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Summary

Soybean spot prices gained on the back of speculative market and support from international market. However in later part of the week bullish sentiments fizzled out as SOPA reported soy meal exports of just 2 lakh tons which started pulling down future prices. However spot soybean prices tested the previous high which was made at the start of the Dec month and closed at 3500 on Sat. The market is mainly being driven by international market currently and CME Soybean has made two week high on the backdrop of the continued negotiations of US with China and drier weather in central soybean growing region in Brazil.

As OND quarter has closed the arrivals recorded is 20% high and thus confirming the production to remain high y-o-y. However as most of the traders was saying the SOPA production number seems to be overestimated and there is potential downward revision is expected in this month by at least 5 lakh tons. SEA production however corresponds with the arrivals and thus minor adjustments can happen in the estimates. We are still sticking with production of 104 lakh tons and it will be crucial to see the arrivals after the expiry of the BBY window in MP. 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 has been opined that the SOPA production figures are overestimated and production should be in the range of 105-110 lakh tons.

In terms of soymeal exports which is going to indicate how good we are disposing the surplus, is according to SOPA is not much encouraging. According to SOPA India managed to export just 2 lakh tons of soymeal and was disappointing especially with good stories building up over China and Iran. Thus overall neither domestic nor the international dynamics seems to be bullish enough for trending bullish market and this opens up the potential for unseasonal fall in March-April month when International market comes under bearish grip with SA crop hitting the international market.

