

THE INTERNATIONAL CASTOR OIL ASSOCIATION

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President’s Message – to the Membership

We are rapidly approaching the month of May, where I sincerely hope to have the chance to see as many members as possible present at the I.C.O.A.’s general membership meeting taking place at the Catamaran Resort Hotel in San Diego. It will – yet again – be the place to be to enjoy pleasant interaction with fellow members, practice networking and participate in undoubtedly interesting discussions about developments in our industry. Don’t let the hassle of getting a visa for the U.S. withhold you from being there. For your convenience, the dates are: 16 though 18 May 2006.

Recently I was invited in my capacity as the current President of the ICOA to speak in Rajkot at the 4th Seminar on Castor seed, Castor oil & its value added products, organized by the Solvent Extractors Association of India.

Being the fourth meeting of this Association and with attendance growing at each one, there appears to be a place in the world of castor for an event like this. Even so, I took the opportunity to invite the members and non-members of this Association who were present at the seminar to join with the ICOA to advance the cause of Castor oil, as well as to attend the upcoming and future ICOA general membership meetings.

I touched on several topics during my two speeches which I hope will generate greater discussions in San Diego.

The first topic concerned India’s domination as a supplier in recent years. It is to their credit that in the last 20 years they have taken over from Brazil the role as the leading supplier of castor to the world market. The very strides that India has made during this time – an enhanced effort to develop better seeding seeds and an enhanced irrigation system to allow farmers to be less dependent upon rains – are two of the main reasons Brazil has struggled to regain its crop during this same time. Other reasons inhibiting Brazil were inadequate rains and lack of financing.

The ICOA considers it to be in the interest of all genuine participants in the castor community to find ways to help lessen the burden on India, to reduce or eliminate wild fluctuations in price and to secure the supply of Castor oil to the world market.

India holds an important piece of the jigsaw puzzle that could lead to a breakthrough in achieving the above stated goals. A regular exchange of ideas and knowledge could be very helpful in advancing castor crops across the globe and providing reason and opportunities to persuade consumers to develop new applications for the oil and its derivatives.

Biodiesel was the second topic and is a hot subject around the world today (see Gerald Schwetlik’s article in this newsletter). While it is doubtful that Castor is a large enough worldwide crop to be considered for this usage, it is being tried in Brazil on a smaller scale. The effort in Brazil is also benefiting castor in general as government incentives to small farmers in arid and remote areas could lead to an increased crop in Brazil, even without its eventual use in biodiesel.

While the solvent extractors seminar could be a good forum to make the first steps towards achieving this goal, discussions should continue at all future venues involving castor - including ICOA meetings. I once again encourage and look forward to seeing all members in San Diego in May. Please make sure you bring ideas for discussions of these topics and others that were raised at the Cape Town meeting in order to reap the full benefit of attending the San Diego general membership meeting.

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MAY 16-18, 2006

I.C.O.A.

Gen'l Membership Meeting

Catamaran Resort Hotel

SAN DIEGO, CA

SHIPMENTS OF CASTOR OIL BY SEA- THE FACTS OF LIFE AFTER JAN 1, 2007

As there have been many rumors floating around regarding the new regulations coming into force, we would like to try to get you the facts while giving a brief history of how they were developed.

The shipment of bulk liquids by sea are regulated by the IMO (International Maritime Organization) in London, which is a division of the United Nations. Presently the carriage of bulk liquid products (other than oil) are governed under the Marpol (Marine Pollution) Annex II rules established in 1973 and adjusted in 1978.

In view of the many new products (especially chemicals) as well as better analyzing methods, the IMO decided a few years ago to overhaul the classification of all products that are carried under these rules. Needless to say, this was quite an undertaking, especially bearing in mind that they had to go through 3 internal divisions of the IMO just to get to the stage where changes could be turned into new regulations.

The results that came out of the re-evaluation were quite surprising for a number of chemicals but especially for the veg oils. (IMO had previously classified ALL veg oils including castor oil and tallow/grease in the group "veg oil".)

After extensive testing it was decided that "veg oils" are hazardous in the sense of "pollution hazards" and were moved from Chapter 18 of the IBC code (under which they are carried now) to Chapter 17 and classed "P" for pollution. The new classification was adopted by the Marine Safety Commission of the United Nations in their annual meeting in December 2004 and, as such, was "carved in stone", no exceptions granted, no extension of the 2007 deadline. PERIOD!

