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Summary

Soybean noticed slight negative trade as the good crop prospects continued to weigh on the market sentiments. NCDEX soybean however has firmed up taking cues from international market. CBOT Soybean gained after plunging to 10 years low on the account of falling crop ratings and improved prospects of exports from Non-China countries. With the forecast of drier spell in the coming week the crop ratings is expected to underpin the market sentiments and the weekly export sales and net sales data setting the tone for the trade in the last week. USDA has been conservative in taking the yield numbers and thus investors will be guessing over the coming WASDE yield number in coming weeks with the weather remaining the pivot point for price action.

In the domestic market, all eyes will be on the crop progress as the sowing reports has indicated good strides against last year and is at normal pace thus indicting an acreages at 112 lakh hectares or more. With the standing crop entering into flowering stage from the first week of August soil and air moisture will be crucial in terms of pod setting. Further during pod setting too the continuous drier spell can result in pod shedding and thus yields can be compromises. As there is a drier period forecasted in the key soybean growing regions the impact of the same as well as pest attacks will remain under the scanner in estimating the production number.

CBOT Soy meal restricted its weakness till \$324 per short ton but also could not able to find support from soybean also indicative of meal following its higher exports demand and domestic demand. This has allowed the International meal to quote at higher rates and thus limiting the scope of Indian meal to fall aggressively to find the parity of exports. Current season exports market is underpinned by the demand from EU and satellite nations as the SE Asian nations have been away from Indian markets. It will be interesting to see SE Asian buyer's preference in buying soymeal in between South America and US.

Rapeseed prices is underpinned by the stocks held by NAFED which has created stock squeeze for the time being but also traders are waiting for the tenders issued by the same to release the stocks in to the markets. If prices inch further up the NAFED will start planning for offloading the stock. Thus any aggressive gain is restricted and after a month market should be closing towards the formation of seasonal top.

