS

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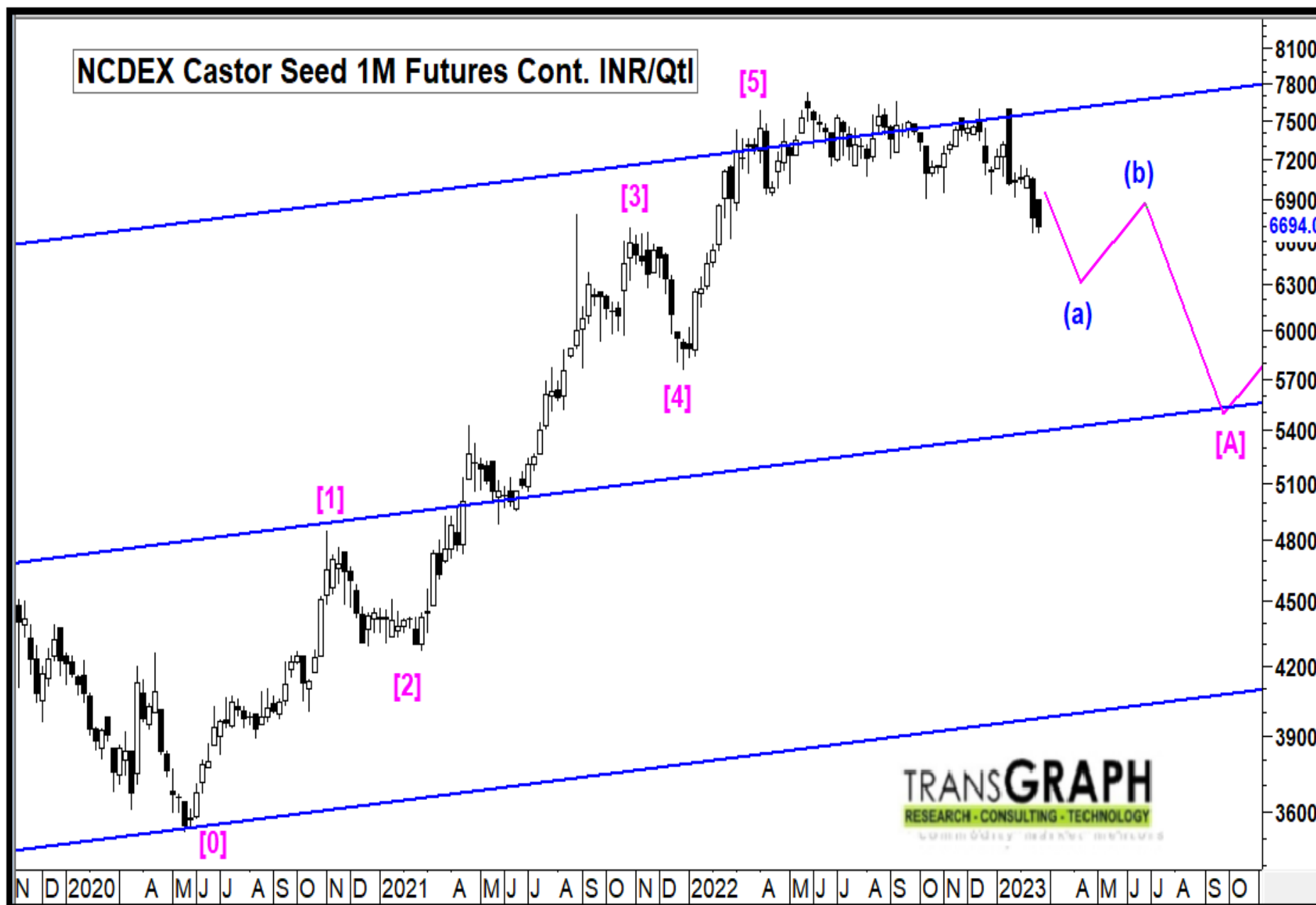
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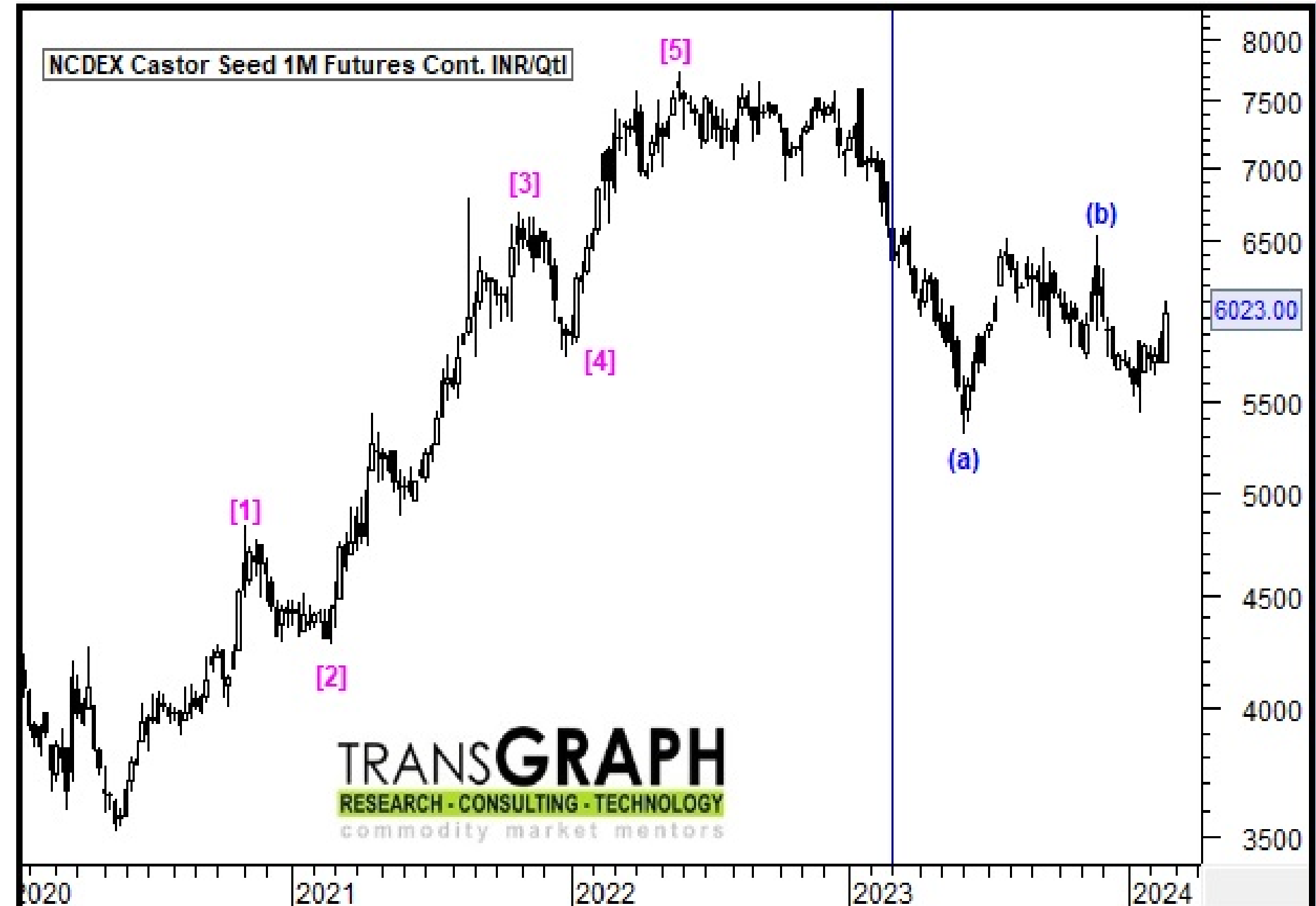
NCDEX CASTOR SEED FUTURES

Outlook given at Castor Conference, Feb'2023:

Actual Prices post Feb'23 and Forecast:



Prices are likely to find resistance below INR 6900 to 7000 on any recovery and extend weakness towards INR 5600-5500 ahead of rebound in the coming 6 months.

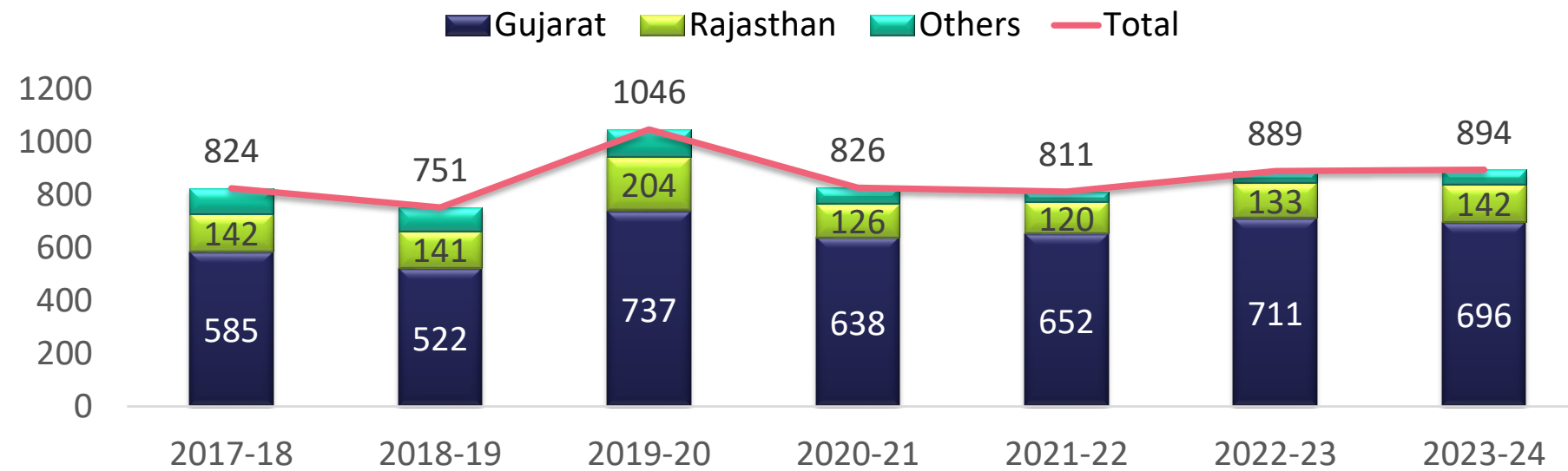


As per forecast, prices moved lower towards INR 5400 and recovered from then onwards.