While veg oils were under chapter 18, there were no specific requirements for the vessels carrying them. It is quite different under Chapter 17. Eliminating all the technical terminology, following are the facts of life we will be face after Jan 1, 2007:

- A) ALL "veg oils" will have to be carried in vessels that have a double bottom AND a double hull.
- B) Ships that comply with the double/double ALSO need to have a certificate of Fitness (COF) on board that expressly states the vessel is authorized by the flag administration to carry vegetable oils.

Point B is of the utmost importance as there are many vessels around that comply with the double/double rule, but do not have a COF for veg oils. These vessels are the so called "Product Carriers" which trade mainly in the clean petroleum products (CPP) trade and up to now have been able to "switch from the CPP trade to the Veg oil trade depending on economics".

In order for the Product Carriers to obtain a COF for the carriage of veg oils, these vessels have to have a specially trained crew, special firefighting equipment and other technical details, as well as an "NLS" (noxious liquid substances) classification certificate.

Most of the vessels that already comply with the new rules are chemical carriers. However, in order to avoid a shortage of tonnage, especially for Soybean and Palm oils that generally move in big lots of 30-40,000 metric tons, the IMO has created the rule under "B" which should give the industry sufficient tonnage to move their products uninterrupted.

For the most part, the vessels used in the transport of castor oil are Chemical Tankers. This is mainly because the volumes are part cargos and suit the trade patterns of chemical tank owners. In this regard, the concern about vessel compliances will be alleviated. What remains to be seen though, is the concern about vessel availability if not enough Product Carriers convert to comply with the "B" rule. These new regulations then may adversely affect the available tonnage supply and cause a potential space shortage and upward rate correction.

As long as the CPP market remains as robust as it is right now, there is little or no incentive for owners of Product Carriers to go through the motion and expense of obtaining the COF and NLS certificates and an upwards pressure on freight rates in general is expected.

Last but not least, shipments made before December 31st, 2006 but are discharged in 2007 would be exempt from the new regulations.

Sound Tankers sent an addendum to their article – We were just informed that IPTA (International Parcel Tanker Association) has requested the IMO to accept a shipping document for use on board the vessels for the purpose of complying with the Marpol rules allowing shippers to use the generic name of the product instead of the name as per the IBC code. Presently, Castor oil is in Chapter 17 as "Castor Oil" (containing less than 2% free fatty acids). If the proposal is accepted, charterers will be allowed to describe their cargo in the bill of lading as just Castor oil.

CASTOR OIL – THE WONDERFUL VERSATILE INDUSTRIAL OIL

I have been involved with the Castor oil industry in India since 1952 and have witnessed much progress and development during this time.

50 years ago export of Castor seeds from India by multinationals, mainly to England, used to be taken as a base for allowing the exports of Castor oil. At that time exports of Castor oil were quite limited – therefore, a system of quota and control was prevailing. Crushing of Castor seeds was also in a primitive stage by a small number of small crushers, and it was not very regular but depended upon demand and price parity in crushing.

Castor seed crops in India were hardly 100-125,000 tons until 1965. Brazil, therefore, remained the major castor seed growing, crushing and oil supplying country. It remained in the limelight until 1982-83.

Even so, around 30-35,000 tons of oil were exported from India in small drum lots and ships tanks to the UK and later to Eastern European countries. Having a bilateral agreement with socialist countries, India preferred shipping to the USSR and other allied countries. Between 1971-1983, exports of Castor oil from India were canalized through the STC (government controlled State Trading Company) to the USSR .

However, during this same time, real development in castor seed growing came through introduction of farming with hybrid Castor seeds starting first in the state of Andhra Pradesh and later in the state of Gujarat. From 1974-75 Castor seed crops steadily improved from 175,000 tons to 275,000 tons until around 1988-92 when the crop exploded.

From 1983 onwards, weather turned against the Brazilian castor crop and the Brazilian government began to give priority to Soybean growing. Coinciding with India's increase in their Castor crop, the Brazilian castor seed crop continued to decline and India's crop increased every year until it reached 700-800,000 tons.

Brazil never regained the lead as worldwide supplier and in fact, at times has been a net importer from India. China's the third growing country and also saw a consistent decline in their crops and has been buying oil in India.

India has now established itself as the largest supplier of Castor oil and Castor derivatives to the international market. In 1996, improved and increased crushing facilities also allowed India to begin manufacturing other Castor derivatives such as Blown Castor oil, Turkey red oil, C7 and C11 acids by pyrolysis, Hydrogenated Castor oil, 12Hydroxystearic Acid, Dehydrated Ccastor oil, Fatty Acids and others.

My background of Science graduation proved very useful to take up the development of different derivatives and I am happy, after tremendous hard work and good luck, to be able to see the successful results. I remember the "old days" taking advice from stalwarts in technology and business which helped us make the progress and development of the Castor oil industry, and I express my sincere thanks to all of them.