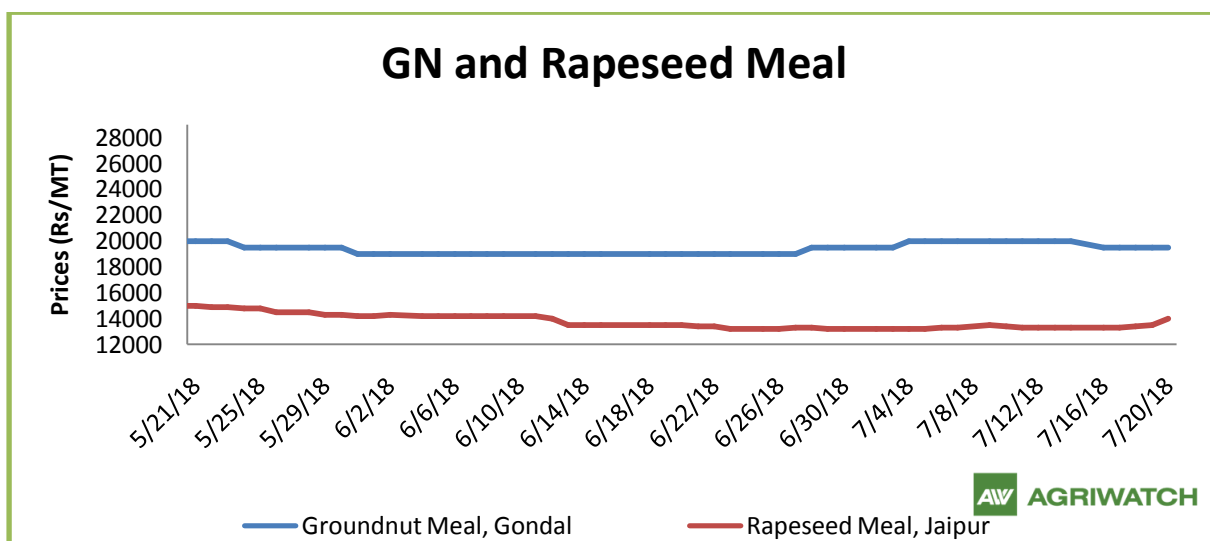
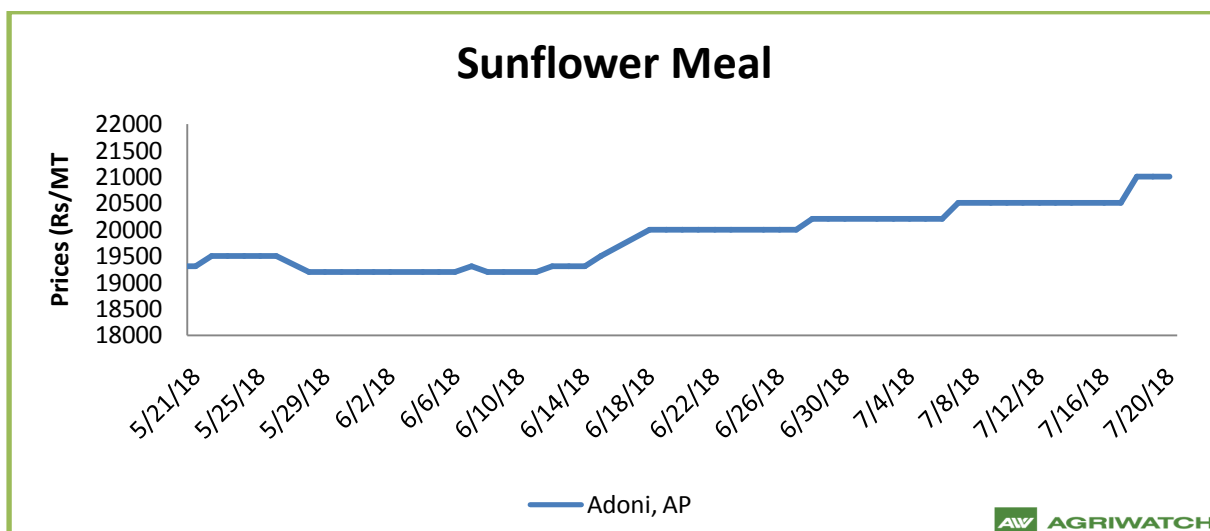
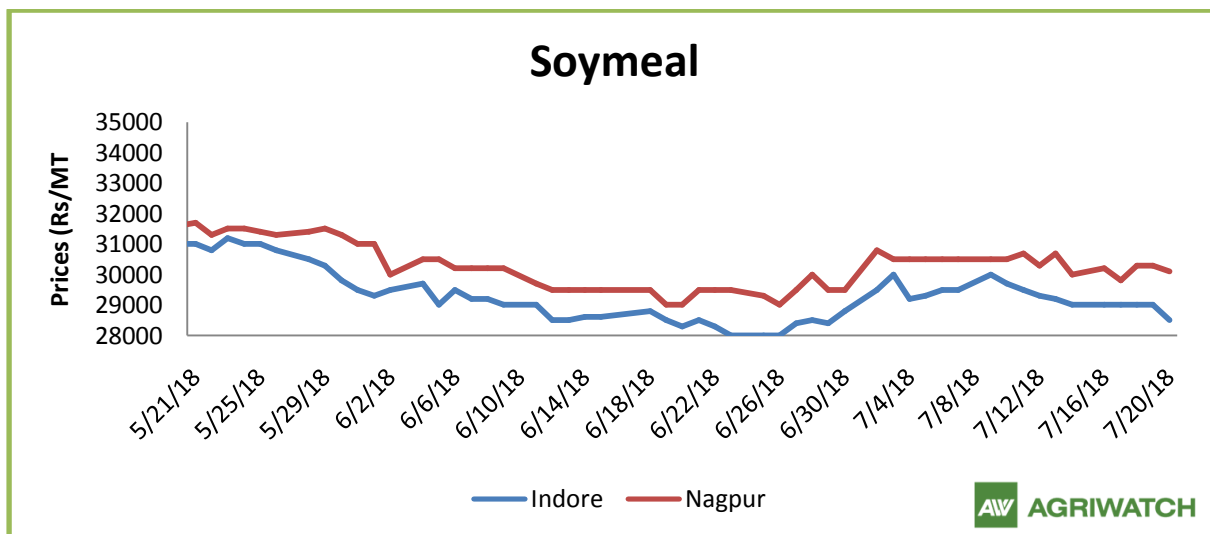
Overall maize cash markets traded steady to firm during the week as traders and farmers are not releasing their stock into the market. In Bihar too, maize prices increased in last two weeks as traders of Bihar not released their stock in high quantity on the expectation of further hike. Besides, Tamilnadu feed makers' demand also support to Bihar maize prices. As per trade source, maize moved towards Tamilnadu at Rs. 1475-1480 per quintal, sourced from Bihar.

