
Oilmeal Monthly Research Report

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Executive Summary

Soybean witnessed mild gains, soy meal featured and rapeseed-mustard extended losses on need based buying during the month in review.

Poor domestic soy meal demand, higher bean production this season, weak international soybean market remained bearish factors for the domestic soy complex.

The meal prices continued to remain lower keeping soy meal prices attractive for the foreign buyers.

Demand for soy meal of Indian origin has surged in recent months, mainly to the South East Asian country.

Further, expectation of higher rapeseed-mustard production this season after rise in the planted acreage in the same and nearing the end of marketing season remained bearish for seed.

The domestic rapeseed-mustard crop is under pod formation stage and the crop is in good condition.

Further area coverage under other rabi oilseed crop is also up by over 6% compared to the previous season.

The rapeseed-mustard is expected to feature range bound movement with weak bias ahead of new marketing season, higher acreage this season coupled with higher *kharif* oilseeds production. Besides, soybean will remain under supply pressure in near-term.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): The soybean is expected to slightly gain after it reached close to the strong support. Higher domestic soybean production this season, weak record global soybean production continued to be pressurizing factor for the domestic soybean. The prices are expected to feature range bound movement between the price band of 2950 – 3150 levels (Indore, Plant basis).

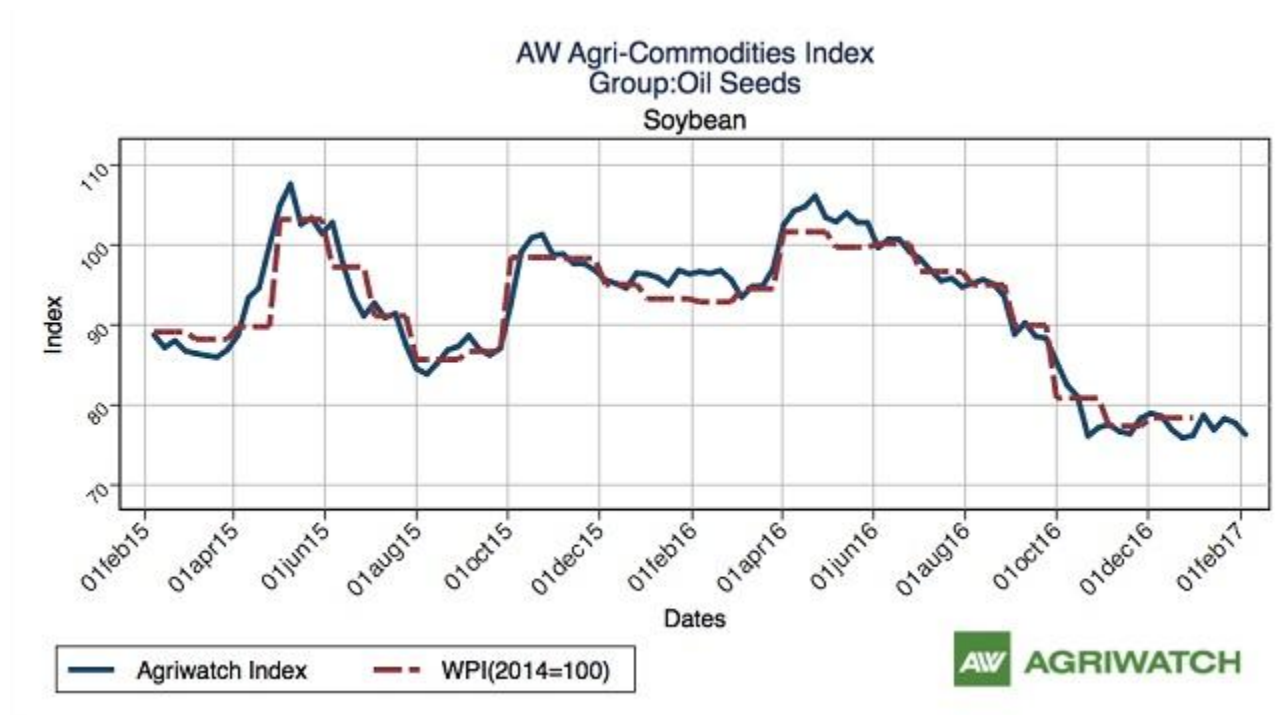
Outlook – Soy meal: Soy meal fell but the prices are around the strong support levels. Expectation of higher crushing on good soybean production continues to be a pressurizing factor for the domestic soy meal. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations including Japan in the upcoming season. The domestic meal prices are likely to remain under new crop supply pressure and feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of 23,000 – 24,000/MT levels during the month.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The rapeseed-mustard continued downtrend on weak demand in the seed during the month in review. Expectation of higher seed production after increase in the area under rapeseed this season and upcoming new marketing season will continue to pressure the seed further. The seed prices are likely to feature weakness and witness the levels between 4,000 – 4,200/Qtl; levels during the month.

