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Summary

Soybean most active Jan contract at NCDEX lost after hitting trend highs on technical selling in the last week as well as bearishness in international market as Indian market tries to couple with international marker from Dec end onwards. Spot Market though has been at and above 3380 and didn't weaken as aggressively as futures did. Currently in the spot chart there are limited bullish cues coming from it. The crush demand as crushers continued to crush heavily to meet their exports commitments. The arrivals are still not very high as compared to last year and thus we are still sticking to our estimate of nearly 104 lakh tons. Dec remains crucial both for arrivals and exports and thus is pivotal in the assessment of production and as well as how soon we are going to exhaust the exportable surplus. of then The production estimates has been in the range of 102 to 115 lakh tons with one lobby saying production in the range of 102 to 104 lakh tons whereas the other lobby keeping production between 111 to 118 lakh tons. SOPA has given it first estimated of production at 114.87 lakh tons. Many traders have been opined that the SOPA production figures are overestimated and production should be in the range of 105-110 lakh tons.

The daily arrivals are recording in between 7 to 8 lakh bags. The daily arrivals should range in between 9 to 10 lakh bags on an average continuously till Nov and which is going to confirm the production of above 110 lakh tons. The arrival is expected to be higher in the OND quarter due to the BBY and NAFED procurement program. However as there is new govt. formed in MP there are doubt over continuation of BBY. Thus with estimates of higher production and higher probability of arrivals the OND quarter arrivals should record all-time high. Govt has reported record 19 lakh tons of arrivals whereas SOPA has reported 15 lakh bags. Market is in wait and watch position thus a prolonged consolidation is expected in coming weeks.

International market will be in the festivals mood over New Year and Christmas celebrations and thus volumes traded is expected to remain low. Let's see how Chinese investors going to move the market. CME Globex is going to remain closed for 24th to 26th for Christmas and 31st to 2nd for New Year in different sessions.

Soymeal exports to Bangladesh have been nil but other origins exports has been better as compared to last year over competitive parity of Indian soymeal. Iran too imported 55 thd tons in Nov and another 1.45 lakh tons is expected to be shipped. Bangladesh sooner or later is going to start taking Indian soymeal which they haven't due to limited rake availability and Bangladesh Imported heavily US soybean at bargain price.

Rapeseed stocks offloading are still not fast enough to offload its stocks entirely at the end of this year. However falling edible oil prices has restricted the demand of mustard oil as spreads widened between Mustard and soft oils. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side. NAFED still holds nearly lakh tons of Mustard with three months for the season to end. Sowing as at last year pace and has thus diminished the hopes of record acreages over higher MSP and good profit realization over Chana this season.

Overall soybean and Mustard is expected to trade in range bound manner.