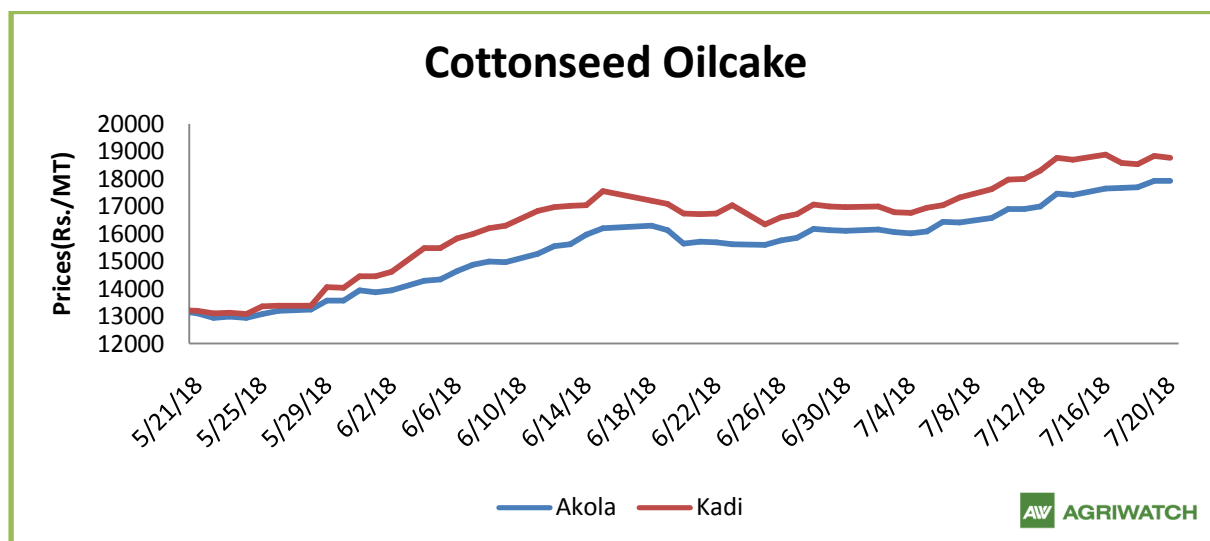
In A.P and Nizamabad, maize is likely to trade steady to range bound despite crop arrival pressure decreasing. Government decision to increase minimum support price by Rs. 275 per quintal to Rs. 1,700 per quintal may be supporting factor in the near term.

In Ahmadabad region of Gujarat, poultry feed makers quoted maize firm by 2.86% to Rs. 1438 per quintal (weekly average price). While, starch feed makers quoted it firm by 1.58% to Rs. 1418 per quintal compared to last week average price.

All India weekly average prices decreased by 0.66 percent to Rs. 1898.00 per quintal during the week ended 23rd July 2018. Wheat average price were ruling at Rs 1910.64 per quintal during 09-15 July 2018. As compared to prices in the week 16-23 July 2017, the prices are weak by 0.02 percent. Prices are expected to remain firm in coming days due to increase in import duty and good domestic demand.

Trend – Raw Material, Feed





Source: AgriWatch

Soybean

As CME prices has corrected to their fundamentals and NCDEX reaching their levels based on their own fundamentals (Not so bearish though) under the influence of CME, upcoming prices action in international market may find Indian complex to find recoupling and thus Indian investors again look for international market for cues.

Under the influence of US soybean market Indian bean is losing steam although it has decoupled with the international market. With 0100n00000000000000045

dian soybean crop prospects getting brighter on forecast of extensive rains production of 90-100 lakh tons is on 12121cards and in order to dispose the surplus stocks Indian bean/meal prices has to find parity with international prices to do so.

Thus even the stock of soybean is being very tight lack of support from International market is expected to keep the upside potential to be capped at 3700-3800. Meal prices too are not expected to breach 32000 per ton and thus limiting gains in the overall meal complex.

According to the U.S. Agriculture Department, U.S. soybean export sales totaled 865,700 tonnes in the latest reporting week, in line with analysts' expectations for 300,000 to 1 million tonnes,

Egypt, Pakistan, and Mexico have all been bargain hunting as bean prices have collapsed following China's withdrawal from the US market. Egypt has imported 2.1 MMT of US soybeans in this marketing year so far, compared to only 783,000 MT, Pakistan has imported 1.4 MMT high by 113% till this time and Mexico has imported 1 MMT, high by 180% till this time last year.

The USDA reported 613,400 MT of new crop soybeans net sales, with, Argentina, Mexico, and Pakistan top buyers which were a 126% increase week on week.