AW Oilseeds Index – 04 February 2017

The Agriwatch Agri Commodities Index dipped 0.32% to 114.85 during the week ended Feb 4, 2017 from 115.21 during the previous week. The base for the Index and all sub-Indices is 2014 (= 100).

In the commodity group sub-index, Oilseeds Index stood at 93.99 (-2.39%) week-on-week.



"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website www.agriwatch.com. The daily indices are available on subscription. Please contact for more details."

International Highlights

- ❖ Safras and Mercado has projected its Brazil's 2016/17 soybean production estimated at record 107.1 million tonnes up 10.2% from previous season.
- ❖ In the monthly report Informa has raised the Brazil's 2016/17 soybean to 106.5 million tonnes, up 105 million in its previous estimate in December.
- ❖ INTL FC Stone has raised its Brazil's 2016/17 soybean production estimate to 104.1 million tonnes which is up from 102.8 million estimated in the January.
- ❖ European Union's 2016/17 soybean imports, by 31 Jan. 2017, have fallen by 6% to 7.6 million tonnes from 8.1 million tonnes registered at the corresponding period last year.
- ❖ Besides, the EU 2016/17 soy meal imports, by 31 Jan. 2017, are down by 14% at 10.7 million tonnes from 12.4 million previous year.
- ❖ AgRural consultancy estimated that the 2016/17 Brazil soybean crop harvest reached 4.3% of the area higher compared to 1.5% harvest in the corresponding period last year and 1.2% in the five-year average.
- ❖ The Rosario Grain Exchange has slashed the Argentina's soybean production forecast to 52.9 million tonnes from its earlier forecast of 54.4 million tonnes.
- ❖ Global soybean outturn in 2016/17 is seen at 334 million tonnes, down from a previous projection of 336 million but still a record high, reported in IGC.
- ❖ Conab, the Brazilian government agency, has raised Brazil's 2016/17 soybean production forecast to 103.8 million tonnes from its December forecast of 102.45 million tonnes.
- ❖ Informa Economics has raised its projection for the U.S. 2017 soybean planting at 88.612 million acres surpassing the record high of 83.17 million acres planted in 2016. The projected U.S. 2017 area under corn is slashed to 90.841 million acre from 90.971 million previously, which will divert to soybean.
- ❖ Informa has kept the US 2016 soybean yield at 52.8 bushels per acre which is up from USDA's estimate of 52.5 bushels which is all time high.
- ❖ It has projected US 2016 soybean at 4.381 billion bushels, slightly up from USDA's figure of 4.361 billion.
- ❖ FCStone has raised its forecast for US 2016 soybean productivity to a record 52.8 bushels per acre from 52.5 in its October report.