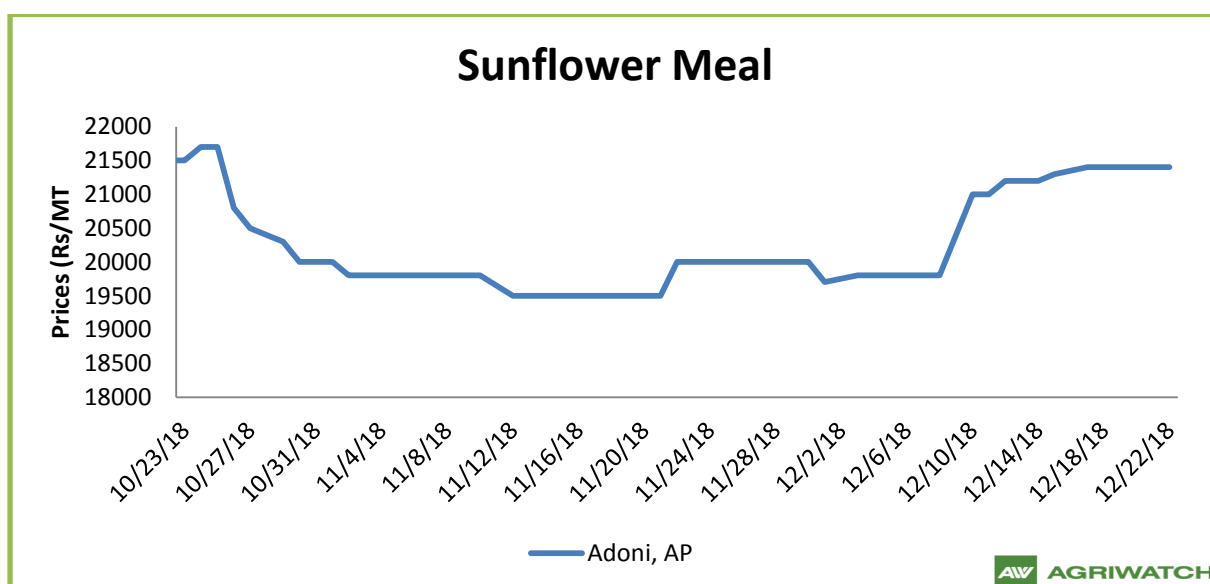
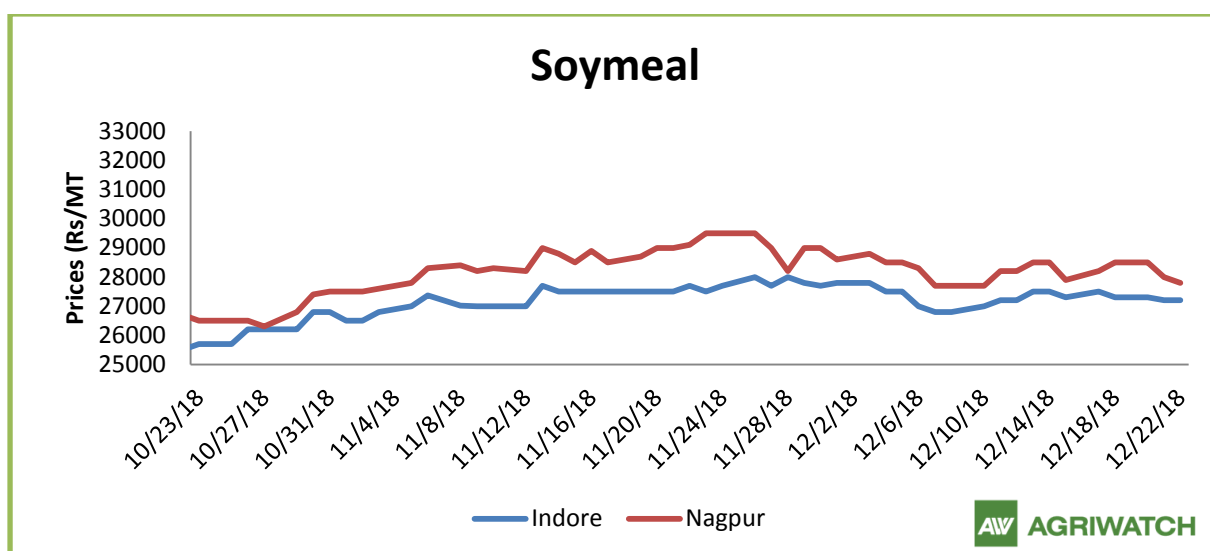
Maize cash markets traded firm during the week and are likely to trade steady to firm ahead due to high demand of industrial feed makers and stockists amid low stock availability of good quality material. There would be shortage of good quality material after the end of December till the new rabi crop arrival expected in the month of March which is also expected to be less, due to low rainfall, less soil moisture and fall armyworm affect. Nizambad, Kamareddy, Medak, Warangal (U) (R), Nirmal, Karimnagar and Mahabubabad districts are affected by fall armyworm. Demand from Kolkata and Jharkhand is also supporting to Bihar market. Considering the all above mentioned facts, Agriwatch expects maize could trade firm in the coming weeks.