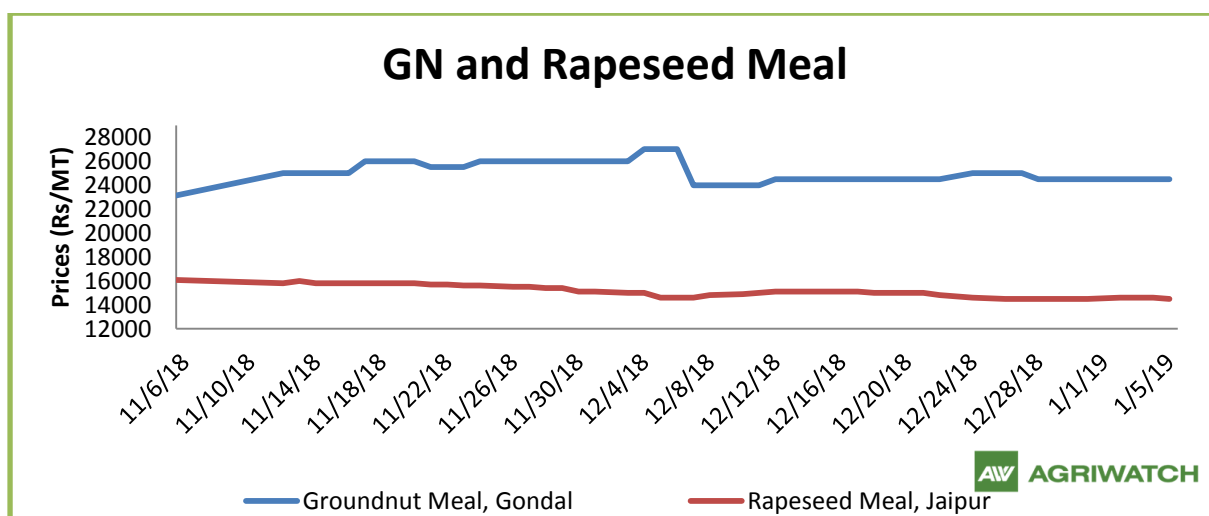
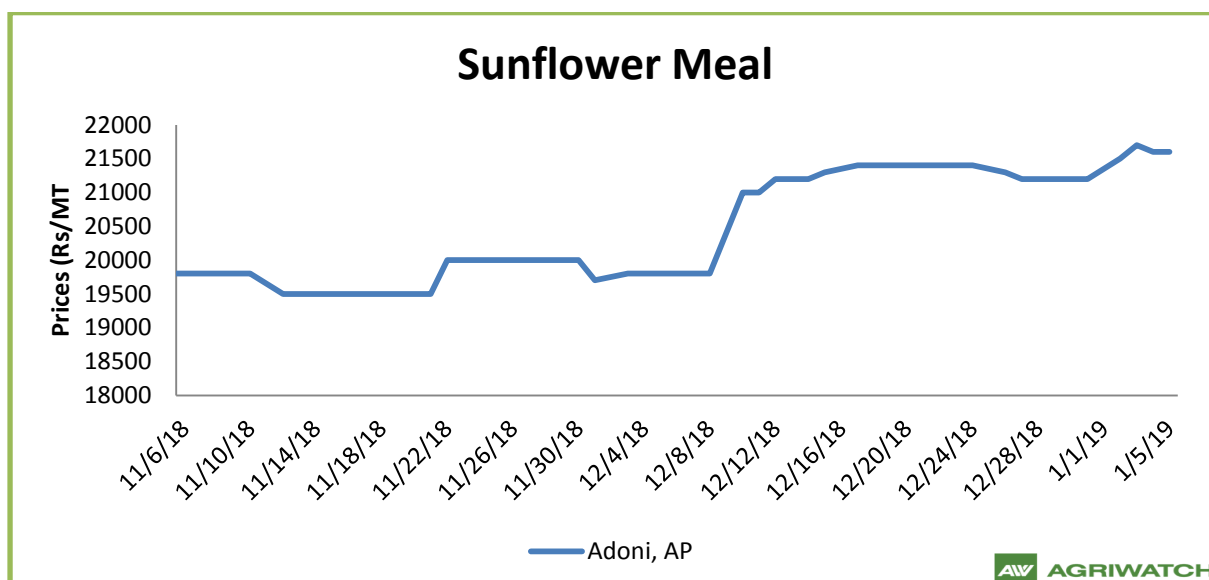
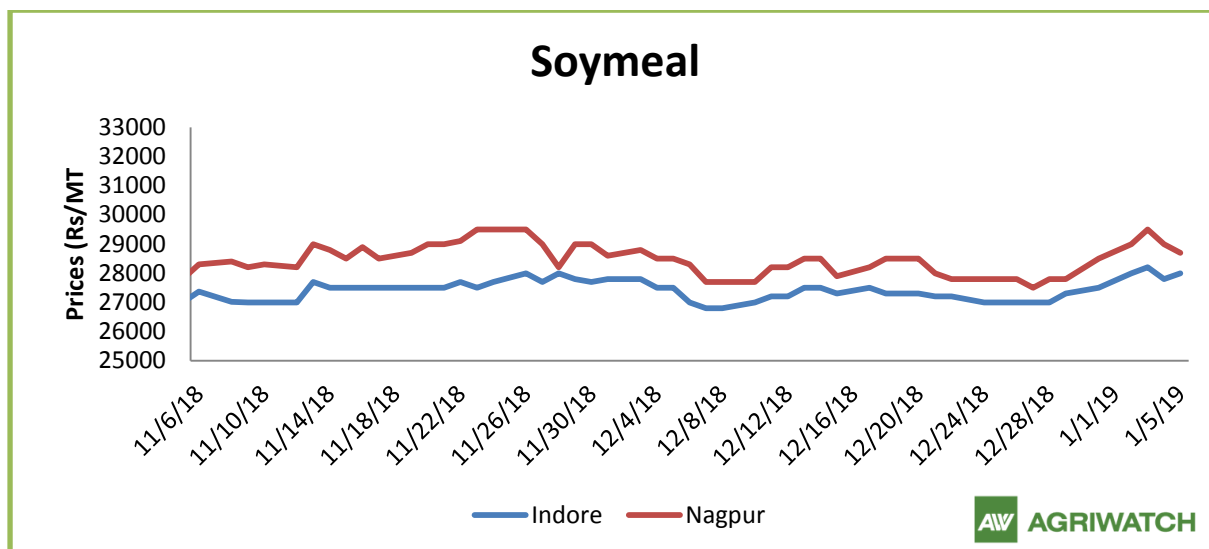
Rapeseed stocks offloading has picked up the pace and by 1st Jan 4 lakh tons of rapessed was available with NAFED, but still not fast enough to offload its stocks entirely at the end of this year. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side. Mustard prices are now being under the influence of weather and market participants starts betting over it, especially after the 15th Jan. S of now the market seems to be sideways to bearish.