Argentina, bought U.S. soybeans in the latest reporting week. Traders said the deal was the result of a severe drought that reduced Argentina's harvest this year.

The US weather forecast is stating the drier period in Missouri. Locally heavy rain fell in the upper Midwest. Above normal temperature has been forecasted for the upper mid-west.

There have been problems in terms of farmers selling in Brazil after the government raised the truck freight rate by 150% as floor price which has sharply declined the farmer's margin. Farmers have left their soybean piled up in silos. The traders who buy from producers and export the crop discount freight costs from prices paid to growers. As the farmers are not willing to sell at such prices, traders are exporting from stockpiled supplies. Thus the middleman is reaping the lion's share of the wealth as domestic soybean premiums surge on robust Chinese demand although the premiums and exchange rates are favoring a rise in farmer's income.

Further, higher truck freight rates have resulted in input costs rising by 20% according to IMEA. Farmers may apply less fertilizers and thus can have an impact in terms of yield. Thus farmers will go for soybean planting with uncertainties on the margins they will get and especially if US-China trade spat fades away quickly.

China continues to offload its temporary soybean reserve and on 18th July 28.29% of it has been sold in the market. China also has not bought new contracts as of now but has to step in Sep-Oct as there will be a gestation period for the adjustments in new trade matrix.

In Uruguay the acreages are falling y-o-y as farmers stopped planting on unproductive land and the acreages has fallen to 12 million hectares from 1.5 million hectares. The production this year has been just 1.3 million tons against 3.9 million tons last year due to drought.

Pakistan has booked 199,500 metric tons of soybean for the delivery in 2018-19 marketing year. As the prices have plunged to historic low the Asian buyers are in a hurry to book volumes from US rather than South American countries. India might feel the pinch as Bangladesh which as of now has been steadily importing Indian soy meal might book heavy amount of soybean from US.

As the US soybean prices have declined US soy is looking more competitive over Brazil even after adjusting the new duty at Chinese ports. Other importing nations are already tempted to buy more beans in forwards. Current prices have increased the hopes of more exports and most of the importing nations other than China are going to flock to buy more of US soybean over its South American counterparts.

The Chinese demand is not going to fall as the soybean meal and soy based food demand is increasing albeit there may be substitution in the feed sector from DDGS, and other oilseed meal. It will be interesting to see the extent of filling the gap created by China in US by other countries in new adjustments in terms of trade flow.

For US, current fall in prices is the adjustments that have to happen in the prices due to stronger dollar and ballooned up stocks which were eventually triggered by the US-China trade spat. US bean never been so bullish with its own fundamentals and was been driven by the Argentinean bad crop.

Safras& Mercado expects 2018/19 Brazilian acreage for soybeans to jump 2.3% from last year, to ~88.958 million acres (36 Million hectares). With this Brazil production would reach 119.78 million tons in 2018-19 up by .3%.

In the first six months of the year, Brazil exported 35.9 million tonnes of soybeans to China, according to government data, 1.8 million tonnes more than in the same period last year, suggesting demand from the world's top buyer of the oilseeds remained strong.

Chinese imports of soybeans during June totaled 8.7 MMT according to customs data, down 10.1% from May. Port congestion has been an issue, with vessels seeing extended wait times to unload.

USDA has been more conservative in taking the yield numbers and has kept the yields at 48.5 bushels per acre. As the crop progress is indicating the soybean crop to be in very good situation there are fair chances that it may hit another record yield numbers or at least close to 2015-16 yield numbers. Thus in coming WASDE report/reports more surprises is expected to come from yield number adjustments.

Argentina may delay implementing elements of a tax reform passed last year to meet its fiscal deficit goals as part of a deal with the International Monetary Fund (IMF). Thus this may lead to withdrawing of the phase wise lowering of export duty on soybean with .5% lowering every month promised in the election by President Mauricio Macri.

Soy meal

In terms of spread correction for Indian meal as compared to International meal, the international meal has been less bearish as compared to its bean counterpart. Thus in order to gain parity for exports in international market Indian meal has not to fall sharply to find exports market.

Argentinean meal FOB basis as on 17th July was high by \$15 per short ton over CME for August delivery. For OND which is crucial for Indian meal exports was offered at \$24 above CME prices. Thus at current prices of Oct contract the soymeal offered for OND months stands at \$396 whereas Indian meal is offered at \$446 thus a \$20-30 dollars will be sufficient enough to gain parity against Argentinean meal for exports.