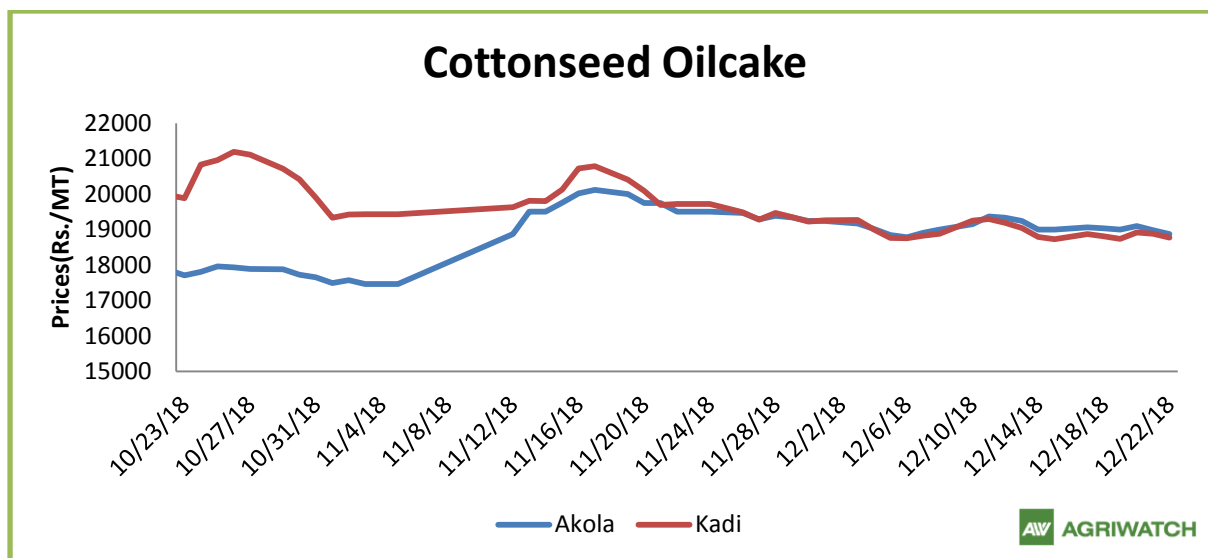
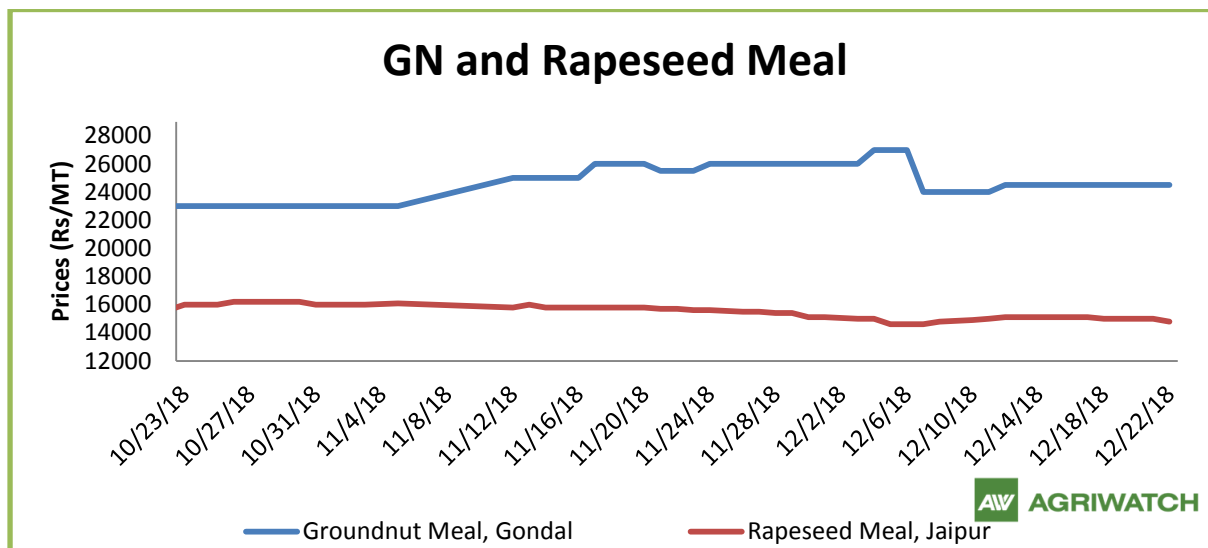
However, if government allows non GMO maize import of 1 million tons at zero duty to overcome a shortage in domestic market; maize prices could sustain from the end of month of Jan.

As per trade source, Telangana government may release their stock in to the market during the month of Jan. In Nizamabad, most of the material arriving in open market is of low quality; around 7-8% grain is damaged and small in size.

All India weekly average prices of wheat decreased by 0.88 percent to Rs. 2087.77 per quintal during the week ended 23rd December 2018. Wheat average price were ruling at Rs 2106.32 per quintal during 09-15 December 2018. As compared to prices in the week 16-23 December 2017, the prices are firm by 13.79 percent. Prices are expected to remain firm in coming days due to good domestic demand and low imports.

Trend – Raw Material, Feed





Source: AgriWatch

Soybean

According sources, the Chinese government this week asked the Indian government for a draft of protocol for Indian soybean meal, to be discussed during the GACC visit to India starting December 10. A Chinese trade delegation is coming to India on Dec. 10 to inspect soymeal plants. Earlier China has cleared few soybean plants.

The developments of US soybean crush on good crush margins has resulted in the rising stock of soymeal which eventually didn't allowed the Argentinean meal to gain. If such situation continues India's export potential is going to decline if there is any bullishness in Indian soy complex. With Indian exports still not enough for Indian complex to get decoupled from International market.