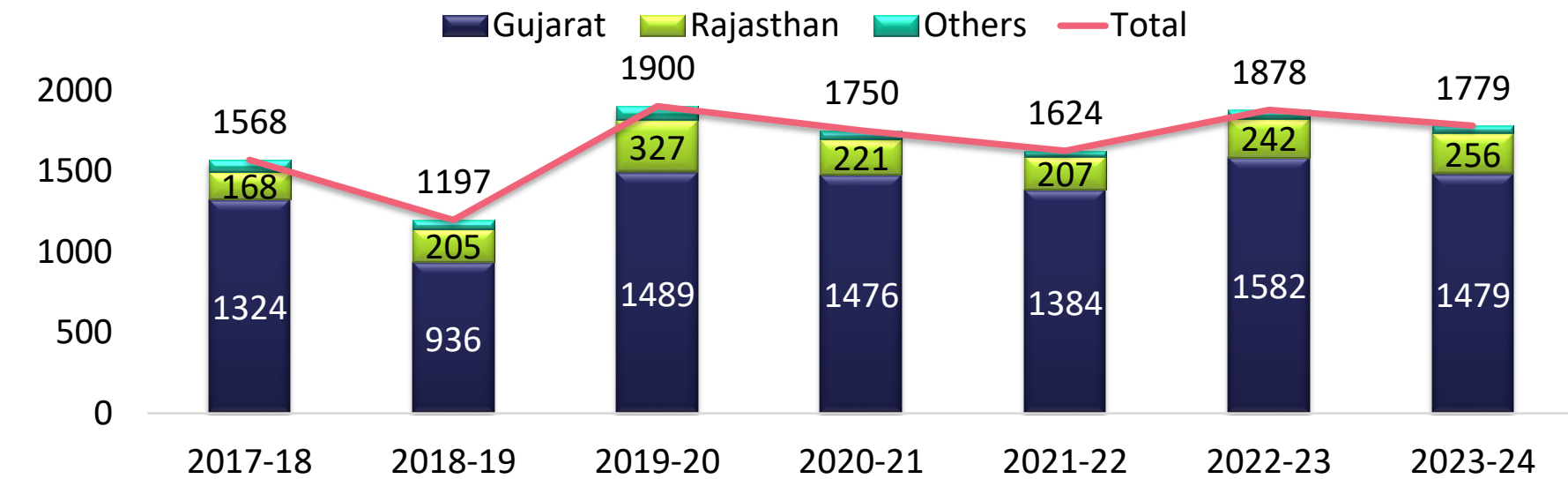
Castor Area, Production and Yield

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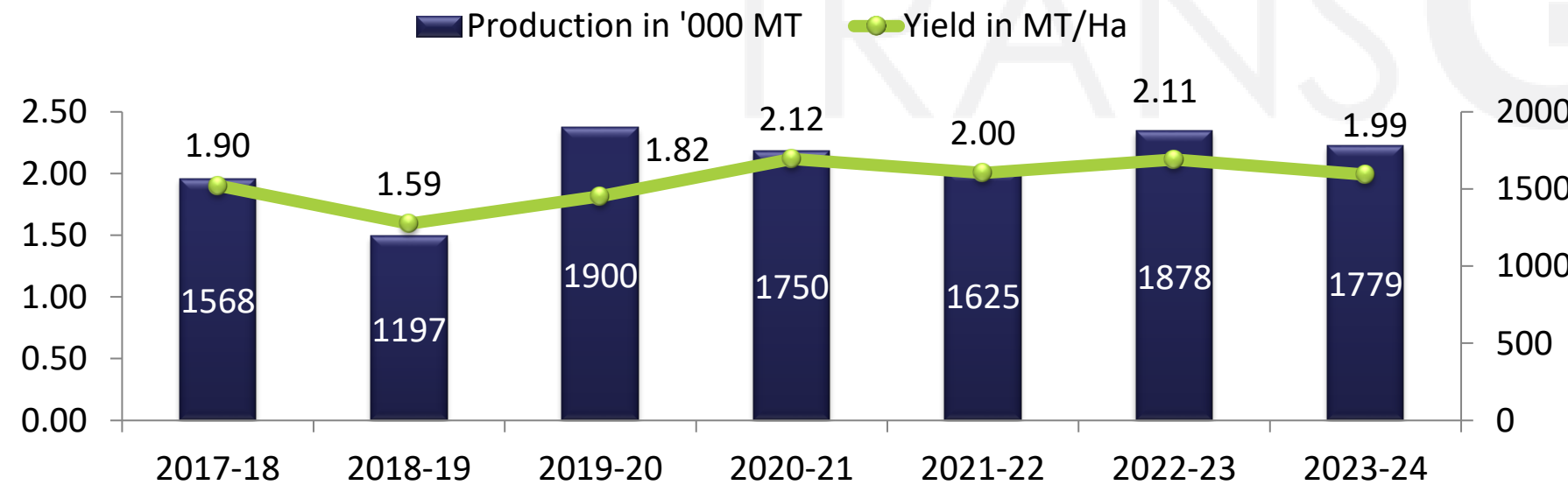
Castor Seed State-wise Area in '000 Ha



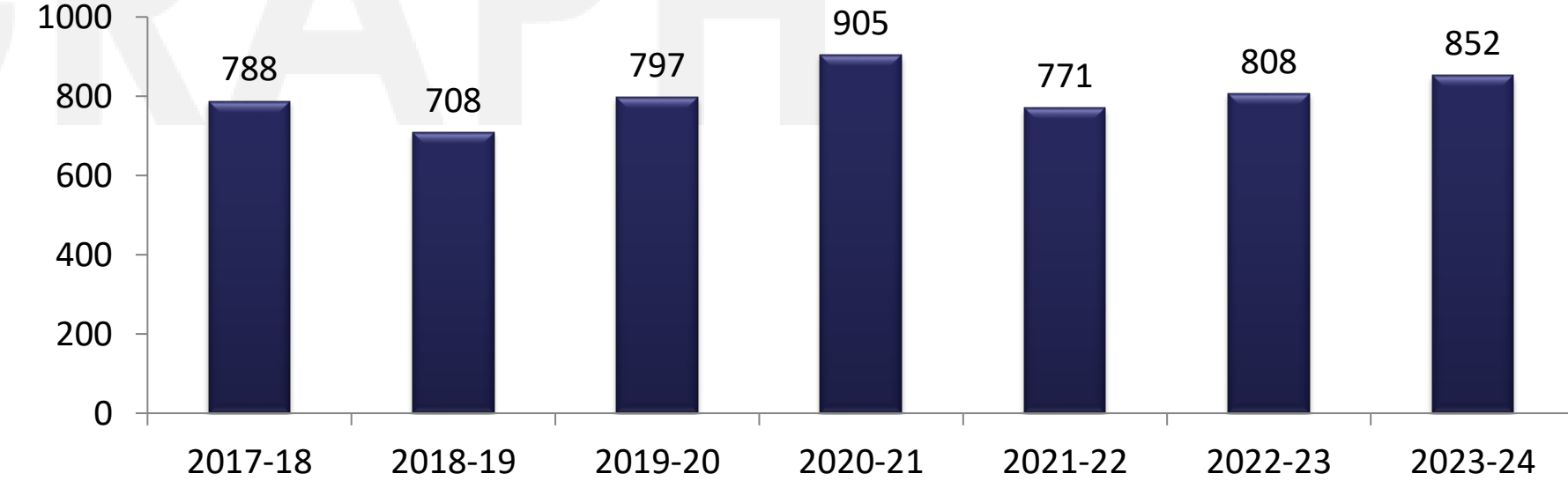
Castor Seed State-wise Production (KMT)



Castor seed Production and Yield

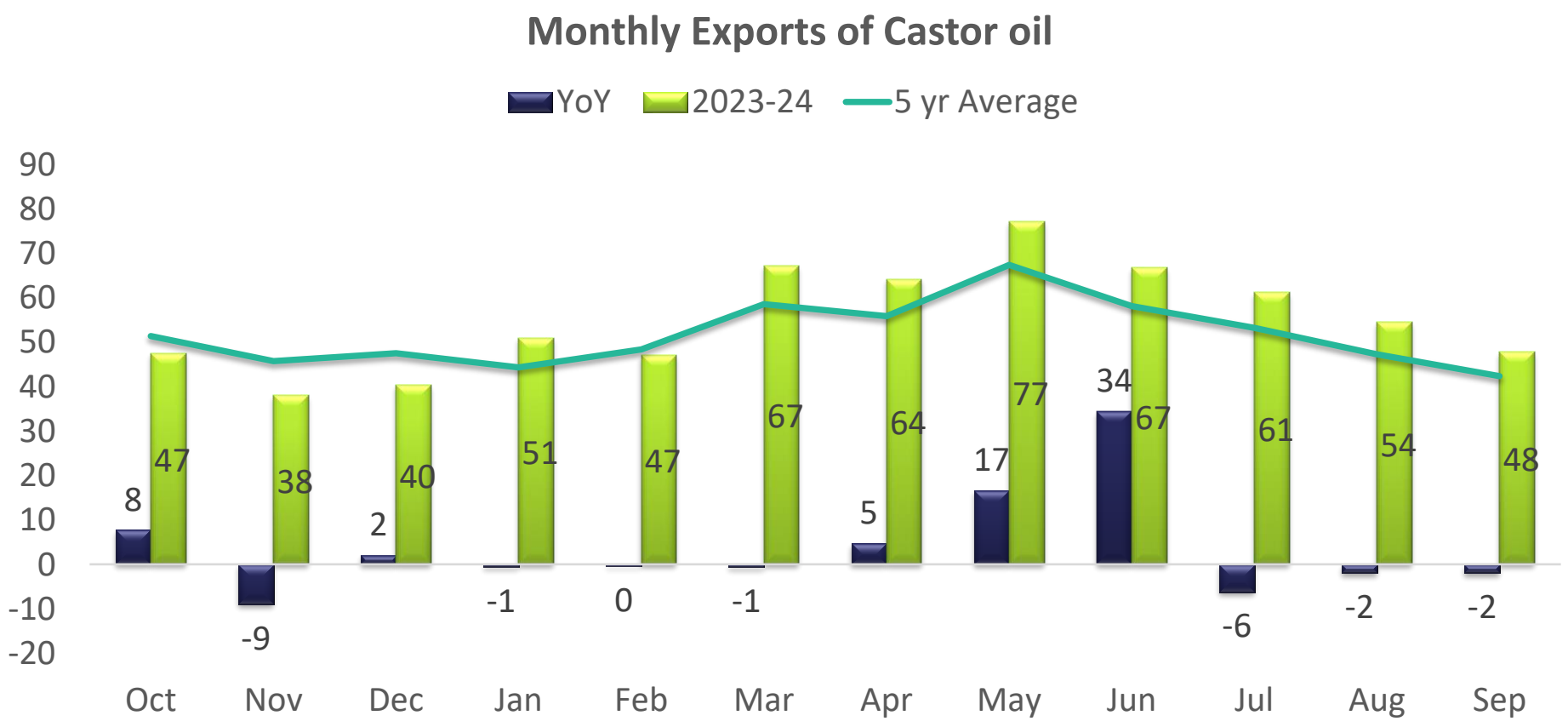
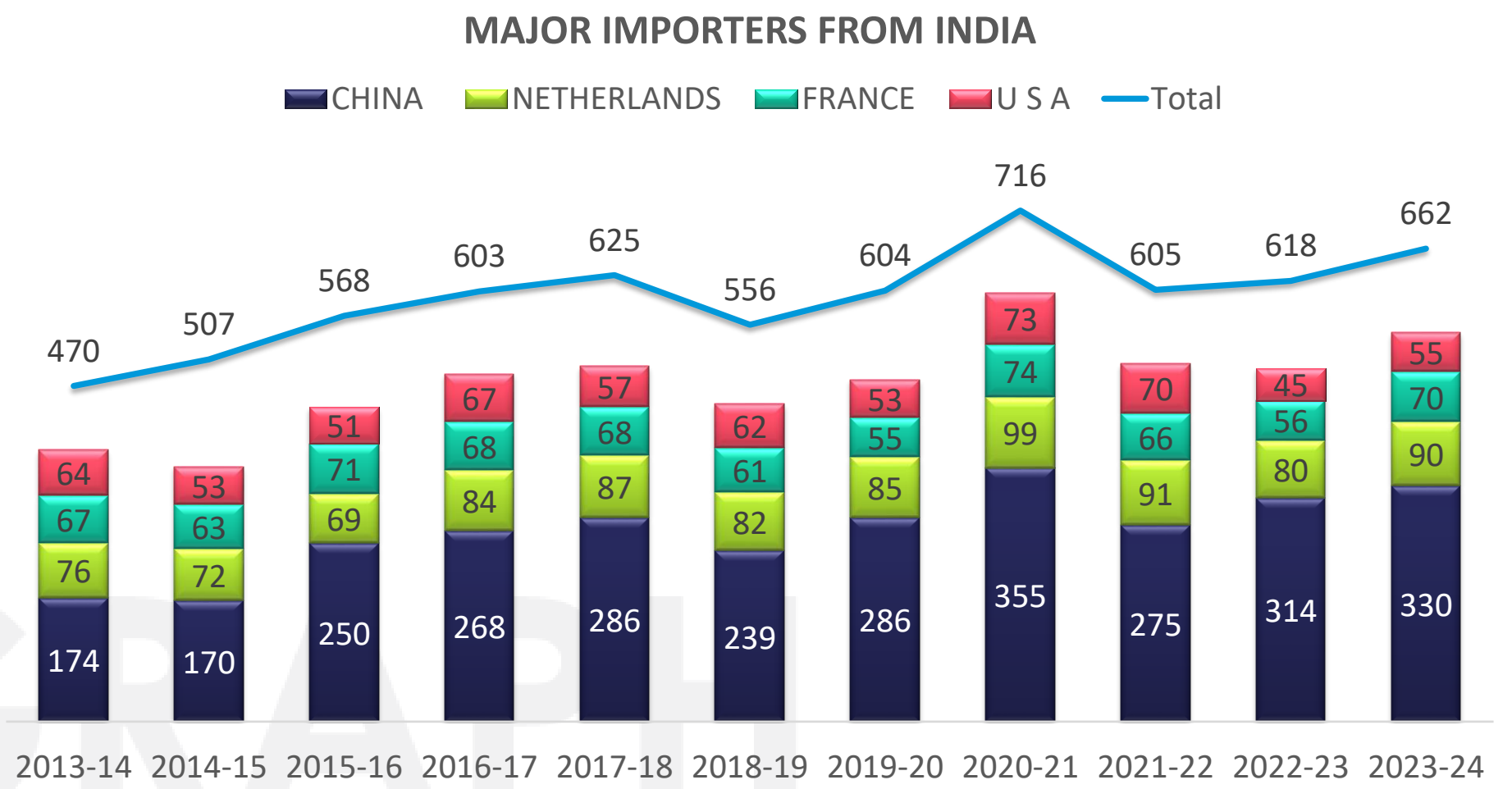
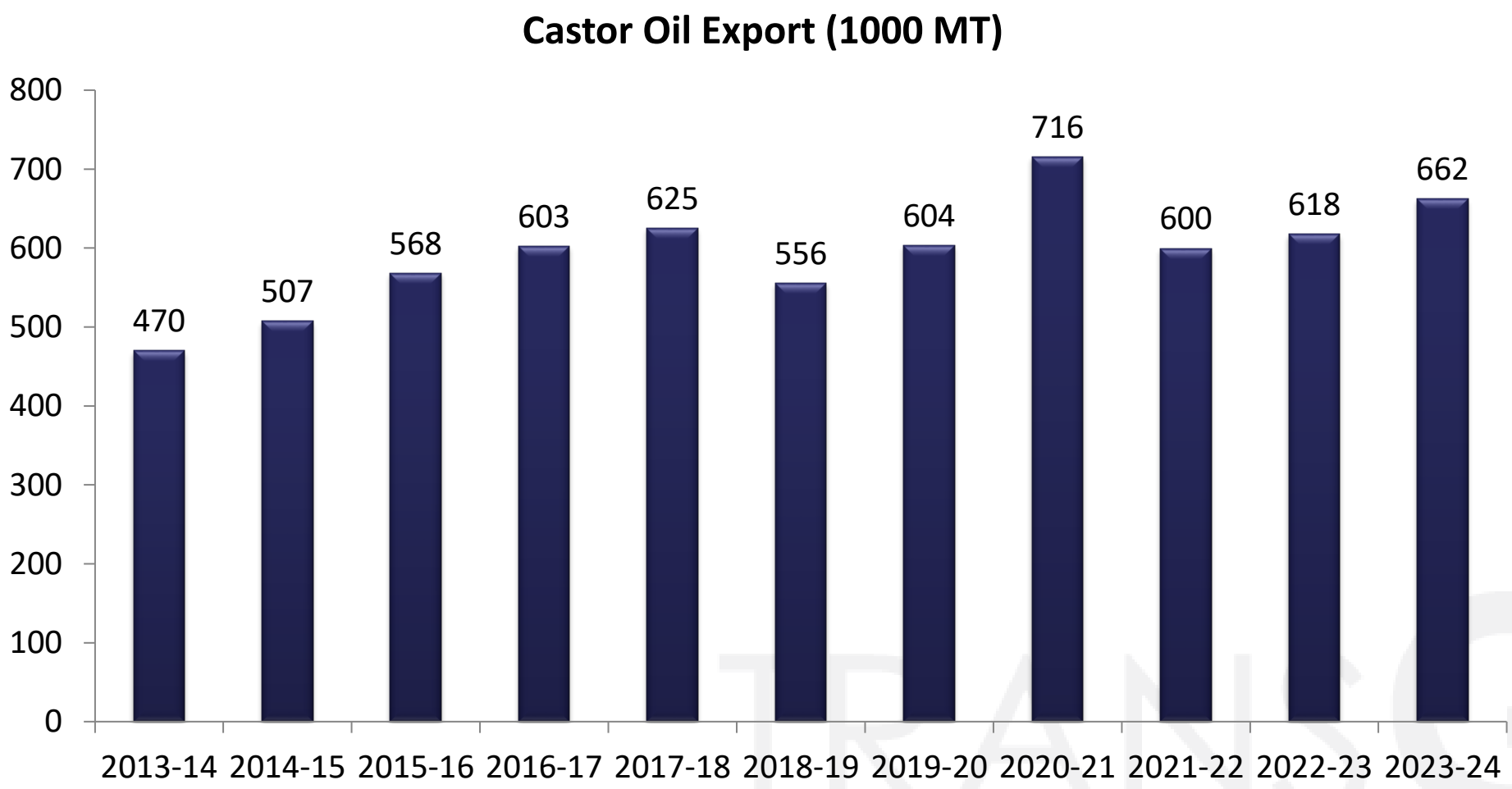