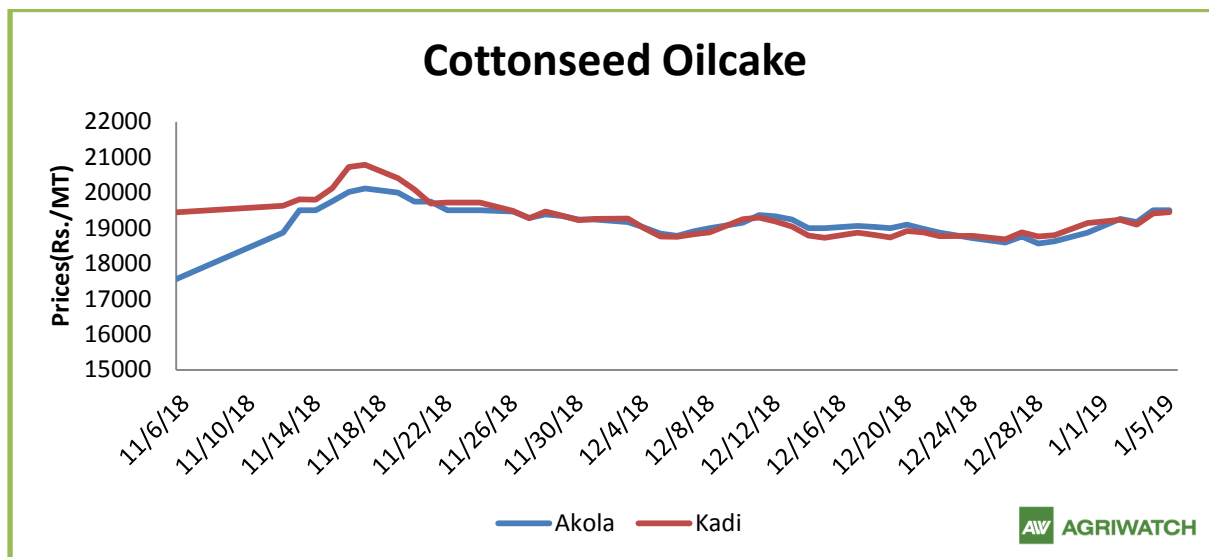
Overall soybean and Mustard is expected to trade in range bound manner.

Maize cash markets traded mixed during the week and are likely to trade steady to slightly firm in the near term due to scarcity of the good quality material amid high feed makers demand. However, if Government takes decision to allow maize imports and release their stock into the market; it could trade steady to slightly weak.

As per latest update, wheat area sown until 04th January'18 is 288.37 lakh hectares compared to 283.55 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. Acreage of wheat in Madhya Pradesh is higher as farmers have shifted from chickpea. This year, as on 04th January'18, farmers have sowed 59.00 lakh hectares of wheat in Madhya Pradesh compared to 44.53 Lakh hectares last year on same date.

Trend – Raw Material, Feed





Source: AgriWatch

Soybean

According to 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.

Soybean all India procurement by NAFED and its associate agencies has been at 18363 tons as on 31st Dec 2018. In Rajasthan just 2935 tons has been procured, In Maharashtra only 956 tons, Karnataka just 6 tons, and in Telangana 14466 tons. Soybean procurement has been going on in Rajasthan, Maharashtra, Telangana and Karnataka. In MP soybean is under BBY and thus NAFED has not been procuring soybean there. As the market prices has improved and is close to MSP the soybean farmers are preferring selling their soybean in open market.

According to AGMARKNET the OND arrivals has been recorded at 42.2 lakh tons against 34.82 lakh tons last year. Thus with NAFED procurement limited the supplies in the market has been y-o-y high by 19% and since the BBY was also been in place last year though delayed by one or two week higher arrivals is indicating toward higher y-o-y production. A 20% rise in y-o-y production comes around 99 lakh tons and thus we have kept our estimates at 104 lakh tons, We may witness SOPA downward revising the production number this month whereas SEA can retain with their estimates.