Further USDA has declined India's soybean production by 2 lakh tons and has kept the production at 113 lakh tons from its previous estimate of 115 lakh tons.

With the season slipping towards New Year arrivals assessment will be crucial for production estimate revision by SOPA as well as SEA which drives the market.

With the current pace of arrivals estimating production over 104 lakh tons doesn't seem to be logical enough. The arrivals are 19% higher on a y-o-y basis and which translates into 100 to 102 lakh production. Further there can be distortions in the normal pace of arrivals due to BBY but since the last year also there was BBY y-o-y comparisons seem to be apt. It will be interesting to see how the arrivals are going to be post expiry of the BBY window which is 19th Jan.

With BJP govt out of the MP and congress taking the chair there can be some changes in the BBY scheme but as the kharif crop is over the new state govt probably might not alter the scheme in a big way. Meanwhile state government has waived off the farm loan of 2 lakh farmers.

In soybean the Dec exports are crucial in determining the % of exports to the exportable surplus. In Dec there are reports of 1.1 lakh tons of soymeal to be loaded and dispatched through bulk exports.

The domestic soybean prices are likely to be in tight range in the domestic market.

International Market

International market slips in to the new year and Christmas celebrations which will result in thin volume of trade and also will lack fundamental news apart from regular report releases.

Brazilian soybean farmers could see their current crop diminished by drought, according to analysts at consultancy AgRural, who added that any drought-related losses cannot yet be quantified. Brazil's government released earlier production estimates of 4.409 billion bushels for 2018/19.

China bought 1.5 MMT in announced sales last week and trade looks additional to come in Thursday's weekly export sales of report.

November crush was 166.96 million vs. an average estimate of 168.44 million bushels. Crush was down from October's record of 172.3 but was up 2.1% from last year. Three months into the marketing year, NOPA crush is running 7.7% ahead of last year with USDA forecasting crush to increase 1.2% year-on-year.

Weekly soybean inspections were up week-on-week but pace is still well below last year. Total inspections to date are running 41.5% behind last year's pace while USDA estimates total export demand to decline 10.8% year-on-year. So good news/bad news today on soybean demand with market today consolidating within Friday's range.

China confirmed two more cases of African swine fever on Sunday. This brings total number of cases reported to 90 since the first case of ASF was reported in August. African swine fever has been reported in 17 provinces. Of the latest cases, one was reported in southwestern Sichuan province, killing 26 pigs and the other in northeastern Heilongjiang where 24 pigs died. Estimates are that China has culled more than 600,000 pigs due to the disease but it has nominal impact on supplies. China produces approximately 700 million pigs a year and culls 2 million on an average day.

If China fails to contain this outbreak, a bigger impact will be felt in 2019. China has been a buyer of US pork and is expected to buy additional pork imports as part of trade talks but to also meet domestic demand. Impact of ASF will also be felt in soybean and soymeal demand. China has already been diversify its animal feed due to tariff war and any spread of disease could further cut import needs. China's government currently estimates its annual soybean import demand at 84.0 MMT. This is the first year-on-year decline in demand since high prices stalled demand growth in 2012/13. USDA left China import demand at 90.0 MMT in the December WASDE report.

Soy meal

Cash soymeal market offered at lower price in the market today taking cues from international market. CBOT soymeal has been under bearish grip and lost nearly \$15 from the day after G20 meet eclipsing the rise after G20 meet and closing at 17 sessions low.

Indian soymeal has gained premium in last two weeks and such situation has the potential to restrict export queries. Argentinean meal has not been able to find any upward push as the CBOT meal is now relatively at discount over the bean as US soymeal stock rises.

With International meal showing no signs of recovery any aggressive rallies is still at bay and Indian meal may plunge next year if the exports starts declining or International prices comes under the huge supplies from South American crop.

News are coming of the soybean under drought in Brazil and not so good condition in Argentina, However its too early state anything about the amount of losses due to it. We have seen US yield hitting to the record high even after drought and rains during the harvest.

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 7.15 lakh bags as compared to 7.3 lakh bags in the previous week.

The spot price has gained w-o-w to flat as the market over seasonal gains but as the marketsman stating that the stocks are sufficient and sowing is progressing well there is very limited potential for aggressive gains . NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 4.67 lakh tons of Mustard is locked as on 15th Dec. With this pace of release there will be still huge stocks locked till Dec as NAFED is able to release nearly 1 lakh tons of Mustard per month. At current rate of stock release by end of Dec nearly 3-3.5 lakh tons of stocks is expected to carry forwarded with NAFED. NAFED is instrumental in altering Mustard Supply and Demand as It wants to sell Mustard at least at MSP. Seeking limited response from the crushers in auction the agency is offering Mustard at lower rate as compared to prevailing market prices. At the end of week mustard closed at 4175 per quintal as against INR 4105 per quintal during the corresponding period last year at the benchmark, Jaipur.