However the major concern for Indian is the capacity by which US can eat India's soymeal exports market since it is offered at discount over South American part and India might not offer at competitive price against US soymeal.

Much will depend on how much exportable surplus India is going to produce and so far the scenario is looking rosy for y-o-y higher production numbers. A 100 lakh tons production is also on cards with weather will be on the way for the ride till harvest.

The government raised incentives on agricultural commodities by three per cent under Merchandise Export from Indian Scheme (MEIS) from seven per cent to 10 per cent including soymeal apart from bringing in a number of other commodities under the MEIS net. The Directorate General of Foreign Trade (DGFT) notified it in a circular released on this Friday.

SEA is requesting to raise the incentive from 5% to 10 per cent on all oil meals (Only Soymeal is enjoying 7% incentive) and that (the MEIS) benefit be extended to groundnut meal.

Rapeseed - Mustard Seed

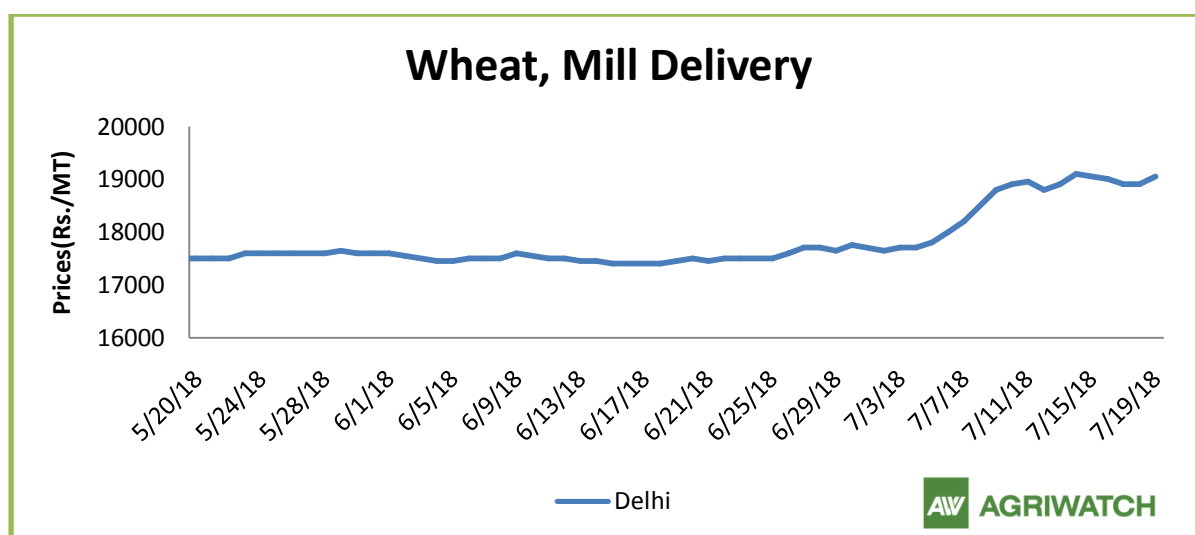
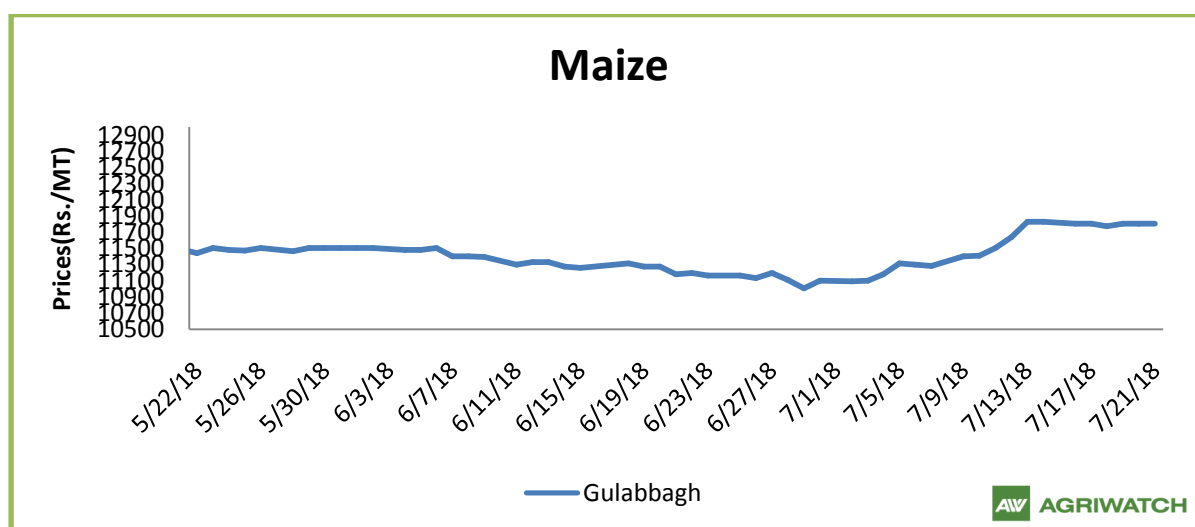
The all India weekly seed supplies were reported 8.75 lakh bags as compared to 9.15 lakh bags in the previous week. The supplies were 5.9 lakh bags in the same time frame last year.