There has been doubt over the continuation of BBY as the state govt has changed and thus Jan month is crucial in terms of arrivals as the BBY is going to be till 19th Jan and thus post BBY arrivals pace will be crucial in defining the market direction along with the international factors at the same time.

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

International Market

CME Soybean gained and is trading two week high on the prospect of declining yields in top producer Brazil due to scarce rains coupled with optimism about easing trade tensions between China and the United States and the prospect that China could buy more U.S. soybeans as a trade delegation heads to Beijing for talks on Jan. 7.

Farmers expect soybean yields and output in Mato Grosso, Brazil's largest producing state, to be hit by scarce rains in December. Dry weather and high temperatures are also accelerating the soybean cycle, leading some growers to anticipate harvesting even at the risk of lowering yields.

Longer range models show 15% of Brazil's production area at risk with dry conditions and warmer than normal temps forecast. Rains are forecast for Argentina which they do not need at this time, crops in Argentina currently rated far better than last year.

The U.S. Department of Agriculture will decide on Friday whether to delay a slew of key crop reports scheduled for release on Jan. 11. A partial government shutdown has prompted the USDA to suspend daily and weekly export sales reports. Thus the market is going to be driven more by the SA news and developments.

Brazil's Trade Ministry, the country exported 4.23 million tonnes of soybeans in December, versus 2.36 million tonnes for the same period in 2017. Brazil also exported 1.61 Mln T Soy Meal In December Vs 1.09 Mln T In November And 0.67 Mln T Yr Ago.

China reports new outbreak of ASF on larger farm. Site in Heilongjiang province with 73,000 pigs has reported 4,686 pigs infected and 3,766 killed. Total Chinese cases now reportedly top 90, as the highly contagious virus continues to spread. AFS has now been found in 23 of China's 31 provinces and municipalities. Small farms, big farms, slaughterhouses and feed- the whole production chain basically all got hit.

Dry weather conditions are reportedly impacting more than a third of Brazil's soybean and corn growing area.

The United States federal government shutdown continues as neither legislation appropriating funds for the upcoming fiscal year nor a temporary continuing resolution was enacted in time over President Donald Trump's demand for more than \$5 billion in federal funding to build a new wall along the U.S.-Mexico border, which Trump had promised voters would be paid for by Mexico during his campaign. However there are indications that the USDA might release some of the regular reports to decided today.

Department of Agriculture (USDA) has not updated its export sales reports since Dec. 21, 2018. Traders now have to learn from other channels about new purchases of U.S. soybeans from China.

In Argentina Sowing has been completed in 90% but crop rating is down by 10% from last year at this point of time.

Soy meal

According to the data compiled from vessel line up the bulk export of soymeal is expected to be around 1.5 lakh tons and another .5 lakh tons of soymeal is expected to be exported in bags. Thus we are expecting the soymeal exports in Dec months to be around 2.5 lakh tons. The data is expected to be released by SEA and SOPA this week or next.

According to SOPA Dec exports is down by 24% m-o-m to 2 lakh tons on appreciation of rupees. According to the body nearly 1 lakh tons of soymeal bookings got cancelled due to this. On this backdrop the stocks with traders and crushers is going to swell continuously as the farmers has been offloading their stocks under BBY scheme in MP. Further as the NAFED procurement is meagre most of the produce is available for crushing in the market.

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 6.05 lakh bags as compared to 5.9 lakh bags in the previous week.

The spot price has moved up marginally after declining to multi weeks low. Old crop is going to find support at current levels however new crop is expected to fall towards 3600 given the scenario building towards a good crop this year. NAFED stock offloading has picked up increasing the supplies in market and in last two week 67 thd tons was auctioned. With this pace of release nearly 2 lakh tons can be released in Jan and Feb and thus keeping the stocks with NAFED near to 2 lakh tons. 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 4128 per quintal as against INR 4073 per quintal during the corresponding period last year at the benchmark, Jaipur.

According to Mustard Oil Millers Association, 5.5 lakh tons of Mustard was crushed which was 29.4% higher on y-o-y basis. Crushing was 22.2% higher on m-o-m basis which was 4.5 lakh ton in Nov 2018.