According to the rabi sowing report, amidst the India's rabi basket the highest gainer is Mustard whereas all other crops has lost the acreages as on sown data till 20th Dec. Thus this rabi season the fallow land is higher y-o-y. Amidst the largest loses is chana losing 9 lakh hectares y-o-y. Total Cereals has also lost nearly 17 lakh hectares. Due to lower water availability Mustard could not able to take bigger share. With few weeks remaining before the rabi sowing window closes there is very limited chance of any change in rabi crop mix acreages.

State wise major gains have been witnessed in Rajasthan gaining area by 12.7%. UP and MP is almost at the same level as of last year whereas Haryana has witnessed fall in acreages by 6 % Y-o-y. Thus with sowing done in 64.71 lakh hectares as on 20th Dec we are expecting the final Mustard acreages should fall between 67-68 lakh hectares. It will be interesting to see this week rains impact on sowing of mustard in Orissa, Jharkhand, Bihar and Assam. We were early saying the acreages should come around 68.5 lakh hectares.

With the sowing remaining y-o-y high and the temperature profile remaining more or less favorable average to above average yield is on cards with the production estimates coming around 67 to 68

lakh tons. The western India is still not been impacted by any major western disturbances and timing of such rains remain crucial. Hopefully we get some rains before 15th Jan to let the bears taking grip into the market.

Mustard Dec Contract final settlement price closed on higher note on consecutive rallies. The settlement price was higher over the spot rate giving indication of potential seasonal bullishness. Jan contract also closed on bullish note as the contract prices recovered from the contract lows.

The Mustard prices however be critically looking toward the weather in coming weeks as rainfall and temperature development come in to the center stage after the sowing progress playing its role.

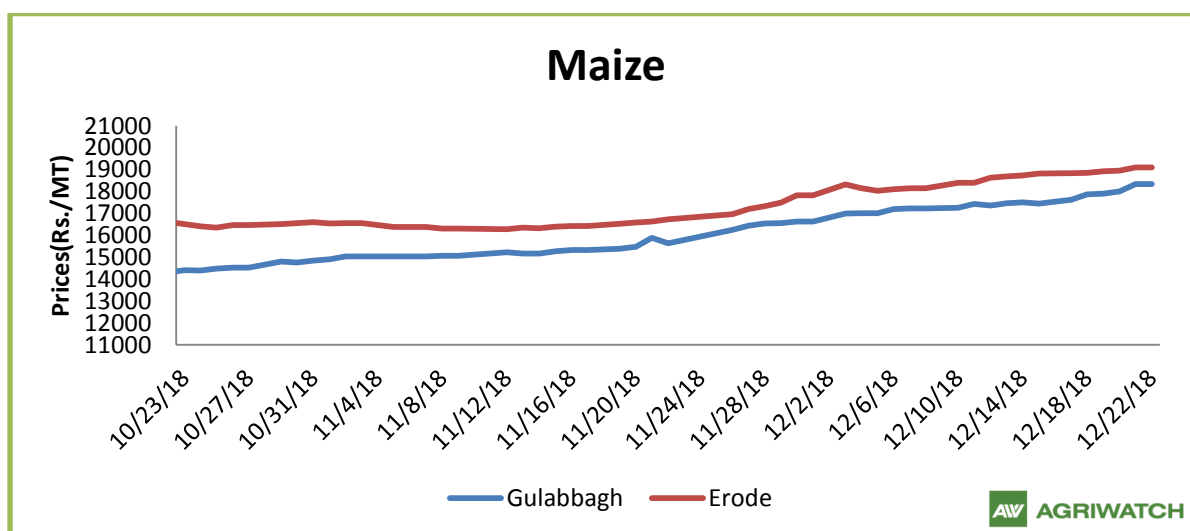
Cooler and drier weather is forecasted in most parts of the western mustard growing regions. Eastern India is starting their days with foggy weather which is providing the soil moisture for the standing crop.

