

ICOA – COVID-19 UPDATE BULLETIN - Dated July 27, 2020

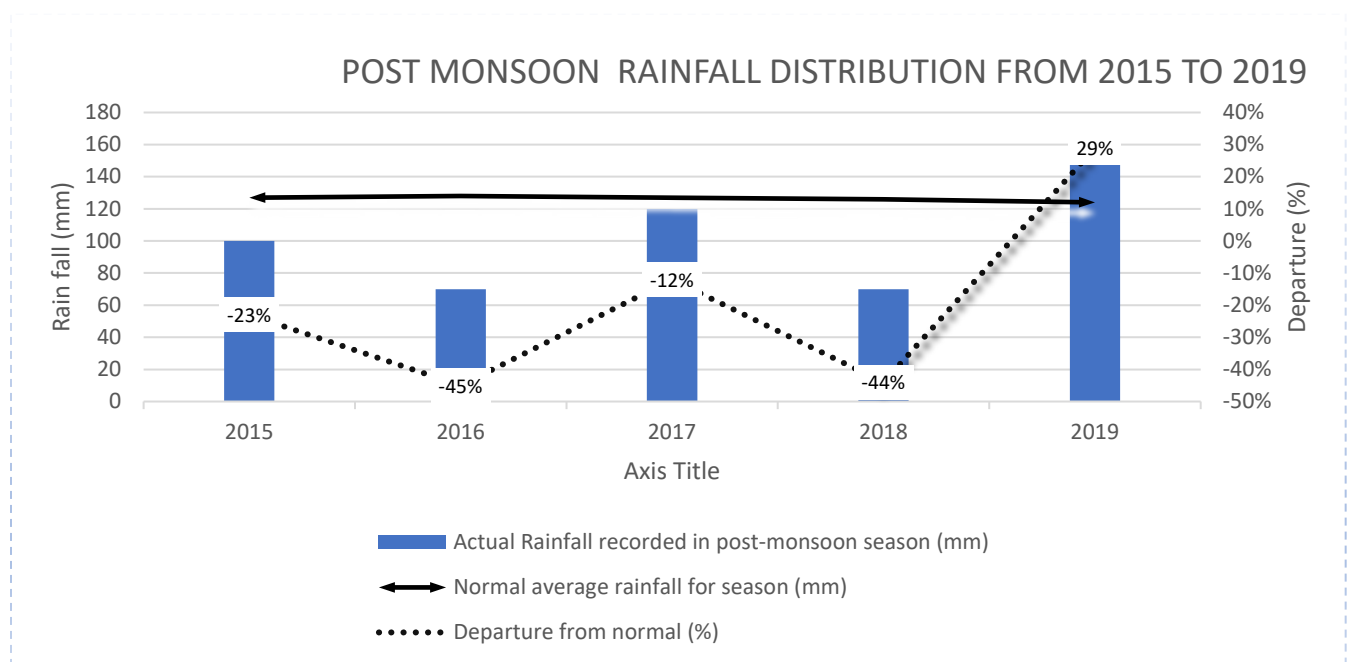
(by, Joseph Chettiar, Gokul Group)

INDIAN MONSOON - 2020

Monsoons play a very vital role in Indian Agriculture and the economy. Virtually, all sectors of business would like to have good rains specifically industries focusing on seeds, construction, power etc. The IMD forecasted 2020 as having normal rains and it turned out to be as accurate as the predicted range of 96 to 104% with $\pm 5\%$

For the latest rainfall distribution, click on the link & move the cursor:

https://mausam.imd.gov.in/imd_latest/contents/index_rainfall_state_new.php?msg=C



INDIAN KHARIF PLANTINGS – 2020

Castor sowing depends on the monsoon season and the distribution of rainfall in various regions. As compared to other Kharif crops, Castor requires relatively less rainfall. For every farmer, price matters the most and plays a critical role that would determine how much the farmers are ready to plant in the forthcoming season. A higher price during the previous year encourages farmers to increase sowing of castor seed while lower prices can possibly lead to switching to other crops such as Groundnut, Cotton, Pulses, Guar Seed, Sesame seeds.

The below planting figure shows a higher preference for Groundnuts & Pulses whereas for Castor, it is lower. Castor planting can continue until Mid-Sept and there's hope to see castor sowing numbers going up.