According to the trade body Mustard stocks at the end of Dec was 9.5 lakh tons with 4 lakh tons retained with NAFED. Under such situation the stocks available for crushing is very low to meet crush demand for the Jan and Feb month. However this year sowing was early as compared to last year and a hence new crop arrival is expected to be early this year too. All bet is on weather developments in Jan and Feb.

Mustard Feb contract has been at discount over Jan but April is at premium over Feb. Feb contract is discounting the new crop prospects.

NAFED Sold 6986 tons of mustard on 1st Jan in the price range INR 3651 to 3885 per quintal. The stocks available as on date is 3.95 lakh tons. NAFED auction has witnessed good response as the prices are lower and is competitive to the market.

Mustard all good prospects has been halted by reports of frost in west UP and other western parts of Mustard growing regions in the last week of Dec. As there has been little rains in Dec land with little moisture has been severely impacted by frost.

In East UP and Bihar there was lack of fog which has devoid the necessary moisture which is the ideal conditions for growth and development at this stage. Earlier in the Dec month isolated rains has kept the production prospects in very good conditions with all factors remaining favorable.

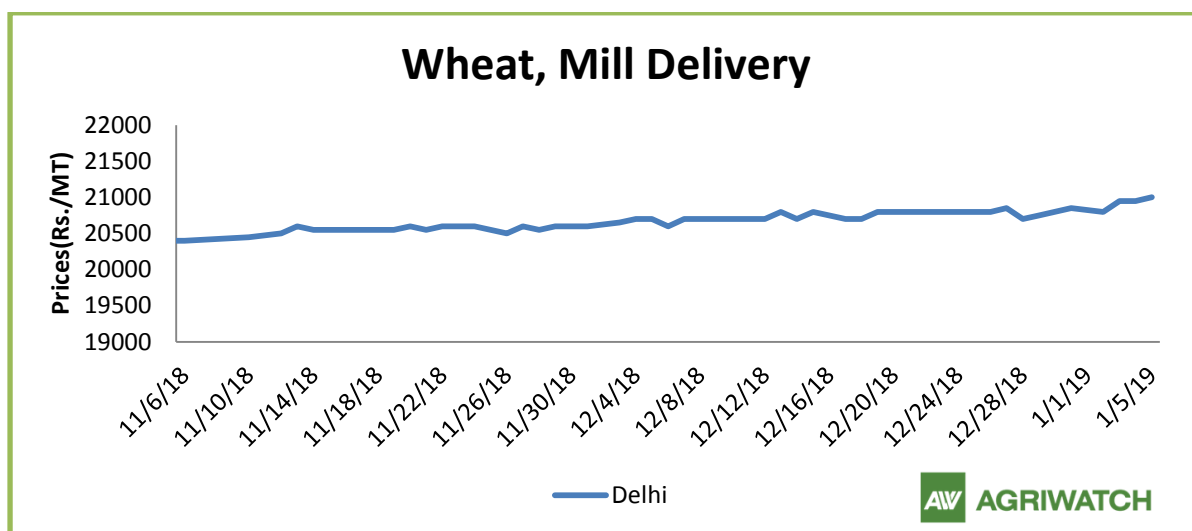
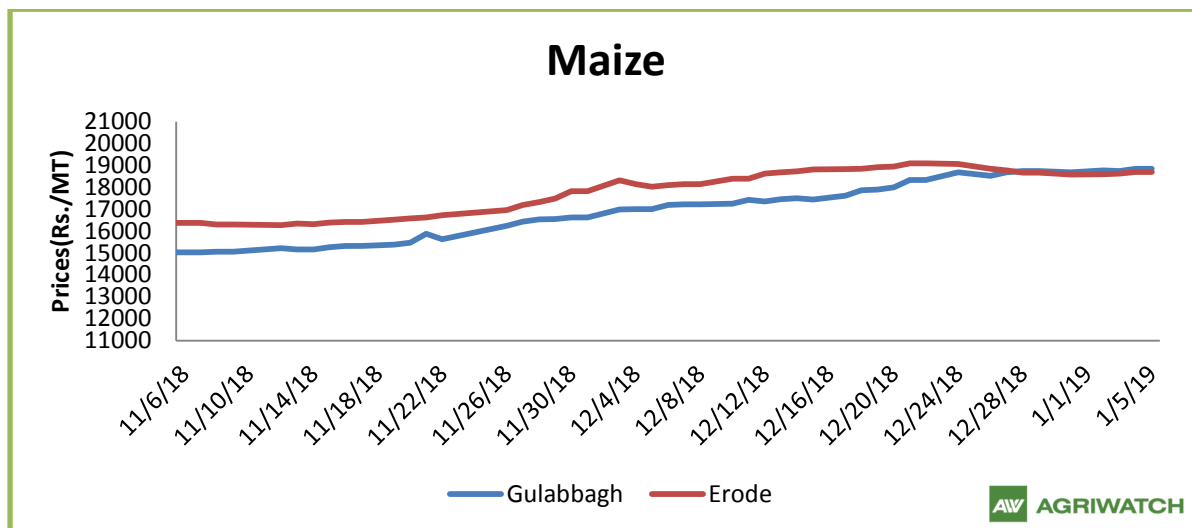
There has been forecast of western disturbance hitting the northern plains and which will be very beneficial for the standing mustard crop. The period Oct-Dec has witnessed very poor rains with all India deficit by 41%. There have been very limited rains in the northern plains. However the hilly mountain of Himalayas has witnessed regular snow which has kept the temperatures low in the plane as compared to normal.