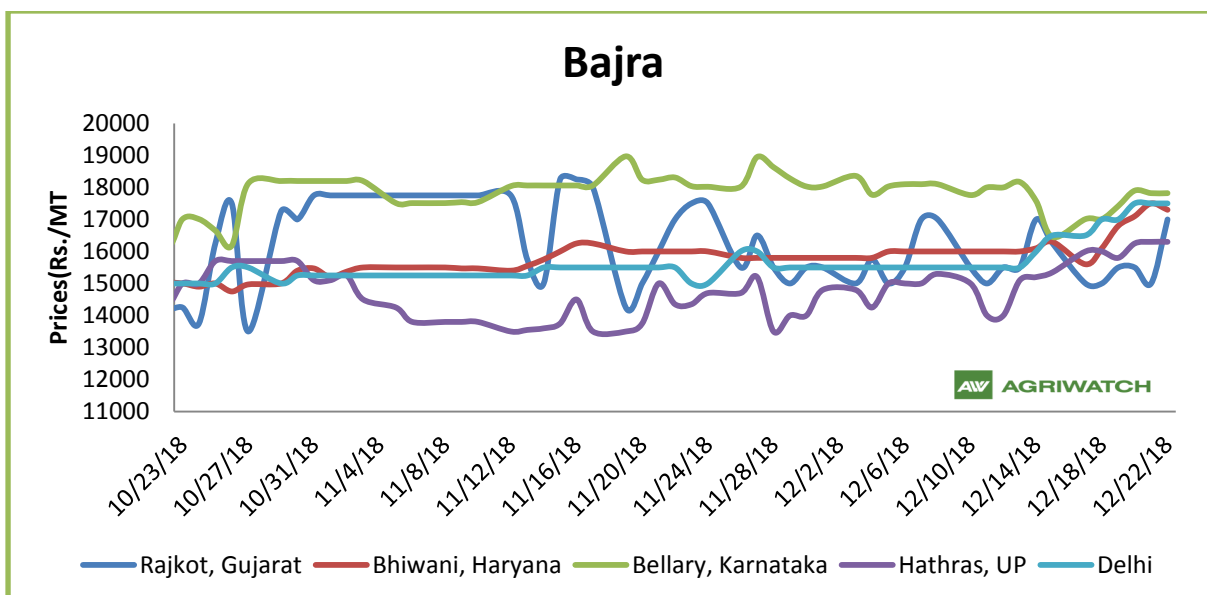
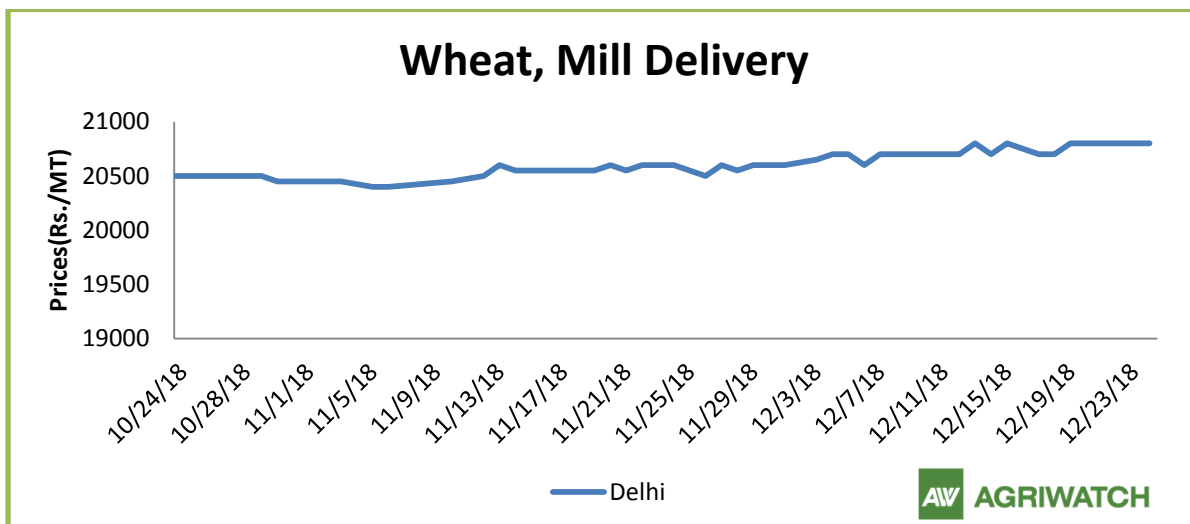
Overall the weather has remained conducive as of now and any rainfall as this point of time can potentially increase the yield.

Winter has set in and mustard oil demand has also picked up but with the commodity oil falling to multiyear lows the same has also impacted the mustard oil prices which has ate away the margins. However the prices are in recovery mode.