GUJARAT: MAJOR CROP PLANTING AS ON 22nd Jul- 2019 v/s 20th Jul – 2020

figures in Hectares

SUMMARY	Pulses		Groundnuts		Cotton		Castor	
	22.07.19	20.07.20	22.07.19	20.07.20	22.07.19	20.07.20	22.07.19	20.07.20
NORTH GUJARAT	489	571	2416	3189	2131	1892	148	31
CENTRAL GUJARAT	692	778	38	108	2635	2742	10	5
SAURASHTRA	184	302	10688	16508	15901	14872	48	82
SOUTH GUJARAT	876	1057	15	38	1360	1426	0	0
KUTCH	123	385	103	346	476	546	58	117
TOTAL	2,364	3,093	13,260	20,189	22,503	21,478	264	235
DIFFERENCE		729		6,929		(1,025)		(29)
		Up 31%		Up 52%		Dwn 5%		Dwn 11%

Source: Gujarat Govt

Other state Castor sowing figures: Rajasthan 9k, Andhra Pradesh 9.5k, Telangana 13k

ALL INDIA KHARIF SOWING AS ON JULY 24,2020

Figures: In Million hectares

	Normal Area	2019-20	2020-21	% over 2019-20
Rice	39.970	18.770	22.020	17.33
Pulses	12.880	7.930	9.970	25.74
Coarse cereals	18.480	12.030	13.710	13.99
Oil Seeds	17.800	13.350	16.636	24.56
Groundnut	4.140	2.724	4.280	55.23
Soybean	11.030	9.710	11.440	17.86
Sesame	1.360	0.769	0.775	0.84
Castor	0.903	0.062	0.067	8.04
Sugarcane	4.846	5.102	5.154	1.02
Cotton	12.090	9.635	11.800	22.50

Source: Central Govt of India

Another issue during 2019 was the Locust attack on crops which had a small impact on the castor crops. Fortunately, since the acreage sown by farmers was much higher, we didn't see much effect on crop numbers. During June through early July, there were reports of the locusts' return in certain parts of Punjab and Haryana and, if a locust attack is seen during germination or on plants during vegetation stages, it would invariably affect the crop. Locusts are a new factor which was never seen in the past and hence, needs to be monitored.

In the past two months, Koreans have reduced and virtually stopped import of Castor Seed Meal due to restrictions imposed as a result of categorizing Castor Meal as *hazardous cargo*. About 45% recovery of meal stock is building up in India; this is going to put a pressure on oil prices.

While the World has still not recovered from Covid-19, the Geo-political border dispute between China and India further escalated during the 1st week of June. This made Chinese buyers rush to buy Castor Oil with a fear of trade embargo. This sudden buying led to an increase in the Castor Oil prices during the second half of June through early July, but this price surge lasted for less than 48 hours. Currently, the Chinese have mellowed down but on the India side, the situation still remains tense.

Castor Seed futures price has been trading bullish during June, due to supply tightness in the domestic market as farmers are holding stocks amid coronavirus fears and lockdown situations in the states of Gujarat and Rajasthan. Moreover, prices have also witnessed an upward trend in seasonal buying amidst domestic market players such as traders, stockists and investors in the months of June and July. Furthermore, the expectancy of higher exports amid easing worldwide lockdown has also ~~sentimentally~~ systemically driven the prices higher.

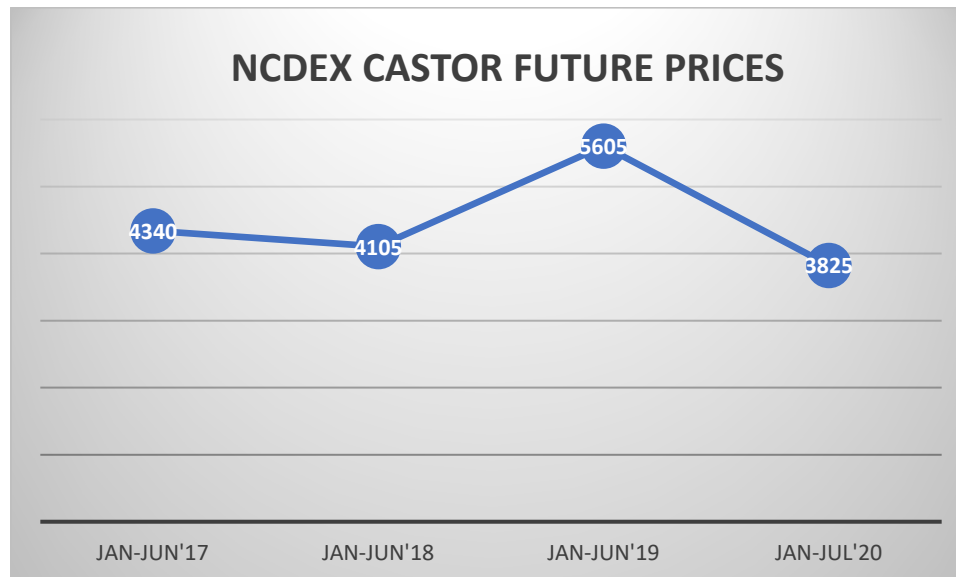
~~Fundamentally~~, for the coming months, one expects Castor seed futures to trade supportive as the current year (2020-21) sowing acreage is estimated to be lower compared to the previous year by about 15 to 20% in Gujarat and Rajasthan; Gujarat is especially more likely to witness sharp drop. These figures can change and go higher or lower if there is a long dry spell in groundnut sown regions wherein farmers can replace with castor.