Castor Oil Production (KMT)



- The minimal rainfall experienced during the crucial sowing period in August has resulted in a marginal decline in acreages in Gujarat.
- Untimely rainfall further exacerbated the situation, leading to a year-on-year yield reduction of approximately 5% to <2 MT/Ha. An improvement in the acreage and decreased yields is expected to result in a production decline to around 1.78 MMT, marking a 5% decrease compared to the previous year.

India Castor Oil Exports Are Expected To Improve In 2023-24



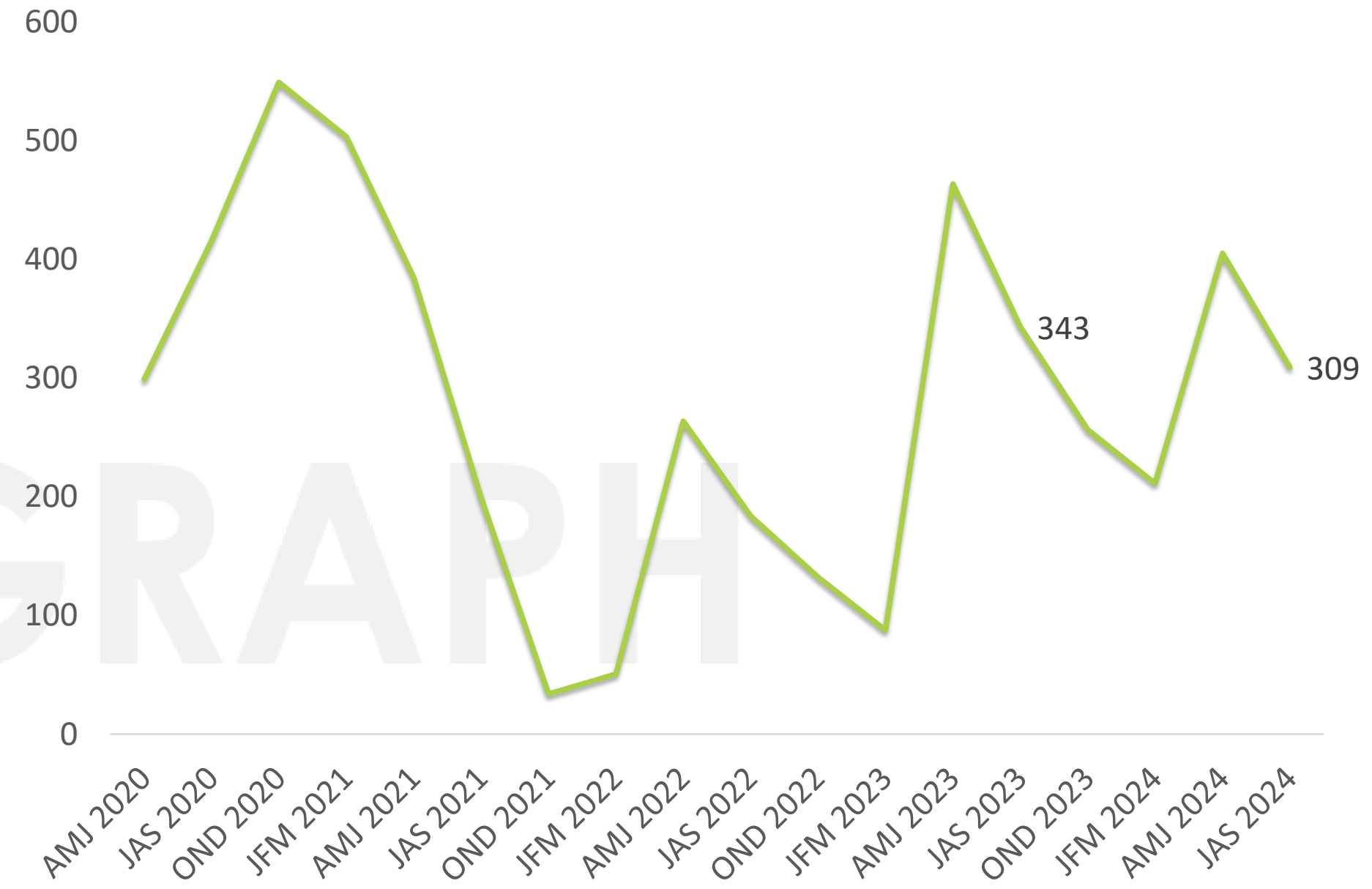
- Due to a decrease in prices compared to the previous year, it is anticipated that castor oil exports for the year 2023-24 is expected to reach 660 KMT. Although this projection is higher than the export figures from preceding years, it falls short of the peak observed in 2020-21.
- The demand from various destinations is expected to rise to a standard level. Following the Chinese New Year in February, the low stocks in China are anticipated to improve demand, boosting exports and maintaining them above the five-year average throughout the remaining part of the year.

Vegetable oils vs Castor oil at India (USD/T)

— Palm oil — Refined Soy oil — Sun oil — Castor oil



Castor seed stocks in KMT

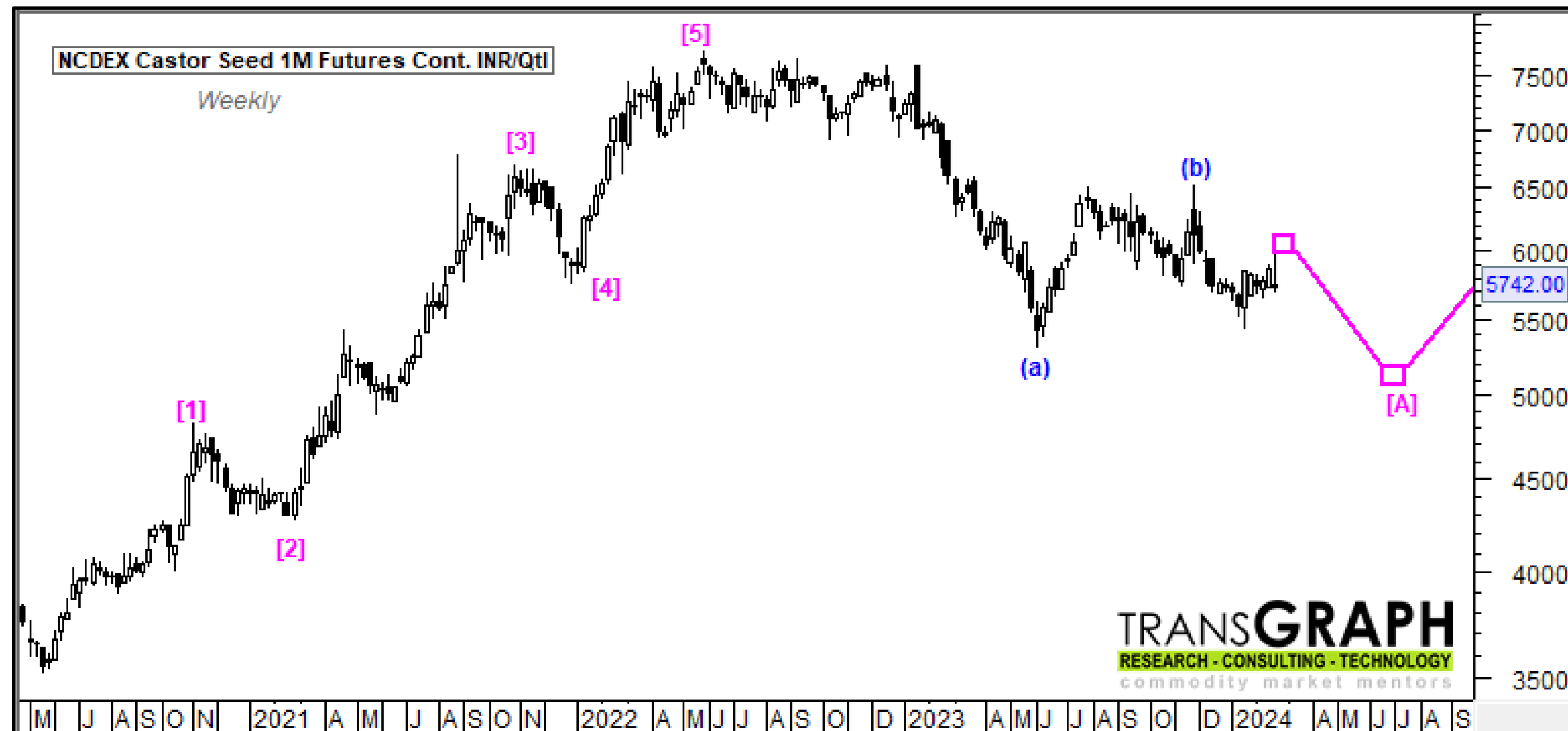


- During the lean arrival season of JFM, castor seed stocks are projected to remain below 250 KMT. However, with an average monthly arrival of approximately 250 KMT, stocks are anticipated to reach above 400 KMT in the following quarter.
- By the conclusion of the 2023-24 period, it is expected that castor seed stocks will be around 310 KMT, indicating marginal decline from the 340 KMT recorded in the previous year.