There has been a rain lasting for two to three days in WB, Jharkhand and Assam whereas Bihar witnessed 1 day of rains which was wide spread and continuous without any heavy showers. These rains are very beneficial for all the rabi crop including Mustard as the east Indian has remained rain deficit this SW Monsoon.

Towards west there is no forecast of rains and the next western disturbance according to European weather model is going to hit at the end of this month. If it rains at that point of time it will help in bolden of the seeds. Early sown mustard is in the flowering stage in many parts of Bihar, MP, and Rajasthan and UP. There are no reports of aphid attack as of now.





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

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In India, Rabi maize has been sown in around 11.27 lakh hectares as of 21st December, 2018 which is lower than 12.57 lakh hectares during corresponding period last year. In Bihar, maize has been sown in around 4.11 lakh a hectare which is lower than 4.13 lakh hectares during corresponding period last year. In Karnataka, it has been sown in around 0.72 lakh hectare which is lower than 0.83 lakh hectares during corresponding period last year. In Maharashtra, it has been sown in around 0.84 lakh hectares which is lower than 1.37 lakh hectares during corresponding period last year. As per trade source, in Bihar, maize area is likely to shift towards wheat. In Maharashtra, maize area is likely to shift towards sugarcane. In Gujarat, maize progressive area of Rabi 2018-19 is 0.80 lakh hectares which is lower than 0.87 lakh hectares during corresponding period last year. Current year sowing reported slowly due to lower rainfall. However, in Telangana, Maize sowing for the Rabi season as of 21st Dec'18 reported at 0.78 lakh hectares which is higher than 0.71 lakh hectares in the corresponding period last year. It is at vegetative stage. Trade sources revealed that in Nizamabad, around 10-15% crop is affected by fall armyworm.

From the trade point of view, In Nizamabad, Local starch makers are buying it at Rs. 1420 per quintal while poultry feed makers is buying it at Rs. 1560 per quintal. Maize is moving to Hyderabad at Rs. 1650-1670 per quintal. Meanwhile, it is moving towards Bangalore and Sangali at Rs. 1850 per quintal each, Nammakal at Rs. 1900 per quintal and Chennai at Rs. 1920 per quintal (Delivered price), sourced from Davangere. In Bihar, maize is moving towards Kolkata at Rs. 1900-1950 and Jharkhand at Rs. 1900 per quintal.

Corn on CBOT fall by 3.57 USD/ MT to 147.70 USD/MT for Mar'19 contract compared to last week due to low export demand for U.S corn. Besides, Crop-boosting rains in South America are also putting pressure on CBOT corn market.

All India weekly average prices of wheat decreased by 0.88 percent to Rs. 2087.77 per quintal during the week ended 23rd December 2018. Wheat average price were ruling at Rs 2106.32 per quintal during 09-15 December 2018. As compared to prices in the week 16-23 December 2017, the prices are firm by 13.79 percent. Prices are expected to remain firm in coming days due to good domestic demand and low imports.

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 November-2018. Imports are expected to be low this year due to good domestic availability and increase in import duty. India has imported around 1000 tonnes in the month of September-2018.

As per trade source, India has exported around 2.73 thousand tonnes in the month of November compared to 5.09 thousand tonnes in October. The quantity in November was exported at an average FOB of \$ 416.11 per tonne and the major destinations were Nepal, Sri Lanka and Somalia. Exports are likely to be at lower side as other countries are able to provide quality wheat at competitive prices.

According to latest update, area sown until 21st December'18 is 253.52 lakh hectares compared to 257.47 lakh hectares in the previous Rabi season. The normal area is 306.29 lakh hectares. Acreage is expected to be higher this Rabi season due to increase in MSP by Rs 105 per quintal for MY 2018-19.

India mainly imports from Australia and Russia. Wheat prices were firm in Australia and Russia during last week. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$351.00 (Rs 24620) per tonne and \$381.87 (Rs 26780) per tonne respectively, after including freight and import duty @30%. Local expenses will further add to cost. Furthermore mill quality wheat at Chennai and Coimbatore are hovering around Rs 2370 per quintal and Rs 2430 per quintal respectively. Therefore, there is no import parity as of now from black sea region and Australia.

Indian FoB quote is hovering around \$305.70 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$230.90, \$231.70, Euro 205.75, \$227.34 and \$255.50 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 0.3 million tonnes in MY 2018-19.

