

OVERVIEW OF THE CASTOR OIL INDUSTRY

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Dear Friends,

Namaste and Good Morning to everyone.

I heartily welcome Shri. Parshottambhai Rupala, Honourable Minister of State for Agriculture, Farmers Welfare and Panchayat Raj, Government of India, our Guests of Honor, Mr Thomas Mielke, Managing Director, ISTA Mielke GmbH, Germany, Shri Pranav Adani, Director ,M/s Adani Group.

and this eminent gathering -

For over a decade, this event has provided the Castor fraternity with the right platform to exchange information and knowledge on this vital product - castor oil.

Talking about the current Global Economic Scenario-

The year 2016 saw significant political events which were expected to strongly influence the economic environment. The Brexit and the election of Mr. Donald Trump were contrary to expectations of the pre-poll surveys and humbled many political pundits. There is a wide dispersion of possible outcomes given the uncertainty surrounding the policy stance of the new U.S. administration and its global ramifications. In our own backyard, our

Prime Minister Mr. Narendra Modi's out of the box step to demonetise high value Indian currency notes led to political and economic disruptions across the country including the major market yards for castor seeds being shut for nearly 3 weeks. These events were quickly absorbed and the markets rebounded to demonstrate resilience.

Commodity prices and inflation - Oil prices have increased in 2016, reflecting an agreement among major producers to trim supply. With strong infrastructure and real estate investment in China as well as expectations of fiscal easing in the United States, prices for base metals have also strengthened. Headline inflation rates have recovered in advanced economies in recent months with the bottoming out of commodity prices. Inflation ticked up in China as capacity cuts and higher commodity prices have pushed producer price inflation to positive territory after more than four years of deflation.

On the Castor Front - The demand from most of the world remained stable with a modest growth. However the demand from China, the largest consumer of castor oil consuming over a third of the world's consumption, remains volatile. After encouraging exports during the first 10 months of 2016, the demand from China slumped during the last two months of the year due to the Chinese authorities clamping down on all chemical manufacturers in order to control pollution. China remains an important factor in the growth for the demand for castor oil.

After a lapse of nearly 12 months, the new castor futures contract at NCDEX was reintroduced, albeit with modifications, reducing the member wise and client wise limits. With the change of guard from FOMC to a more powerful body, Securities and Exchange Board of India (SEBI), a well-regulated futures market can be expected. SEBI is a body enacted by

the parliament with all the necessary power to monitor, investigate, regulate and control the market to ensure a fair, transparent and a robust market. SEBI has already introduced a comprehensive risk management framework. With the small size of the crop as compared to most of the other agri-crops, there may be challenges which SEBI may face during the end of the season, especially if the supply is lower than the demand. I am sure that SEBI will be monitoring the positions on the exchange against the available crop. We can expect that SEBI being a dynamic, proactive regulatory body will not allow the trading to take the markets to heavily skewed positions or irrational price levels and thus protect the long term interest of all the participants.

From the lows of Rs. 31,000 pmt on for castor seeds prevailing at the time of NCDEX futures trading suspension on January 20, 2016, the market remained fairly stable on fundamentals, slowly inching towards a more respectable price of Rs. 38,000 pmt on during end-December 2016. Post relaunching of the NCDEX futures market on January 5, 2017 the prices have been fluctuating between Rs 38,000 to 42,000 on the NCDEX platform. The reaction of the farmers due to low prices in 2016 is visible from the government statistics showing that the sowing area has dropped by about 28%. It would be interesting to hear from Neilson on the expected crop and the estimates on the carry forward crop along with the demand and price outlook in the later sessions today.

During the current year, SEA has initiated a project to improve farm yields by demonstrating higher yields by using quality inputs and scientific farming techniques. The project was led by Mr. Haresh Vyas and ably supported by Dr. B. V. Mehta who paid several visits to the demonstration farms co-ordinating with agronomist and farms. These farmers have achieved encouraging results on yields which will be shared by Mr Vyas

later in the day. My own visits to private farms have shown that farms cultivated by progressive farmers under experienced agronomists have yielded upto 7500 to 8000 Kgs per hectare which is about 500% over the state average of approximately 1500 Kgs per hectare. With these results, I am sure that the industry will come together to support such projects to revolutionise the farm productivity of castor farms and change the landscape of the castor seed growing and consuming community.

We are living in a VUCA world - Volatile, Uncertain, Complex and Ambiguous. Castor oil industry exemplifies VUCA. We have seen all possible permutations and combinations - highest crop - highest prices, lowest crop - lowest prices, highest crop - lowest prices and lowest crop - highest prices.

Here I would like to quote Donald Rumsfeld, a statement he made as a United States Secretary of Defence:

"Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns - the ones we don't know we don't know. And if one looks throughout the history of our country and other free countries, it is the latter category that tend to be the difficult ones.

Although Castor Oil vindicates the fact of the VUCA world we exist in, it has a special significance for the Castor farmers, especially of Gujarat. Due to the sturdy nature of the crop and with a long shelf-life, it is an insurance crop for the farmers. It also allows farmers reduce the risk of crop failure on one hand with the option to time the sale of output on the

other. I am confident that if the industry sees a sufficient availability of crop at competitive prices vis-a-vis the competing products like crude and other vegetable oils, the industry will grow by leaps and bounds. I would like to leave a thought for my farmer friends - focus on productivity and not prices alone. Further a reactive approach to prices may not be in their own interest as we have seen in case of pulses in the current year. This year the farmers have responded admirably to the shortage of pulses in the previous year. However, high concentration of pulses farming has improved availability but has resulted in the price of pulses below the Minimum Support Price (MSP). A balanced portfolio approach needs to be adopted by farmers and castor in this portfolio can play the most stabilizing role.

The sustained growth of the industry is dependent on the delicate balance i.e. reasonable and remunerative price for the farmers on one hand, and affordable and stable price for the industry on the other. Let me once again assure all my dear farmers - we should double the crop with good productivity at reasonable prices and we all can have a much larger market at competitive prices for this wonderful crop. I firmly believe in my presentation of the Vision Document 2025 of SEA - Potential for the crop in India is 2.9 million tonnes (1.3 million tonnes of Castor Oil) and I am confident that this can be achieved with a positive and a constructive approach by all the stake holders.

Further, I once again appeal to the Government of Gujarat to assist us in claiming VAT refund as the industry is faced with immense difficulties. The process of refund is lengthy and time consuming. Substantial amount is blocked leading to financial strain on the exporters. GST is now a reality

and on the verge of implementation. I thus request the Gujarat Government to take pro-active steps and simplify and/or substitute 'VAT Refund' to 'VAT Exemption' for the exporting community. During the transition from VAT to GST...,.. due care must be taken to ensure that all VAT refunds are done in a timely manner. I am confident that such a policy will benefit in strengthening the industry and promoting exports - i.e. to say "Ease of Doing Business".

Today at the 15th Global Castor Conference, we have many eminent speakers on the dais to share their views, experience and knowledge.

Our program for the day has already been circulated to all the delegates which I am sure will benefit everyone.

We will hear more about the current years' crop estimation by Neilson in the afternoon session. As in the past, we will follow the Government acreage number and Neilson's estimation for the yields for arriving at the crop number.

I would like to appreciate Dr. B. V. Mehta's efforts since the inception of this event.

I am sure today's Conference, with its presentations and thought provoking discussions, will enrich and benefit this gathering to make this Castor world wiser.

Thank you for your patient hearing.