CASTOR SEED (KMT)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
OPENING STOCK	735.7	590.9	248.7	415.8	199.2	183.7	343.2
PRODUCTION	1568.0	1197.0	1900.0	1750.0	1625.0	1877.7	1779.4
TOTAL SUPPLY	2303.7	1787.9	2148.7	2165.8	1824.2	2061.4	2122.6
CRUSH	1712.7	1539.3	1732.9	1966.6	1640.5	1,718.2	1,813.7
ENDING STOCK	590.9	248.7	415.8	199.2	183.7	343.2	308.9
CASTOR OIL (KMT)							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
OPENING STOCK	37.6	30.2	12.7	21.3	10.2	11.6	21.6
PRODUCTION	787.8	708.1	797.1	904.6	771.0	807.6	852.5
TOTAL SUPPLY	825.4	738.3	809.8	925.9	781.2	819.2	874.0
EXPORT OF OIL	625.2	555.6	603.6	715.7	599.6	617.6	662.5
EXPORT OF DERIVATIVES	120.0	120.0	130.0	140.0	120.0	125.0	140.0
DOMESTIC CONSUMPTION	50.0	50.0	55.0	60.0	50.0	55.0	55.0
TOTAL DEMAND	795.2	725.6	788.6	915.7	769.6	797.6	857.5
ENDING STOCK	30.2	12.7	21.3	10.2	11.6	21.59	16.59

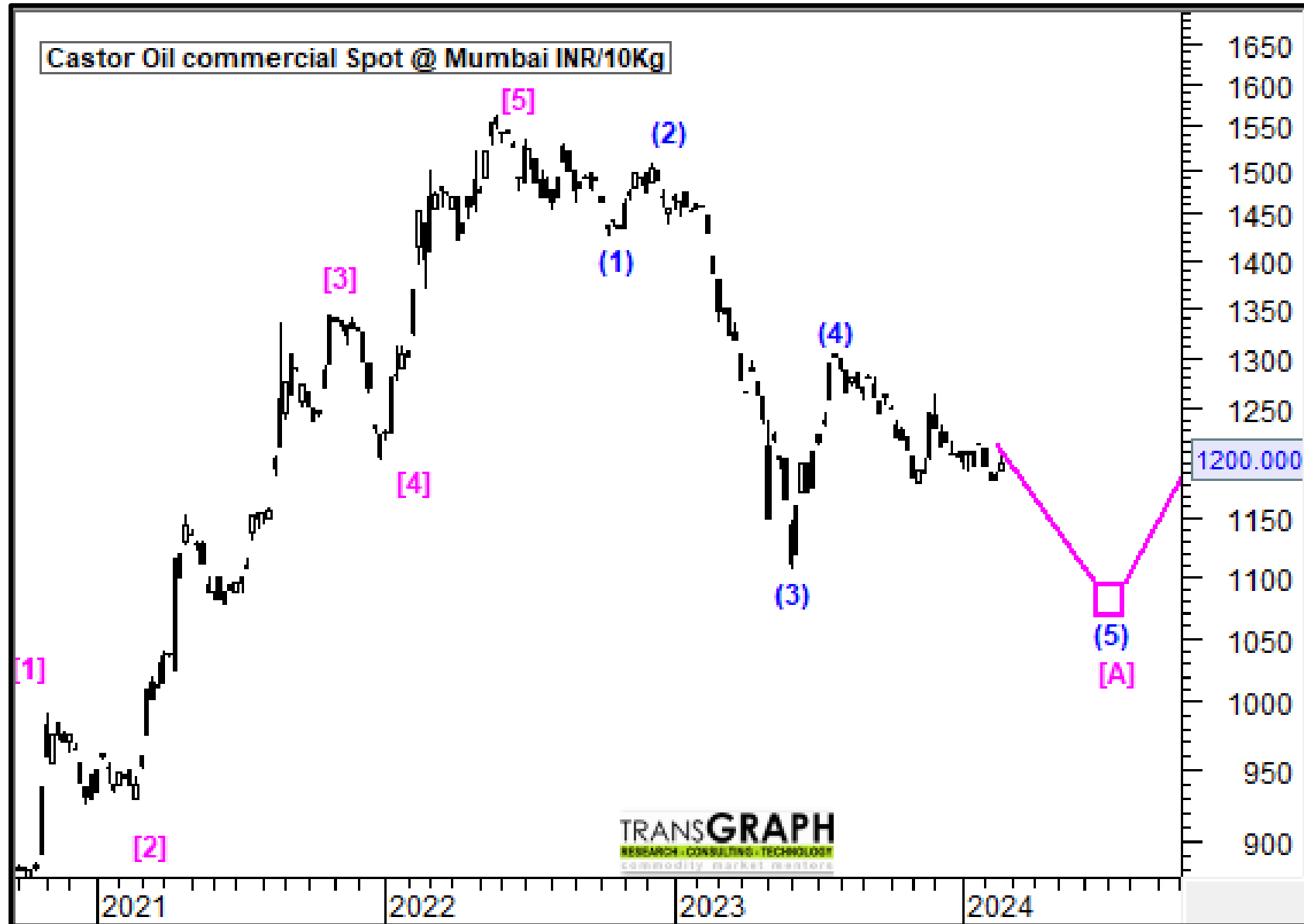
ALL FIGURES ARE IN MT - Marketing Year – Oct to Sep

NCDEX CASTOR SEED FUTURES OUTLOOK



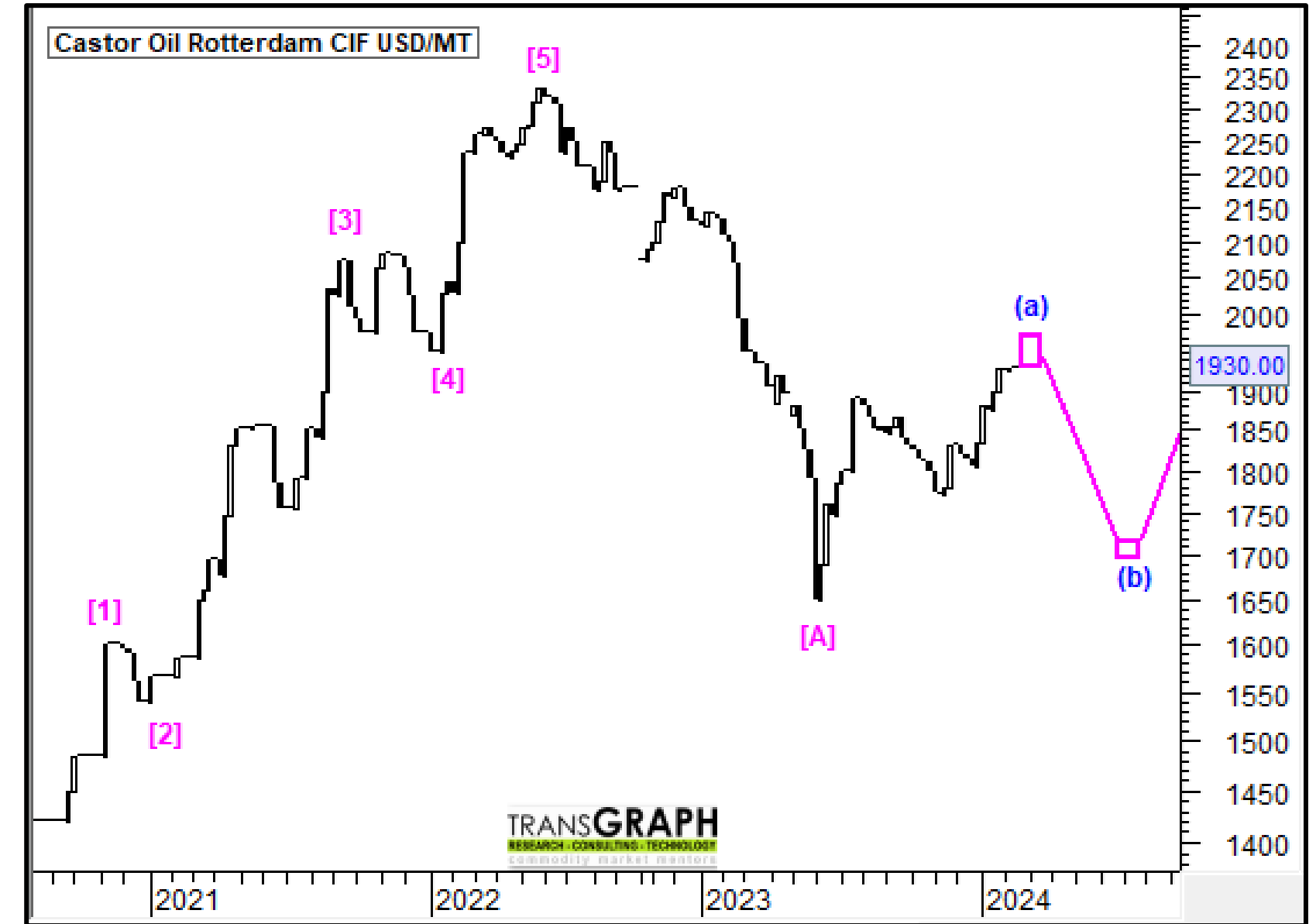
NCDEX Castor Seed 1M Futures prices, after placing a multi year high at INR 7724 during May'22 have turned lower and are currently hovering near INR 5869. From Elliott Wave perspective, prices are progressing as Intermediate 'Wave A' within which minor wave (a) & minor wave (b) has ended & currently minor wave (c) is underway. Hence prices are likely to find resistance below INR 6100 on any recovery and extend weakness towards INR 5200 in the coming 3 to 4 months, ahead of any notable recovery in the subsequent months.