Global wheat market is expected to trade steady to slightly firm due to lower production in major producing regions. EU is likely to produce around 136.7 MMT in 2018-19 compared to 151.2 MMT in 2017-18. Russia and Ukraine are likely to harvest 69.50 MMT and 25.00 MMT of wheat in 2018-19 respectively. Production in US is likely to be around 51.3 MMT compared to last year's 47.30 MMT. Australia is likely to produce 16.6 MMT in 2018-19 compared to 21.20 MMT in 2017-18. Argentina is expecting to harvest around 19.1 MMT in 2018-19 compared to 18.5 MMT in 2017-18. Furthermore, Canada is likely to harvest around 31.00 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-Dec-18	13-Dec-18	Parity To
Indore (MP)	27300	27500	Gujarat, MP
Kota	27500	27800	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	29000	29500	Mumbai, Maharashtra
Nagpur (42/46)	28500	28500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	28600	29500	Andhra, AP, Kar ,TN
Latur	29000	29500	-
Sangli	NA	29500	Local and South
Sholapur	29500	29000	Local and South
Akola	27500	27800	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	28500	29000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	27300	27600	-

Soy DOC at Port

Centers	Port Price	
	20-Dec-18	13-Dec-18

Kandla (FOR) (INR/MT)	28900	29200
Kandla (FAS) (USD/MT)	411	408

International Soy DOC			
Argentina FOB USD/MT	20-Dec-18	13-Dec-18	Change
Soybean Pellets	324	326	-2
Soybean Cake Flour	324	326	-2
Soya Meal	323	330	-7
Soy Expellers	323	330	-7
Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	20-Dec-18	13-Dec-18	Change
Adoni	21400	21200	200
Khamgaon	-	-	-
Parli	-	-	-
Latur	-	-	-

Groundnut Meal (Rs/MT)	20-Dec-18	13-Dec-18	Change
Basis 45%, Saurashtra	24500	24500	Unch
Basis 40%, Saurashtra	22000	22000	Unch
GN Cake, Gondal	24500	24500	Unch

Mustard DOC/Meal	20-Dec-18	13-Dec-18	Change
Jaipur (Plant delivery)	15000	15100	-100
Kandla (FOR Rs/MT)	15500	15500	Unch

Maize Spot Market Prices (Rs. /Quintal)

Market	Grade	20-Dec-18	13-Dec-18	20-Nov-18	20-Dec-17	20-Dec-16
Delhi	Hybrid(U.P)	1850	1725	1550	1325	1575
Davangere	Loose	1725	1600	1500	1270	1450
Nizamabad	Bilty	1570	1550	1510	1360	1450
Ahmadabad	Feed	1900	1800	1625	1350	1460
	Starch	1925	1850	1650	1360	1510

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

	Argentina	Brazil	US	India
FOB	173.33	180.20	169.09	239.52
Cost and Freight	223.33	235.20	229.09	274.52

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	76026
Jun	2636	2098	17930	45975	104088
Jul	6682	928	12270	80797	63747
Aug	2778	768	10615	87668	59643
Sep	868	6886	12210	102212	45388
Oct	29071	4237	31390	71425	150388
Nov	110806	8909	97750	207630	217738
Dec	193832	5667	241250	168865	
Total	1210954	276674	455374.1	1408042	1003985

Feed Ingredient Prices at a Glance

<u>Commodity</u>	<u>State</u>	<u>Variety</u>	<u>Centre</u>	<u>20-Dec-18</u>	<u>13-Dec-18</u>	<u>Change</u>
Bajra	Karnataka	Hybrid	Bellary	1790	1817	-27
		Hybrid	Bangalore	2200	2250	-50
Jowar	Karnataka	White	Bangalore	2400	2400	Unch
		White	Bellary	2246	1839	407
Maize	Karnataka	Yellow	Davanger e	1725	1600	125
	Andhra Pradesh	Yellow	Nizamabada	1460	1450	10
Rice	Haryana	IR8	Karnal	2800	2800	Unch
		Parmal Raw	Karnal	3400	3400	Unch
Soy meal	Madhya Pradesh	DOC	Indore	2730	2750	-20
	Maharashtra	DOC	Sangli	2910	2950	-40
Sunflower Meal	Andhra Pradesh	Ex-factory	Adoni	2140	2120	20
	Maharashtra	Ex-factory	Latur	Unq	Unq	-
Mustard	Rajasthan	Plant delivery	Jaipur	1500	1510	-10

Groundnut Meal	Gujarat	GN Cake	Gondal	2450	2450	Unch
Cottonseed Oil Cake	Gujarat	Ex- Mandi	Kadi	1892	1879	13
Cottonseed Oil Cake	Maharashtra	Ex- Mandi	Akola	1910	1900	10
Note: Prices Rs./Qtl						

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