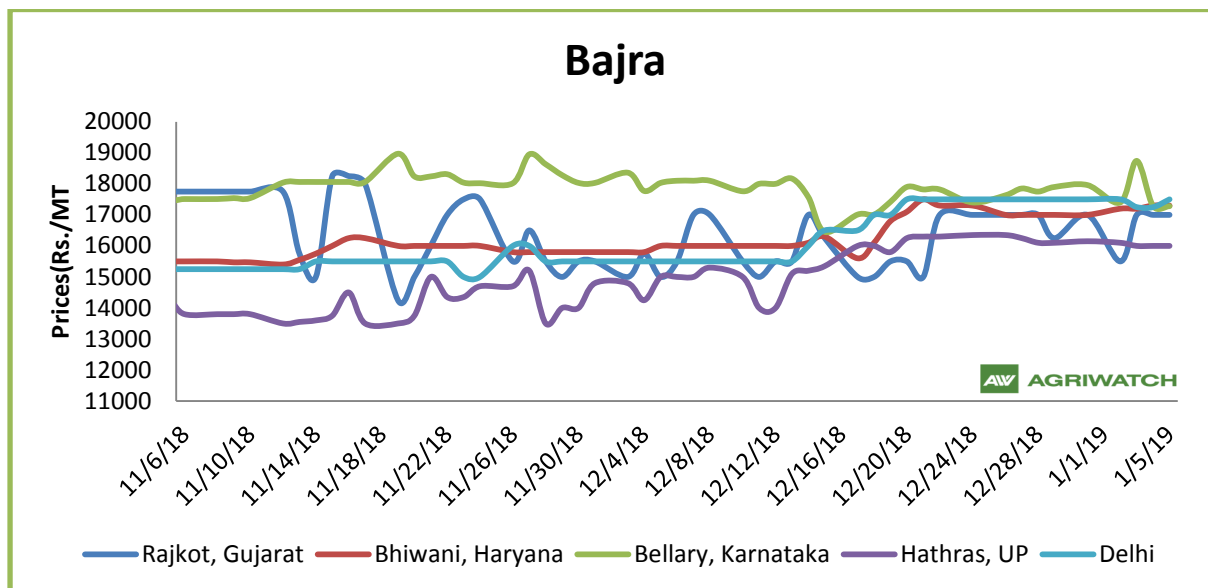
Northern India is reeling under extreme cold conditions and reports of frost damages have been coming in from isolated areas. Crop conditions is still under strict vigilant in terms of growth and development at this crucial point of time.

Mustard fundamentals continued to remain bearish and according to the latest data released by the GOI as on 28th Dec Mustard has been covered in 65.79 lakh hectares as against 63.82 lakh hectares

last year. With this trend final area can be in between 67 to 68 lakh hectares. Our previous estimate of the area was 68.5 lakh hectares.