INDIAN CASTOR OIL EXPORTS 1ST HALF OF THE YEAR COMPARISON CHART

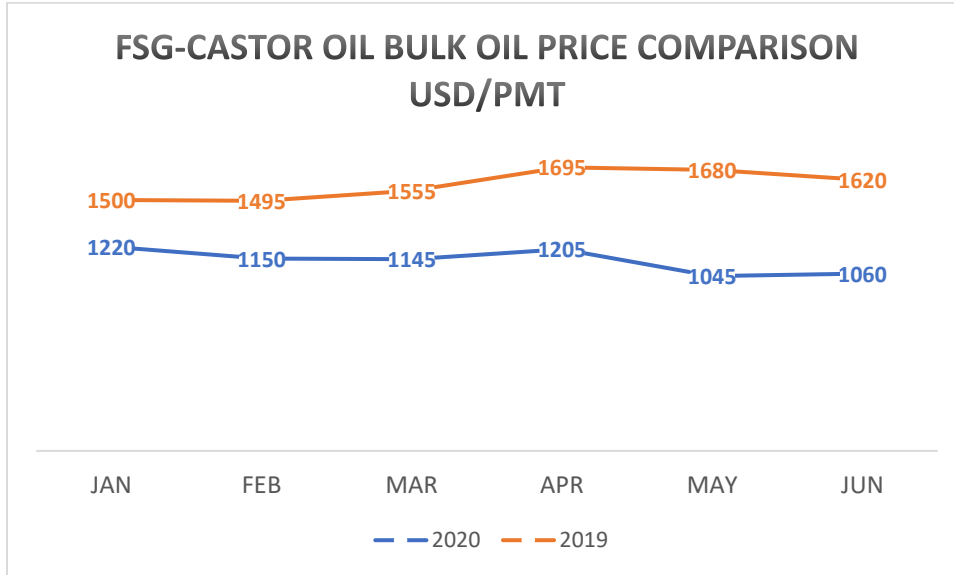
Month	Europe	USA	China	OTHERS	TOTAL
Jan-Jun'16	38,120	20,410	121,725	92,290	272,545
Jan-Jun'17	53,925	25,255	110,390	73,255	262,825
Jan-Jun'18	59,120	14,905	158,180	67,210	299,415
Jan-Jun'19	52,140	20,350	127,450	76,665	276,605
Jan-Jun'20	53,240	19,800	127,755	57,125	257,920
AVG Jan-Jun	51,309	20,144	129,100	73,309	273,862

Source: Geochem Lab

NCDEX CASTOR FUTURE AVG PRICES (Jan-Jun: 2017 to 2020)



FOB AVG KANDLA BULK OIL PRICE: 2020 vs 2019 (Jan-Jun)



FEW FACTORS TO WATCH OUT FOR IN THE COMING MONTHS

- Rainfall progress & distribution during July/Aug.
- Farmer's intentions of Castor Sowing especially in North Gujarat which is big belt of crop.
- Lower plantings likely to see change in sentiments which is likely to move higher prices.
- Castor prices likely to remain volatile until Sept by which planting pictures get clearer.
- Demand especially from China & Europe during Q3 July to Sept'20.
- Covid-19 cases worldwide while scientists around the world chasing for successful vaccine to eradicate this monstrous virus from world.
- Geo-political border dispute btw China & India - if escalates, it is likely to affect trade on both sides.

Take care, stay safe.

Warm Regards
Joseph Chettiar