Technically Castor oil has proven to be of great industrial importance with tremendous potentiality of developing new chemicals, even substituting petroleum products.

Thus, in India, we seek sincere cooperation and assistance from our overseas associates and friends in our efforts to strengthen the Castor oil industry universally. We assure our whole hearted cooperation and services in our joint efforts to uplift and upgrade the Castor oil industry

BIODIESEL – ARE THERE INFLUENCES IN THE CASTOR OIL MARKET?

German biodiesel production capacities doubled during the last three years and are at 2mm tons right now. Until the end of 2007, further capacity is expected to increase to 3mm in Germany and 5.4 mm tons in Europe as a whole. The high mineral oil prices, in conjunction with tax benefits, fueled this dynamic growth. As a consequence, the world wide canola market has become unbalanced. Crushers are enjoying high oil prices just like mineral oil companies but are also getting tax reliefs for the biodiesel. For the farmers, however, the “gold rush” has yet to come.

Shortages of Rapeseed in the EU are on the horizon which will influence Europe’s demand for edible oils in general. Moreover, there is a growing trend into bio-diesels worldwide, including the United States, where President Bush signed the Energy Policy Act in August 2005. All major players in the North American vegetable oil market have already announced investments related to the sector.

What are the ramifications for the world wide supply of vegetable oils?

It will be a challenge in the coming years to satisfy the growing needs for edible/biodiesel oils, there is no doubt. Global demand for edible oils is estimated to be at 144mm tons for 2006 of which approx 7mm will go to the energy sector. Nevertheless, limiting factors are foremost the restricted availability of farmland, the low prices farmers are still receiving for fuel related crops and the competition with grains (wheat, corn, barley, etc) for the food industry.

Will all of this influence the Castor oil market?

Castor today does not have the critical mass (1.4mm tons 2005/6 compared to Canola with 45mm tons) to play a role and furthermore, it is by far more expensive than major players like Soy, Palm and Canola.

Another source for bio fuel of course is sugar which is transformed into ethanol. This is another very low price crop of huge size to which Castor oil cannot be competitive on a big scale. The Brazilian government programme to support poor farmers by subsidizing their Castor crops for the transformation into biodiesel appears to be more like a drop in the ocean.

To play a noticeable role in the energy sector (total mineral oil use 2005/6 4242mm tons), the edible oil world wide availability has to increase exponentially. Still, should one day Biodiesel from edible oils reach large proportions, a fight between the food industry and the energy sector seems avoidable. When supplies dwindle, we may see that edible oils are being used as fuel rather than feeding the hungry Third World.

SAN DIEGO – GATEWAY TO SOUTHERN CALIFORNIA

San Diego is the 2nd largest city in California and 11th largest in the US. It is one of the prettiest and most enjoyable cities to visit.

The city has a delightful climate year round, miles of beaches and many historic attractions. It is a cultural, educational and medical center and there is a large naval installation in the bay. The city itself is set around a gracefully curving bay. One of the city's main attractions is that it is relatively free of smog.

As the site of the next ICOA general membership meeting, we will have the opportunity to experience the best the city has to offer. The excursion day will take in several of the high points of the city with a city tour of the historic buildings including the Coronado Hotel as well as a harbor cruise.

San Diego shows off all of its history in everything it does – from a Mexican flavor in Old Town to a Polynesian touch at the hotel. We will be looking to incorporate as much of it as possible in all the activities that are planned in order to make the meeting as enjoyable as possible.

If you haven't already viewed the Catamaran resort Hotel website (www.catamaranresort.com) to stir your senses for what to expect, feel free to do so now. If you have misplaced the registration form Donna McGeehan sent or did not receive one, it is available on the ICOA website.

Set your calendar. Mark your dates. Get your reservations in early. See you there.



Figure 1 - Catamaran Resort Hotel

General membership meeting 2006 – Schedule of events

Tuesday, May 16, 2006 -

Board of Directors meeting at 10AM – Board members only
Welcome reception – 6PM-9PM – All attendees invited

Wednesday, May 17, 2006 –

Full day bus/boat tour San Diego and harbor
Lunch included

Thursday, May 18, 2006 –

General membership meeting – 9:30AM – ICOA members only
Luncheon – 1PM – all paid attendees invited
Afternoon program – 2:30PM – paid attendees invited
Incoming BOD meeting following – new Directors only

Thursday Evening Gala –

Beachside Luau including Polynesian dancers & Musicians – 6PM
All paid attendees invited