As per our expectations the acreages in WB, Odessa and Bihar has improved after last week rains. However in Jharkhand the acreages have remained low as compared to last year which is indicating that the mustard growing areas has been already shifted.





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

Maize cash markets traded mixed during the week and are likely to trade steady to slightly firm in the near term due to scarcity of the good quality material amid high feed makers demand. However, if Government takes decision to allow maize imports and release their stock into the market; it could trade steady to slightly weak.

In Nizamabad, most of the material arriving in open market is of low quality; around 7-8% grain is damaged and small in size. Nizamabad, Kamareddy, Warangal (U) (R), Nirmal, Karimnagar and Mahabubabad districts are affected by fall army worm. Trade sources revealed that in Nizamabad, around 10-15% crop is affected by fall army worm.

Trade sources revealed that around 850 MT has been released by Government at Rs. 1770 per quintal (Average Price). It is expected that firmness could be restricted due to Government release.

As per trade sources, India exported 29,016 MT of maize for the month of November'18 at an average FoB of \$241.33/ MT. Indian maize is exported mainly to Nepal followed by Philippines, Sri Lanka and Qatar mainly through JNPT followed by Raxaul and Mundra port.

In India, Rabi maize has been sown in around 12.88 lakh hectares as of 4th January, 2019 which is lower than 14.34 lakh hectares during corresponding period last year. In Bihar, maize has been sown in around 4.47 lakh hectare which is almost equal to 4.57 lakh hectares during corresponding period last year. In Karnataka, it has been sown in around 0.76 lakh hectare which is lower than 0.99 lakh hectares during corresponding period last year. In Maharashtra, it has been sown in around 0.95 lakh hectares which is lower than 1.76 lakh hectares during corresponding period last year. In Maharashtra, maize area is likely to shift towards sugarcane. In Gujarat, maize progressive area of Rabi 2018-19 is 0.92 lakh hectares which is lower than 0.95 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 4th Jan'19 reported at 0.90 lakh hectares which is higher than 0.75 lakh hectares in the corresponding period last year. It is at vegetative stage.

From the trade point of view, In Nizamabad, maize is moving to Hyderabad at Rs. 1800-1850 per quintal. Meanwhile, it is moving towards Bangalore at Rs. 1850 per quintal, Nammakal at Rs. 1900 per quintal (Delivered price), and Chennai at Rs. 1920 per quintal; sourced from Davangere. In Bihar, maize is moving towards Kolkata at Rs. 1900 per quintal respectively.

Corn on CBOT raised by 2.07 USD/ MT to 149.50 USD/MT for Mar'19 contract compared to last week with the support of increase in soybeans and wheat prices.

As per latest update, wheat area sown until 04th January'18 is 288.37 lakh hectares compared to 283.55 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. Acreage of wheat in Madhya Pradesh is higher as farmers have shifted from chickpea. This year, as on 04th January'18, farmers have sowed 59.00 lakh hectares of wheat in Madhya Pradesh compared to 44.53 Lakh hectares last year on same date.

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 (October-December) and fourth quarter (January-March) prices will be Rs 1925 per quintal and Rs 1950 per quintal respectively.

Supply side for FAQ is likely to be good as ample stock is available in domestic market due to good production. Government has procured intensively and surpassed its procurement target of 32 MMT. Demand from south Indian millers is good due to lean season and after application of 30% import duty. No import parity has also increased demand for domestic wheat.

India has received 14.70 mm of actual rainfall against 16.60 mm of normal rainfall during the month of December. During this time period, deficient rainfall was recorded in major wheat producing regions of Punjab, Haryana, Uttar Pradesh, Madhya Pradesh and Rajasthan. India has received 16.2 mm of rainfall during December-2017. Actual rainfall was below normal in December-18, however low temperature in Punjab, Haryana, Uttar Pradesh, Maharashtra and Madhya Pradesh will help in retaining soil moisture. Furthermore Rajasthan had one of the coldest December, which is favorable for wheat but chickpeas have been affected.

India mainly imports from Australia and Russia. As of now, Russian wheat with 12.5 percent protein content and Australian premium wheat (APW) is being quoted at \$347.00 (Rs 24000) per tonne and \$383.50 (Rs 26650) per tonne respectively, after including freight and import duty @30%. Local expenses will further add to cost. Therefore, there is no import parity as of now from black sea region and Australia.