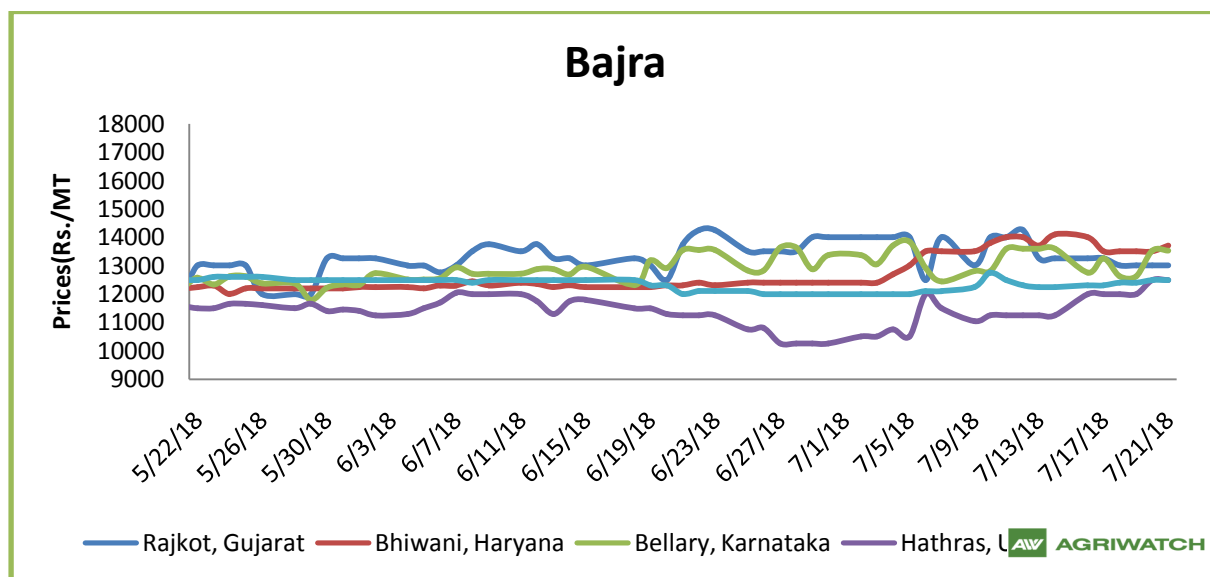
The spot prices has gained w-o-w over the strong crush demand and at the end of week mustard closed at 4385 per quintal as against INR 4255 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Aug contract ended higher at 4100/Qtl compared to 4222/Qtl previous week.

As NAFED has holding good stocks in there ware house there is an immediate tapering of the stocks as compared to last year. NAFED for the time being is mulling over offloading the groundnut stocks and thus release of stocks from NAFED is not expected to happen in coming weeks.

On the other hand the robust millers demand continues to eat away the mustard stocks from the market and thus fundamentals are indicating the prices should inch towards 4300 and above levels. Interesting to observe is the reaction into the soybean and whether mustard is going to drive bean prices or not.





Source: Agriwatch (Prices: Maize-Industrial/Feed Grade. Wheat-Mill Delivery: Narela Market, Delhi)

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In India, maize has been sown in around 61.32 lakh hectares as of 20th July 2018 which is lower than 61.35 lakh hectare covered during corresponding period last year. In Karnataka, it has been sown in 9.06 lakh hectare which is higher than 6.60 lakh hectare covered during corresponding period last year. In M.P, it has been sown in 11.97 lakh hectares which is higher than 11.61 lakh hectares during corresponding period last year. As per trade sources, farmers in Karnataka are not likely to shift from maize despite low price realisation, due to labour shortage as maize crop is less labour intensive. In south Karnataka; sowing of maize is almost completed. In Haveri and Bagalkot region, maize area is likely to increase around 10%-15%. In Karnataka, mainly Cotton, Groundnut, Sunflower, Urad and Chana crops are expected to shift towards maize. While, in Telangana, around 10% maize sown area is likely to shift towards soybean. In Andhra Pradesh, maize sowing as of 18th July 2018 reported 0.45 lakh hectares which is higher than 0.39 lakh hectares during corresponding period last year.