CASTOR OIL MUMBAI SPOT

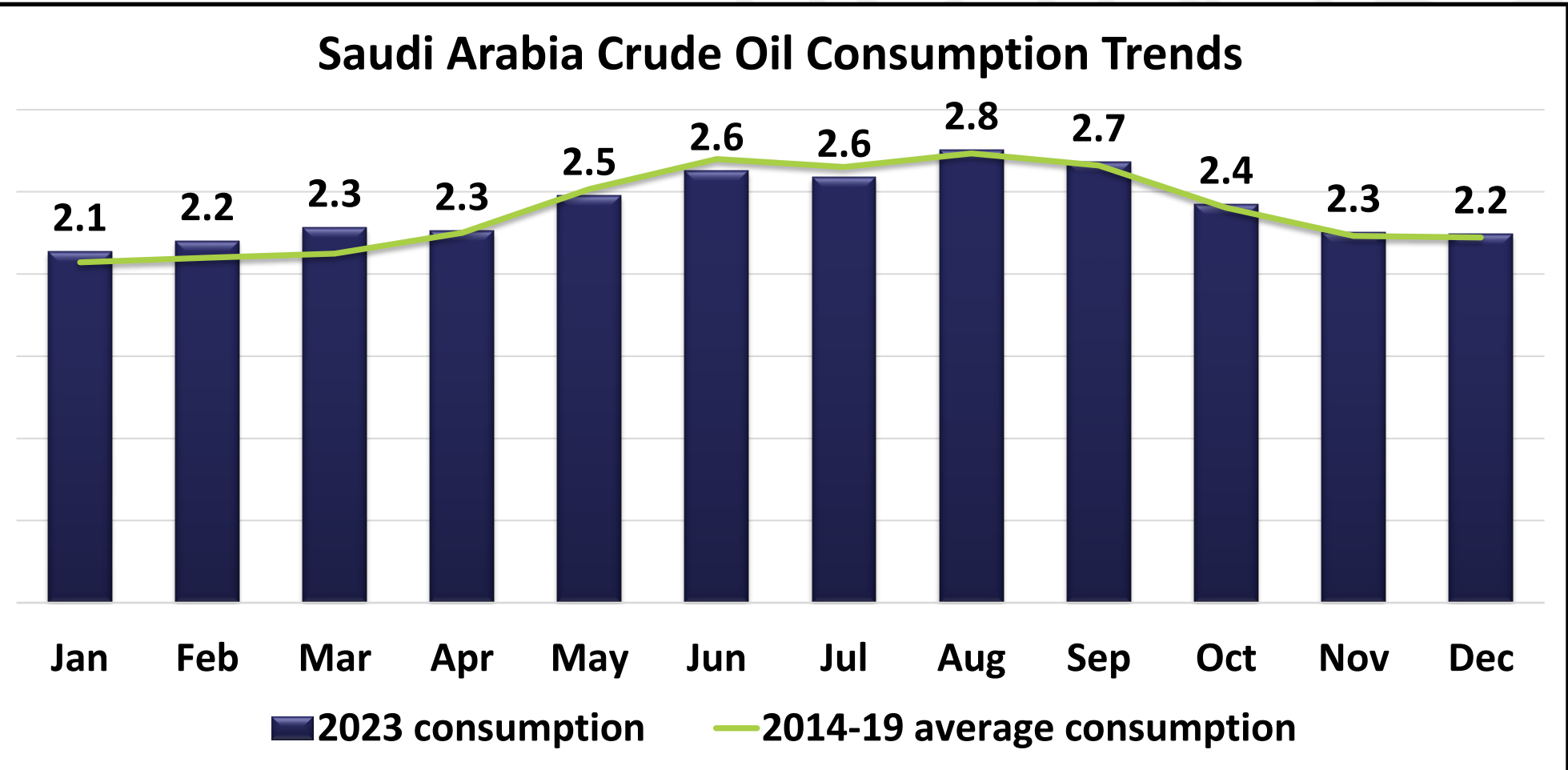
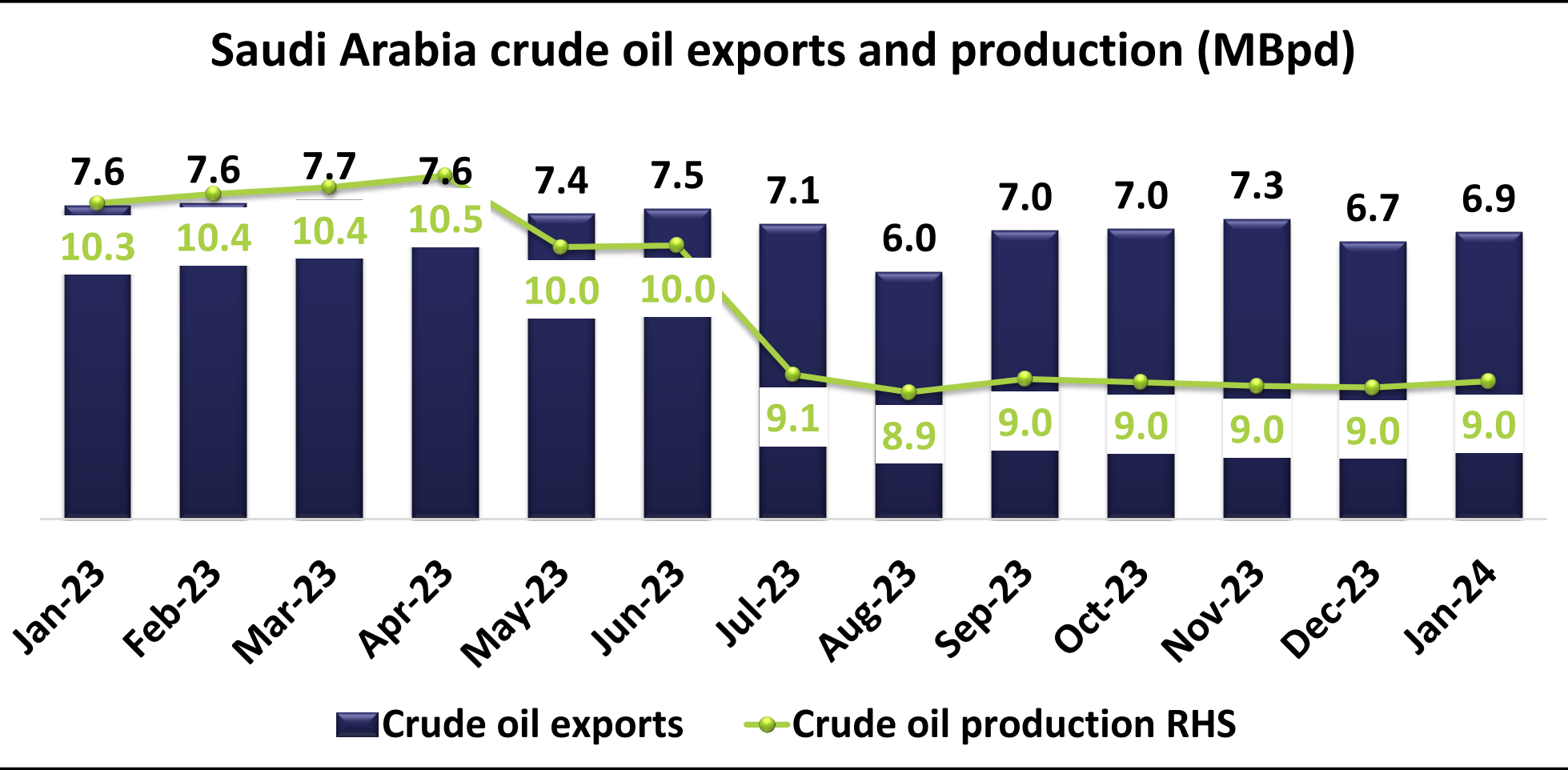


Castor Oil Mumbai Spot prices are likely to hold below INR 1240 on any further recovery and extend weakness towards INR 1100-1080 zone in the coming 3 to 4 months, ahead of any notable recovery in the subsequent months.

CASTOR OIL ROTTERDAM CIF



Castor Oil Rotterdam CIF prices are likely to hold below USD 2000 and trade lower towards USD 1700 in the coming 3 to 4 months, ahead of any notable recovery in the subsequent months.

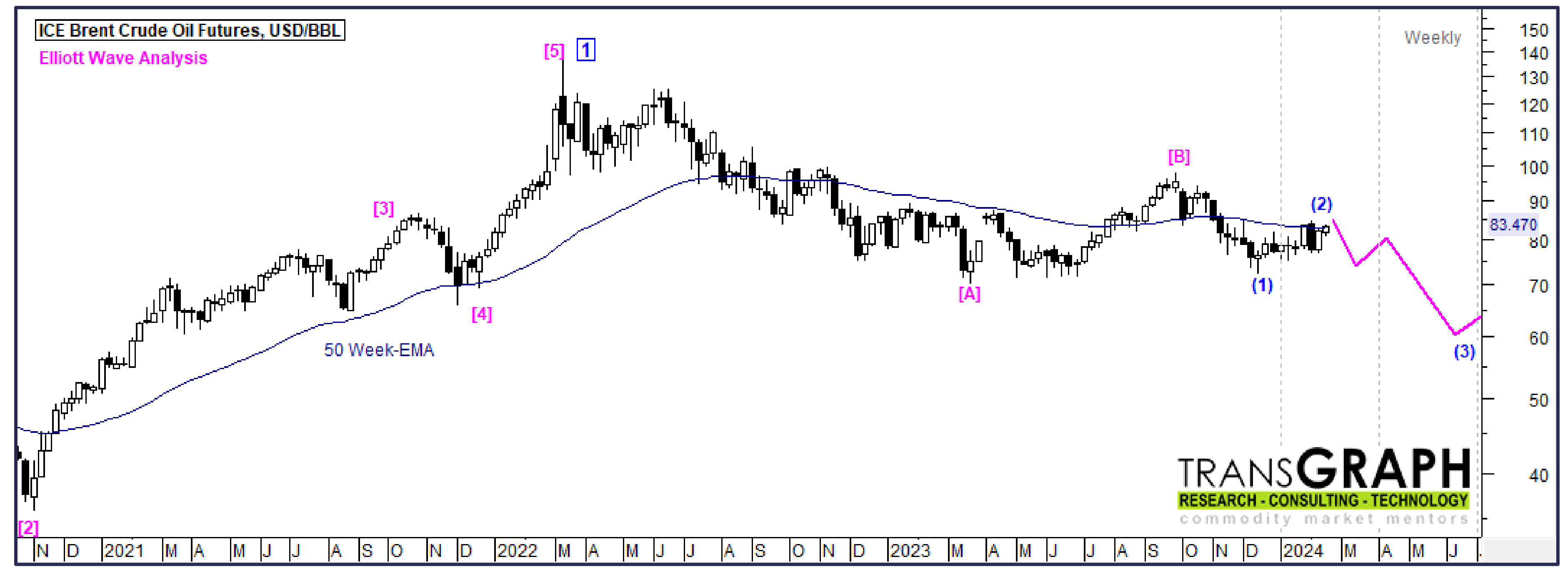


- In the coming month, the **focus of the market will shift towards Saudi Arabia’s production cuts in next quarter** as the last OPEC + meeting schedule to voluntary cuts is only announced till March 2024.
- Saudi Arabia’s crude oil output was seen averaging at 10.5 MBpd in JFM’23. Later in 2023, following two rounds of crude oil output cuts as a leading member of the OPEC group, **Saudi’s production levels have been reduced by 14.7% to 9.0 MBpd.**
- This in turn has reduced their market presence significantly in the past year. **Saudi’s crude oil average exports during H2 2023 declined by 10% to 6.8 MBpd**, compared to 7.6 MBpd exports during H1 2023 period.
- Further, seasonally Saudi Arabia’s domestic demand for crude oil products also rises from April as the summer temperatures increase.
- Overall, Saudi Arabia is unlikely to announce extension of deep output cuts post March 2024, adding to the supply glut in the market.

Year	Crude oil supply (MBpd)			Crude Products demand (MBpd)			S&D Balance (MBpd)
	OPEC	Non-OPEC	Global supply	OECD	Non-OECD	Global demand	
JFM-2023	33.34	68.10	101.44	45.40	55.00	100.40	1.04
AMJ-2023	32.74	68.50	101.24	45.70	55.10	100.80	0.44
JAS-2023	31.79	69.10	100.89	46.00	55.70	101.70	-0.81
OND-2023e	31.87	69.50	101.37	45.90	56.00	101.90	-0.53
JFM-2024e	31.97	69.40	101.37	45.70	55.50	101.20	0.17
AMJ-2024p	32.47	69.50	101.97	45.60	56.00	101.60	0.37
JAS-2024p	32.80	69.50	102.30	45.90	56.50	102.40	-0.10

Key price drivers:

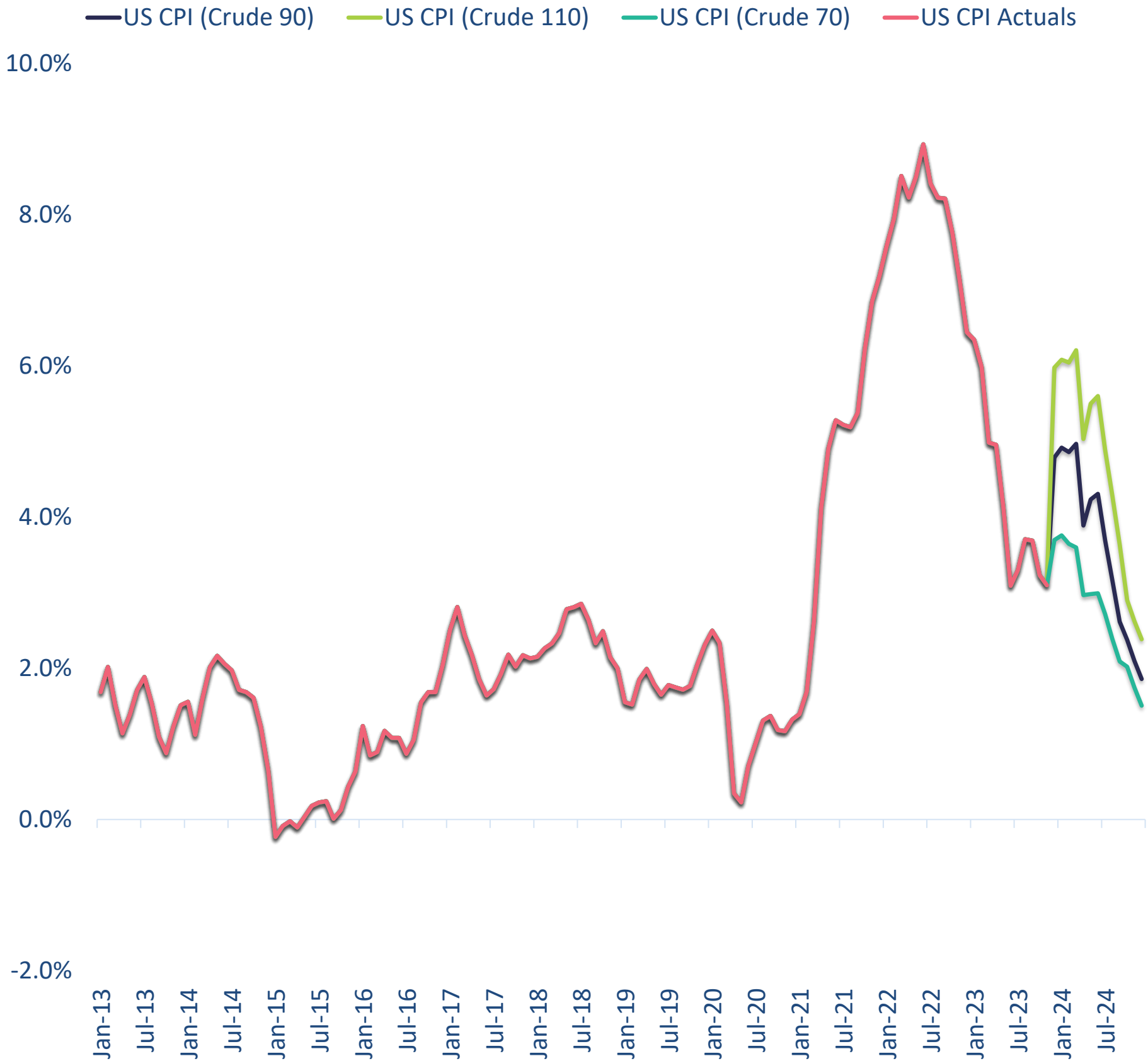
- Crude oil supply is expected to witness sustained growth from Non-OPEC region countries. Brazil, Canada and US are seen to be the major contributors .
- OPEC countries production expected to increase mainly due to the output increment of [Saudi Arabia](#) rising from low levels of 9 MBpd, adding to supply concerns in the market.
- Demand from Non-OECD region is expected to remain strong post JFM’24 driven by China’s economic activity recovery following the lunar holidays season in JFM’24.
- Overall, Crude oil markets are expected to remain oversupplied till AMJ’24 which is expected to keep the prices on a bearish note.**
- However, improving demand situation is expected to result in supply – demand gap narrowing in JAS’24.**



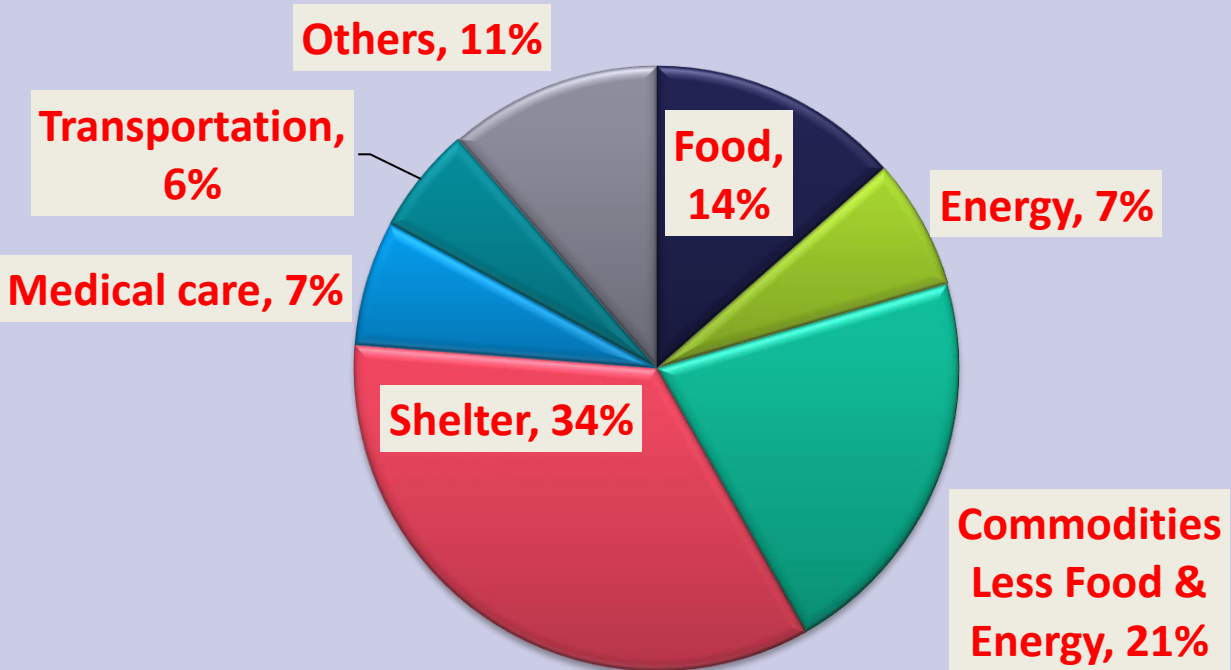
Elliott Wave-Scenario: ICE Brent prices have placed a peak at USD 135 in Mar'22 and entered into a long-term bearish market from there. From the Elliott wave view-point, the *Primary-wave-1* has concluded near the afore-mentioned peak (of USD 135) and subsequently entered into a *Primary-wave-2*, which is unfolding into a *Zig-zag A-B-C* correction. Of which, the *Intermediate-wave-[B]* has terminated near the Sep'23 high of USD 97.69 and currently unfolding in *Intermediate-wave-C*. Hence, prices are likely to hold below the resistance of USD 85 on any further recovery from here and extend its weakness towards USD 65 and even lower by Jun'24.



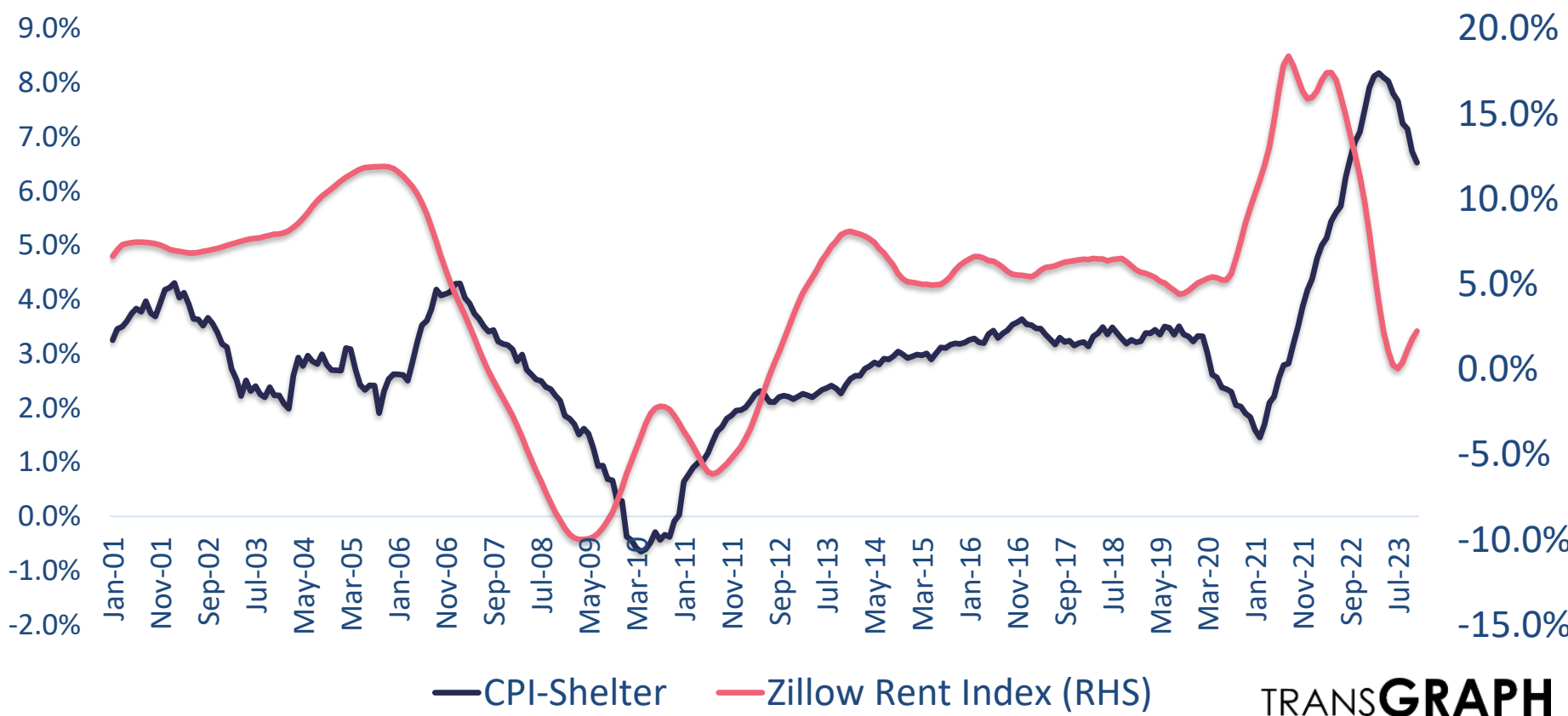
US CPI Inflation Projections Under Different Assumption of Global Oil Prices