Indian FoB quote is hovering around \$311.56 per tonne. Against it Russia, Ukraine, France, US and Australia are offering wheat at \$232.00, \$232.67, Euro 204.25, \$221.27 and \$248.49 per tonne respectively. There is little hope for recovery at export front this year. However, India is expected to import around 0.2 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 to slightly firm as overall feed ingredients prices traded steady to firm 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)		
	03-Jan-19	27-Dec-18	Parity To
Indore (MP)	28200	27000	Gujarat, MP
Kota	28600	27400	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	30200	28800	Mumbai, Maharashtra
Nagpur (42/46)	29500	27500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	29900	28400	Andhra, AP, Kar ,TN
Latur	30500	29000	-
Sangli	#N/A	28500	Local and South
Sholapur	29700	28500	Local and South
Akola	28400	27200	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	29700	28500	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	28400	27200	-

Soy DOC at Port

Centers	Port Price	
	03-Jan-19	27-Dec-18
Kandla (FOR) (INR/MT)	29800	28600
Kandla (FAS) (USD/MT)	424	407

International Soy DOC			
Argentina FOB USD/MT	03-Jan-19	27-Dec-18	Change
Soybean Pellets	330	324	6
Soybean Cake Flour	330	324	6
Soya Meal	331	324	7
Soy Expellers	331	324	7

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	03-Jan-19	27-Dec-18	Change
Adoni	21700	21200	500
Khamgaon	-	-	-
Parli	-	-	-
Latur	-	-	-

Groundnut Meal (Rs/MT)	03-Jan-19	27-Dec-18	Change
Basis 45%, Saurashtra	24000	24500	-500
Basis 40%, Saurashtra	22500	22500	Unch
GN Cake, Gondal	24500	25000	-500

Mustard DOC/Meal	03-Jan-19	27-Dec-18	Change
Jaipur (Plant delivery)	14600	14500	100
Kandla (FOR Rs/MT)	15100	15000	100

Maize Spot Market Prices (Rs. /Quintal)

Market	Grade	3-Jan-19	27-Dec-18	3-Dec-18	3-Jan-18	3-Jan-17
Delhi	Hybrid(U.P)	1850	1850	1750	1320	1575
Davangere	Loose	1650	1630	1550	1250	1470
Nizamabad	Bilty	1775	1800	1550	1360	1450
Ahmadabad	Feed	1800	1850	1700	1300	1525
	Starch	1850	1885	1750	1340	1550

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

	Argentina	Brazil	US	India
FOB	174.31	165.20	172.80	260.34
Cost and Freight	224.31	220.20	232.80	295.34

Soy Meal Exports (In MT):

Month	2014	2015	2016	2017	2018
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						
Commodity	State	Variety	Centre	3-Jan-19	27-Dec-18	Change
Bajra	Karnataka	Hybrid	Bellary	1874	1785	89
		Hybrid	Bangalore	2200	2200	Unch
Jowar	Karnataka	White	Bangalore	2200	2400	-200
		White	Bellary	2053	1618	435
Maize	Karnataka	Yellow	Davanger e	1650	1630	20
	Andhra Pradesh	Yellow	Nizamaba d	1700	1700	Unch
Rice	Haryana	IR8	Karnal	2800	2800	Unch
		Parmal Raw	Karnal	3400	3400	Unch
Soy meal	Madhya Pradesh	DOC	Indore	2780	2700	80
	Maharashtra	DOC	Sangli	3000	2850	150
Sunflower Meal	Andhra Pradesh	Ex-factory	Adoni	2160	2120	40
	Maharashtra	Ex-factory	Latur	Unq	Unq	-
Mustard	Rajasthan	Plant delivery	Jaipur	1460	1450	10
Groundnut Meal	Gujarat	GN Cake	Gondal	2450	2450	Unch
Cottonseed Oil Cake	Gujarat	Ex- Mandi	Kadi	1941	1876	65
Cottonseed Oil Cake	Maharashtra	Ex- Mandi	Akola	1950	1856	94
Note: Prices Rs./Qtl						

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