In Nizamabad, poultry feed makers are buying maize at Rs. 1330-1350 per quintal while starch feed makers are buying at Rs. 1275-1280 per quintal. Maize is moving towards Hyderabad at Rs. 1400 per quintal; sourced from Nizamabad. As per trade sources, stock of maize could be around 4 lakh bags (1 bag=50 kg.) which is more or less same during corresponding period last year.

In Davangere, maize is likely to trade steady in the near term. As per trade sources, stock of maize could be around 5 lakh quintal which was 3 lakh quintal during corresponding period last year.

As per USDA, U.S corn exports reached 47.86 MMT in the 2017-18 marketing year. At 1.29 MMT (for the period 6th July- 12th July, 2018) US corn exports were down 7 percent from the previous week and 16 percent from the previous 4-week average. The destinations were primarily to Mexico (335,700 MT), Japan (211,400 MT), South Korea (129,800 MT), Peru (77,600 MT), and Saudi Arabia (76,300 MT).

In U.S, Corn silking is at 63% as of 15th July, 2018, which is higher by 26% compared to corresponding period last year and from the last 5 year average period. 72% of corn is in good to excellent condition, lower by 3% compared to last week but higher by 8% compared to corresponding period last year.

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As per trade sources, import quotes for wheat from various origins to Tuticorin port, witnessed firm tone in the week. As of now Tuticorin port price for ASW is Rs 2245-2255 per quintal and Ukrainian wheat is Rs 2040-2050 per quintal. Wheat supplies are likely to tighten this year. Stock of imported wheat has declined in past months as no quantity has been imported since February 2018 from Australia or Ukraine.

As per trade source, India has exported around 2.17 thousand tonnes in the month of June compared to 2.31 thousand tonnes in May. The quantity in June was exported at an average FOB of \$ 432.95 per tonne and the major destinations were Nepal, UAE, Malaysia, Kuwait and Singapore. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

Wheat WPI has increased slightly from 141.7 in May-2018 to 143.1 in June-2018. Monthly wheat inflation has increased by 0.99 percent in June -2018 compared to previous month. As compared to June-2017 wheat WPI has increased by around 5.14 percent. Wheat WPI is expected to stay steady to slightly firm in coming months.

Government has offered 1652800 tonnes of wheat in OMSS during third week of July-2018 out of which only 74150 tonnes was sold. Total numbers of rakes offered were 74. No wheat was sold under dedicated movement or through rakes. Furthermore, Government will sell wheat in open market at a reserve price of Rs 1900 per quintal in the second quarter i.e. July-September. For third and fourth quarter prices will be Rs 1925 per quintal and Rs 1950 per quintal respectively.

As per trade sources, after increase in import duty to 30 percent imports have decreased substantially. India has imported no wheat in the month of June-2018. Imports are expected to be low this year due to good domestic availability and increase in import duty. India has imported around 31000 tonnes in the month of February-2018. Production in exporting countries like Australia and Russia is likely to stay at lower side, which is likely to keep their export prices at higher side. Therefore, demand for wheat will be, to a large extent, dependent on domestically available wheat.

Indian FoB quote is hovering around \$298.54 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$191.70, \$192.10, Euro 190.50, \$211.78 and \$220.80 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 1.0 million tonnes in MY 2018-19.

Global wheat market is expected to trade steady to slightly firm due to lower production forecast and unfavorable weather conditions in major producing regions. EU is likely to produce around 147.3 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 70.90 MMT and 26.2 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 48.20 MMT compared to last year's 47.40 MMT. Australia is likely to produce 23.50 MMT in 2018-19 compared to 21.20 MMT in 2017-18. Argentina is expecting to harvest around 19.0 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 31.20 MMT in 2018-19 compared to 30.0 MMT in 2017-18.

Outlook: Feed prices are expected to trade steady as overall feed ingredients prices traded mixed during last week.