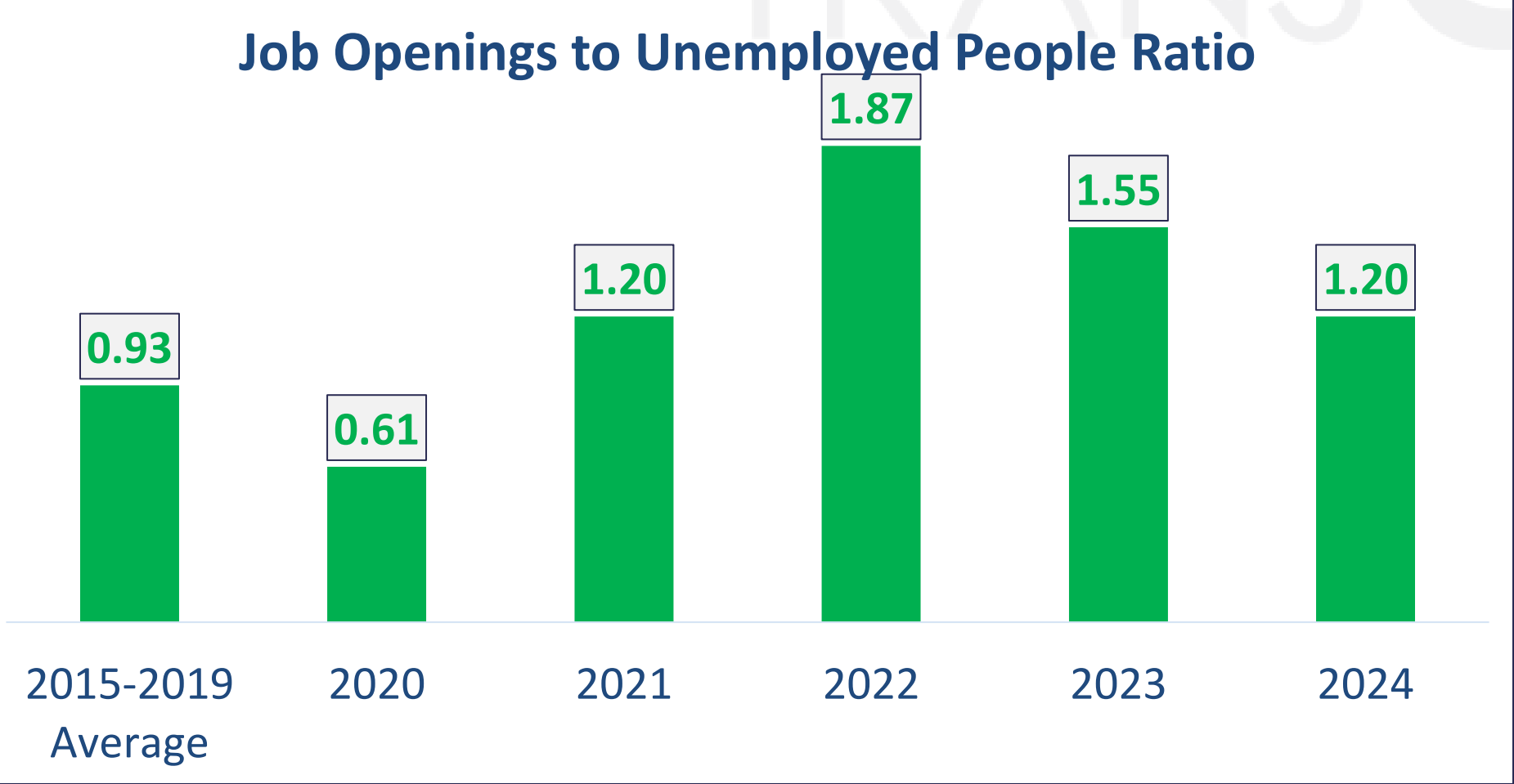
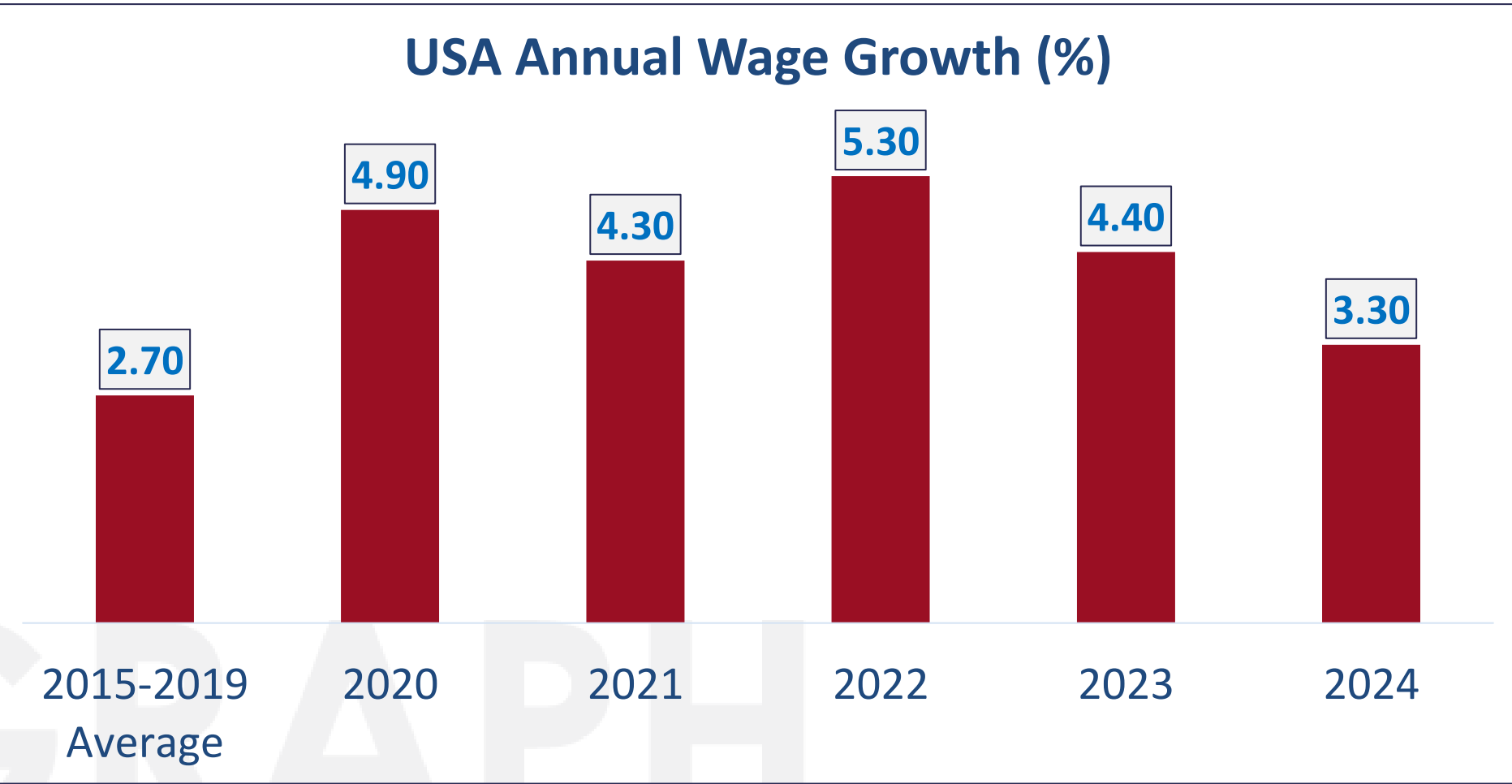
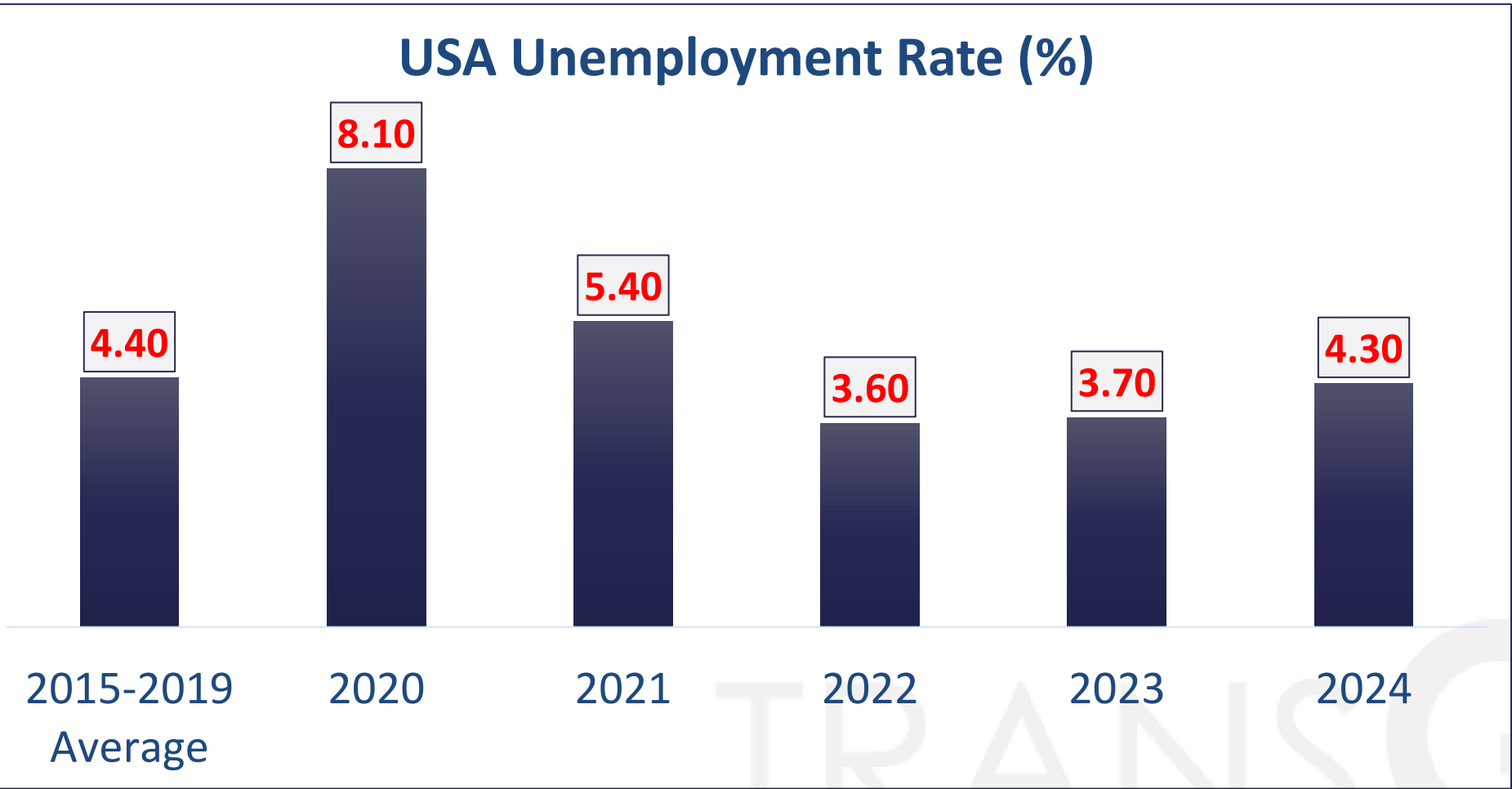


US CPI Components



KEY COMPONENTS OF USA INFLATION AND RENT INDEX POINT TO SLOWING CORE INFLATION IN THE USA





- Unemployment rate in the USA is currently at 3.7%, well below long term average unemployment rate due to lower labor participation post covid and strong economic growth.
- Job openings still significantly elevated keeping upward pressure on wages.
- Unemployment rate projected to increase in 2024 owing to the slowing economic growth.

Key assumptions on USA Macro -

- **Inflation: US Inflation** to remain above 3% during Q1'24 before coming to target of 2% somewhere during mid-2024.
- **Employment:** Strong job growth and low unemployment rate (3.7% in Dec'23) keeping elevated pressure on wages.
- **Consumption demand:** Strong amid high wages and elevated saving levels after the pandemic transfers.
- **Monetary Policy stance:** "Hawkish" pressure on the Fed to sustain till Q1'24 –
 - Markets expect first rate cuts to commence in Mar '24 with a total of 150 basis points of cuts during 2024
 - Fed to actually cut interest rate 2-3 times by approximately 75 bps during H2'24
- **Growth:** Despite high interest rates and Fed balance sheet reductions, US economy is projected to grow by 2.4% during 2023 before growth slows down to 1.5% in 2024.
- **Safe haven:** Demand for the US Dollar amid rising global geopolitical tensions in the middle-east and Eastern Europe.

Key assumptions on Other regions -

- **Europe:** ECB to remain more hawkish than Fed during 2024 amid higher inflationary risks to weigh on the greenback. Growth to improve amid moderate energy prices
- **China:** Economic activity trends improving over the recent quarters which will likely sustain into 2024 on account of -
 - Interest rate cuts by the PBoC to aid retail consumer demand
 - Increased provincial government spending on Infrastructure projects
- **India:**
 - Resilient economic growth supported by strong Capex push by the government keeping India attractive for foreign investments with approximately USD 28 billion inflows during the current fiscal.
 - Easing trade deficit pressure due to lower crude oil prices
 - Real GDP growth to be around 7% during FY'24 before slowing to 6.5% during FY'25

“Soft landing” - Global growth likely to slow down amid higher interest rates

Global GDP Growth Projections									
	IMF			TG			Real GDP - 2010 Base (USD Billion)		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
World	3.5	3.0	2.9	3.5	3.0	2.8	97548	100466	103273
USA	2.1	2.1	1.5	2.1	2.5	1.8	19559	20044	20413
Euro Area	3.3	0.7	1.2	3.3	0.5	1.1	14671	14743	14908
Germany	1.8	-0.5	0.9	1.8	-0.2	0.7	3993	3987	4014
France	2.5	1.0	1.3	2.5	0.9	1.1	3010	3037	3070
Italy	3.7	0.7	0.7	3.7	0.8	1.0	2206	2223	2244
Spain	5.8	2.5	1.7	5.8	2.5	1.9	1573	1612	1642
UK	4.1	0.5	0.6	4.1	0.4	0.7	3004	3015	3035
Japan	1.0	2.0	1.0	1.0	1.9	0.7	6201	6316	6359
China	3.0	5.0	4.2	3.0	5.2	4.9	13162	13853	14535
India	7.2	6.3	6.3	7.2	7.0	6.5	3156	3379	3538

- Higher interest rates and tightening lending conditions likely to weigh on economic activity over the medium to long term.
- PMI indicators for manufacturing in major economies have remained in contraction throughout the trailing 12-months.