Annexure

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	20-Jul-18	13-Jul-18	Parity To
Indore (MP)	28500	29200	Gujarat, MP
Kota	29200	29200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	31300	30800	Mumbai, Maharashtra
Nagpur (42/46)	30100	30700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30800	31700	Andhra, AP, Kar ,TN
Latur	31000	30500	-
Sangli	32000	32200	Local and South
Sholapur	32000	32300	Local and South
Akola	29000	30000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	31500	32000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	29000	29000	-

Soy DOC at Port

Centers	Port Price	
	19-Jul-18	12-Jul-18
Kandla (FOR) (INR/MT)	30800	31000
Kandla (FAS) (USD/MT)	447	450

International Soy DOC			
Argentina FOB USD/MT	19-Jul-18	12-Jul-18	Change
Soybean Pellets	376	380	-4
Soybean Cake Flour	376	380	-4
Soya Meal	Unq	Unq	-
Soy Expellers	Unq	Unq	-
Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	20-Jul-18	13-Jul-18	Change
Adoni	21000	20500	500
Khamgaon	Unq	Unq	-
Parli	Unq	Unq	-
Latur	Unq	Unq	-

Groundnut Meal (Rs/MT)	20-Jul-18	13-Jul-18	Change
Basis 45%, Saurashtra	20500	20200	300
Basis 40%, Saurashtra	18000	18500	-500
GN Cake, Gondal	19500	20000	-500

Mustard DOC/Meal	20-Jul-18	13-Jul-18	Change
Jaipur (Plant delivery)	14000	13300	700
Kandla (FOR Rs/MT)	14500	13500	1000
Sri Ganganagar	1770	1730	40

Maize Spot Market Prices (Rs. /Quintal)

Market	Grade	19-Jul-18	12-Jul-18	19-Jun-18	19-Jul-17	19-Jul-16
Delhi	Hybrid(U.P)	1300	1260	1300	1325	1560
Davangere	Loose	1300	1300	1250	1800	1700
Nizamabad	Bilty	1330	1330	1350	1625	Closed
Ahmadabad	Feed	1430	1400	1380	1450	1740
	Starch	1420	1410	1370	1400	1725

FOB, C&F – Maize at Various Destinations (USD/ton)

	Argentina	Brazil	US	India
FOB	167.42	170.80	164.30	228.43
Cost and Freight	217.42	225.80	224.30	263.43

Soy Meal Exports (In MT):

<u>Month</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Jan	364444	103934	7707	155160	105678
Feb	183551	64515	1127	207977	73816
Mar	232176	46670	430.1	107059	39209
Apr	75884	18017	12295	124374	68264
May	8226	14046	10400	48900	41452
Jun	2636	2098	17930	45975	
Jul	6682	928	12270	80797	
Aug	2778	768	10615	87668	
Sep	868	6886	12210	102212	
Oct	29071	4237	31390	71425	
Nov	110806	8909	97750	207630	
Dec	193832	5667	241250	168865	
Total	1210954	276674	455374.1	1408042	328419

Feed Ingredient Prices at a Glance

<u>Commodity</u>	<u>State</u>	<u>Variety</u>	<u>Centre</u>	<u>20-Jul-18</u>	<u>13-Jul-18</u>	<u>Change</u>
Bajra	Karnataka	Hybrid	Bellary	1263	1360	-97
		Hybrid	Bangalore	1850	1850	Unch
Jowar	Karnataka	White	Bangalore	2200	2200	Unch
		White	Bellary	1330	1252	78
Maize	Karnataka	Yellow	Davanger e	1300	1300	Unch
	Andhra Pradesh	Yellow	Nizamaba d	1300	1300	Unch
Rice	Haryana	IR8	Karnal	2650	2600	50
		Parmal Raw	Karnal	3150	3050	100
Soy meal	Madhya Pradesh	DOC	Indore	2850	2920	-70
	Maharashtra	DOC	Sangli	3200	3220	-20
Sunflower Meal	Andhra Pradesh	Ex-factory	Adoni	2100	2050	50
	Maharashtra	Ex-factory	Latur	Unq	Unq	-

Mustard	Rajasthan	Plant delivery	Jaipur	1400	1330	70
Groundnut Meal	Gujarat	GN Cake	Gondal	1950	2000	-50
Cottonseed Oil Cake	Gujarat	Ex- Mandi	Kadi	1876	1877	-1
Cottonseed Oil Cake	Maharashtra	Ex- Mandi	Akola	1793	1747	46
Note: Prices Rs./Qtl						

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