India Budget at a Glance						
Attribute	FY 23	FY 24 (BE)	FY 24 (RE)	FY 24 RE vs BE Change (%)	FY 25 (BE)	FY 25 Change (%)
1. Total Receipts	24.55	27.16	27.56	1.5%	30.80	11.8%
1.1 Revenue Receipts	23.83	26.32	27.00	2.6%	30.01	11.2%
1.1.1 Tax Revenue (Net to Centre)	20.98	23.31	23.31	0.0%	26.02	11.6%
1.1.1.1 Direct Taxes	16.59	18.23	19.45	6.7%	21.99	13.1%
1.1.1.2 Indirect Taxes	13.95	15.38	14.92	-3.0%	16.32	9.4%
1.1.1.3 Less State & NDRF transfer	9.56	10.30	11.06	7.4%	12.29	11.1%
1.1.2 Non Tax Revenue	2.85	3.02	3.76	24.6%	4.00	6.4%
1.2 Non Debt Capital Receipts	0.72	0.84	0.56	-33.3%	0.79	41.1%
1.2.1 Recovery of Loans	0.26	0.23	0.26	13.0%	0.29	11.5%
1.2.2 Disinvestment Receipts	0.46	0.61	0.30	-50.8%	0.50	66.7%
2. Total Expenditure	41.93	45.03	44.90	-0.3%	47.66	6.1%
2.1 On Revenue Account	34.53	35.02	35.40	1.1%	36.55	3.2%
2.1.1 Interest Payments	9.29	10.80	10.55	-2.3%	11.90	12.8%
2.2 On Capital Account	7.40	10.01	9.50	-5.1%	11.11	16.9%
3. Fiscal Deficit (2-1)	17.38	17.87	17.35	-2.9%	16.85	-2.8%
GDP	272.31	301.75	296.58	-1.7%	327.72	10.5%
Fiscal Deficit as % of GDP	6.4%	5.9%	5.8%	-	5.1%	-
Source: Union budget, All units in lakh crore unless mentioned otherwise						

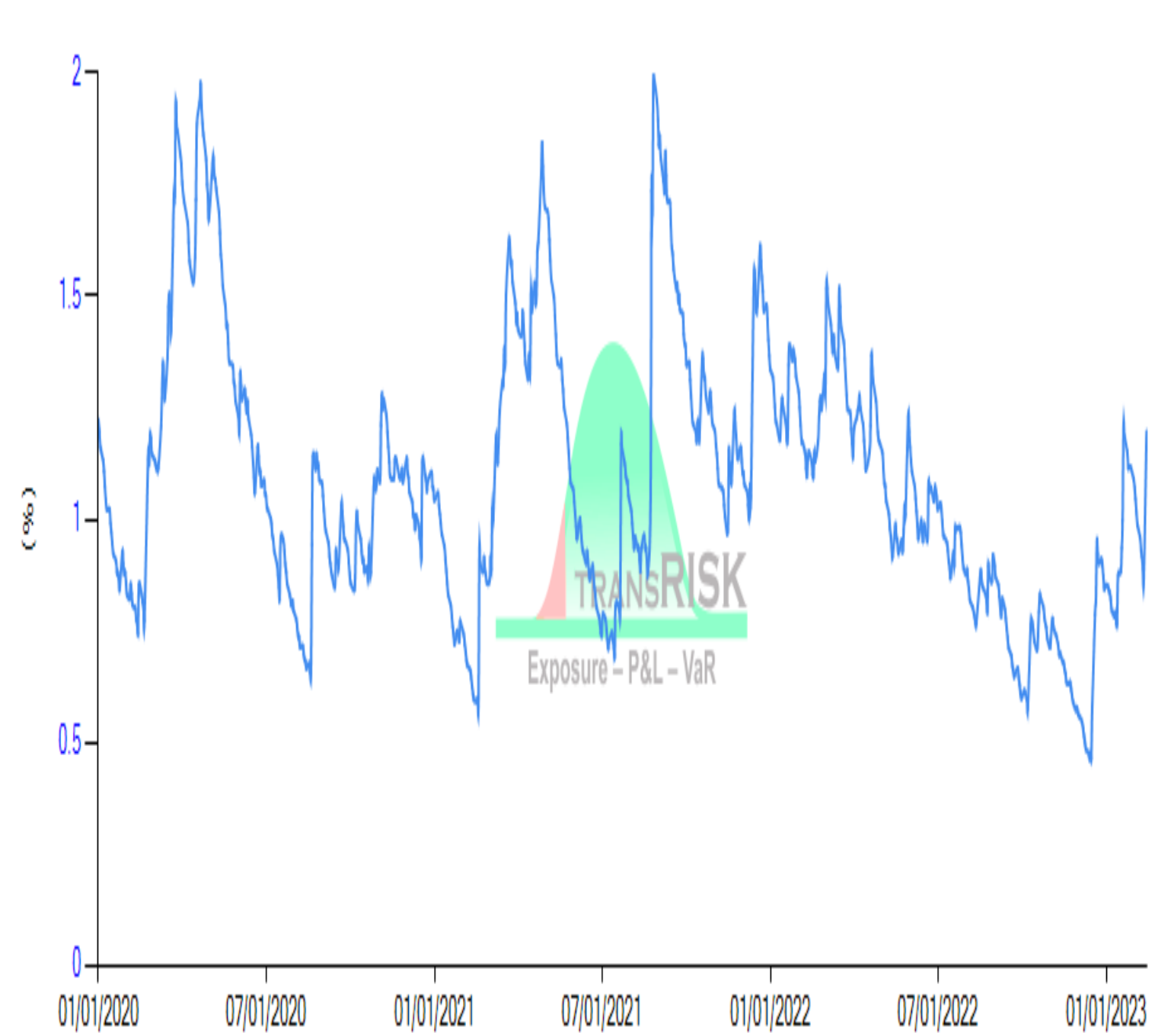
Narrowing trade deficit aiding BOP

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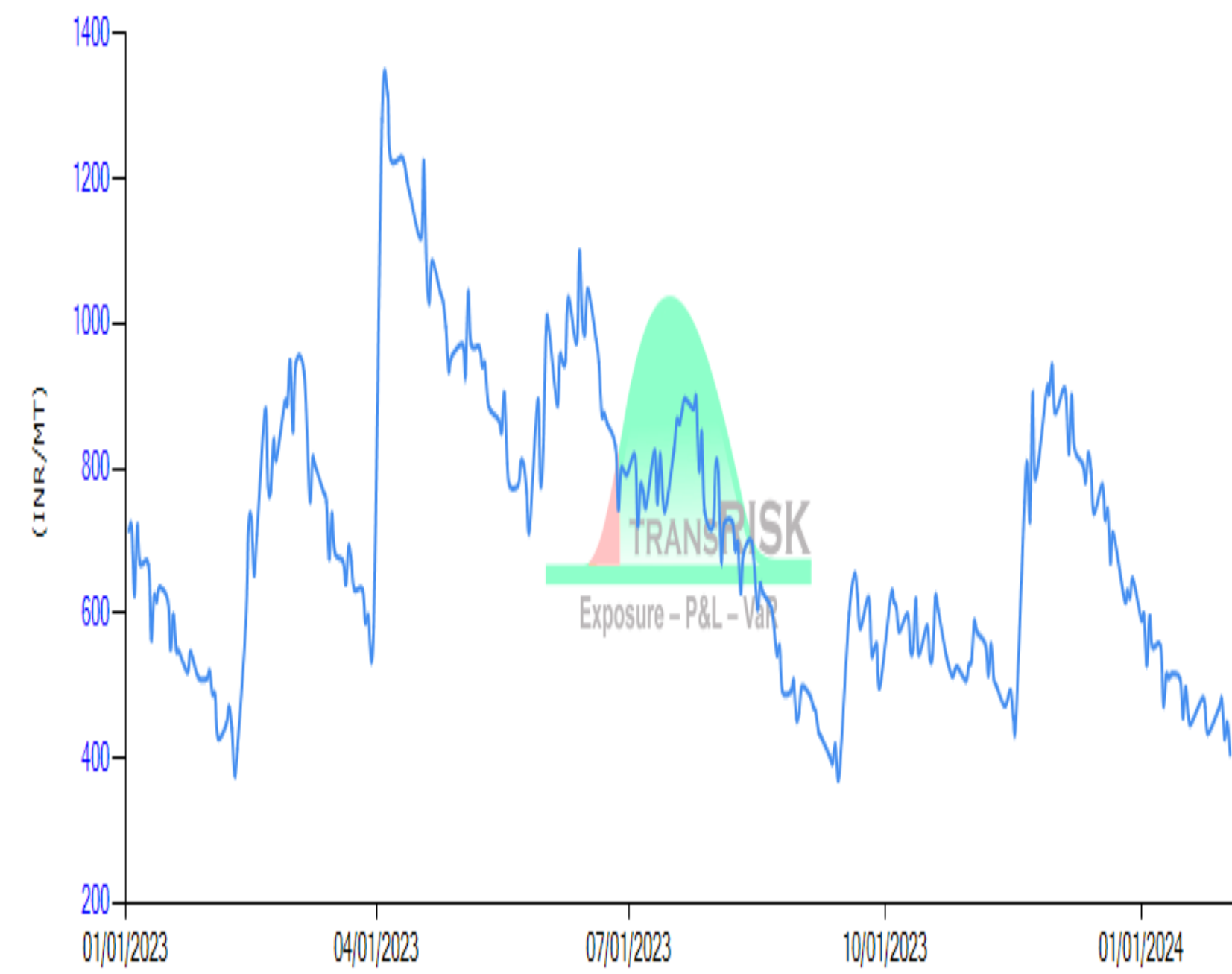
	FY 23	FY 24	FY 25	Key assumptions for FY '24 estimates
CURRENT ACCOUNT				
Merchandise Imports	721.4	659.6	660.7	Expected to remain flat as lower oil prices will ease the pressure from crude import bill
Merchandise Exports	456.1	408.9	408.4	Marginal decline owing to lower energy exports
Merchandise Balance	-265.3	-250.7	-252.3	
Services	143.3	150.3	151.0	Services exports to remain flat amid slow down in advanced economies
Transfers	100.9	93.4	93.3	Transfers to decline owing to fall in crude prices and the subsequent economic impact on major remittance nations in the Middle-east
Income	-45.9	-44.7	-46.4	Rising corporate earning levels amid resilient domestic growth to drive dividend and profit outflows.
Total Invisibles	198.2	199.0	197.8	
Current Account Balance	-67.1	-51.7	-54.5	CAD as a % of GDP to remain unchanged amid the relative faster rise in nominal GDP than the deficit.
Nominal GDP	3389	3609	3950	
CAD as % of GDP	-2.0%	-1.4%	-1.4%	
CAPITAL ACCOUNT				
FDI	28.0	21.4	28.6	While FDI flows to remain supported on account of robust growth, higher volatility is expected in FPI flows owing to election cycles in India and USA during FY '25
FPI	-5.2	30.0	19.2	
Others	36.1	36.2	38.8	
Total Capital Account	58.9	87.6	86.6	
Balance of Payments	-9.1	34.6	31.3	



USDINR pair is likely to hold below INR 83.40 on any minor recovery and retreat lower subsequently towards 82 by Jun'24.



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Measuring risk / VaR should be practiced.

- This year crude, other vegetable oils bearishness will cloud the relatively supportive castor fundamentals leading to slightly bearish to consolidated trend in castor prices during AMJ'24 quarter.
- Because of the opposite scenarios of global macro, veg oils and castor fundamentals volatility in prices will increase.
- USA and Japan story from 1989; Markets, immigration/ demography and technology innovation to grow and sustain.
- Highly optimistic narrative of Modi ji's vision for next 5 and 10 years is possible if we all, business people change, embrace technology.
- Old style and only excel dependent businesses will not be able to catch up and perish in 5 to 10 years....adopt data driven decisions...embrace the software revolution first and AI revolution later... as a industry we are far behind.. Wake up call

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