- ❖ Further, FCStone has raised its US 2016 soybean production estimate to 4.386 billion bushels 4.357 billion bushels projected in October.
- ❖ U.S. Environmental Protection Agency (EPA) increased US biodiesel production target by 6.5 percent in 2017 to 19.28 billion gallons compared to previous mandate of 18.11 billion gallons. Conventional biodiesel use is raised to 15 billion gallons which is mainly corn based biodiesel. Remaining 4.28 billion gallons is set for advanced biodiesel mandate where soy oil is the major contributor. This step will decrease soy oil end stocks in US.
- ❖ Pro Farmer has projected US soybean production at a record 4.093 billion bushels, considering an average yield of 49.3 bushels per acre after the crop tour.
- ❖ After AgRural and Conab, Agroconsult has raised Brazil's 2016/17 soybean production projection to 104.4 million tonnes from 102.6 million tonnes estimated in November.
- ❖ Brazil's 2016/17 soybean production is projected at 106 million tonnes by CRF, the production is much higher than the previous season (96.4 Mn T), when Brazil was hit by drought during the soybean crop development stage.
- ❖ Brazil's 2017 soybean exports are projected at 60 million tonnes which is up from 51-52 million estimated for the current marketing year 2016, reported by the National Association of Exporters of Cereals (ANEC).
- ❖ Further, CRF has projected Paraguay's soybean production at 8.6 million tonnes against 6.4 million tonnes produced last year.
- ❖ Abiove has forecast Brazil's 2017 soybean production at record 101.3 million tonnes compared to 96 – 98 million tonnes estimated for 2016 by various agencies. Abiove has estimated that Brazil will be able to export 57 million tonnes of soybean in 2017.
- ❖ Argentina's 2016/17 soybean production is expected to stand at 56 million tonnes against 58.8 million tonnes produced in 2015/16, said agriculture ministry.
- ❖ Argentina postpones its decision to slash the soy export taxes for this year and 2017. The Argentine government has decided to ease the tax by 0.5% per month from January 2018 to December 2019, stated the President Mauricio Macri.
- ❖ Macri had already cut the export tax from 35% to 30% in December shortly after Macri was elected as President and taking over the office.

- ❖ Argentina's government has raised its 2015/16 soybean crop to 58 million tonnes from its previous forecast of 57.6 million tonnes followed by faster than expected recovery of area considered lost to floods hit area in Argentina.
- ❖ Rosario Grains Exchange have revised its forecast for Argentina's 2015/16 soybeans up to 55.3 million tonnes from 55 million tonnes previously. This is despite severe crop damage after flood in April.
- ❖ Abiove has trimmed Brazil's 2015/16 soybean crop to 96.6 million tonnes (during Feb. – Jan.) from 97.3 million projected earlier. It has lowered Brazil's soybean exports estimate to 53 million tonnes from 53.8 million tonnes. Brazil had shipped 54.3 million tonnes in previous season.
- ❖ World supplies of soybeans are likely to increase sharply by 19 Mn T in 2015/16, despite a global prospective production decline by 3 Mn T, leading to another above-average increase in soybean crushing, reports Oil World.
- ❖ FCStone has increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.
- ❖ Again, Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month. It has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.
- ❖ Brazil's Congress has passed a bill that will increase the country's biodiesel blend from its current 7% to 10% over the next three years.
- ❖ AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains.
- ❖ Rosario Grains Exchange has raised Argentina's 2015/16 soybean production forecast to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.
- ❖ CRF reported that Argentina's soybean production is nearing last year's record of around 61 million tonnes. It also projected Paraguay 2015/16 soybean production at record 9.7 million tonnes which is above USDA's estimate of 8.8 million tonnes.
- ❖ As per the estimates by the government agency, Argentina's 2015/16 soybean production is estimated near 60 Mn T which is below last year production of 61.4 Mn T.

- ❖ China's total soybean imports in 2016 stood at 83.9 million tonnes which is up 2.7% from 2015. This was the smallest growth registered in years due to slowdown in China's economy and rise in country's own soybean production and sales from state inventories.
- ❖ China is forecast to import 85 million tonnes of soybeans in 2016/17, up from the previous season, however, higher inventories is expected to limit the rise in buying.

Sown Area – *Rabi* Oilseeds, India

In the official *Rabi* oilseeds planting report, by the Ministry of Agriculture, (week ending 03 Feb. 2017), the total coverage area under *Rabi* oilseeds is reported at 84.35 lakh hectares, up 6.2% from 79.42 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported up by 9.3% at 70.56 lha compared to 64.53 lha during the corresponding period of last year. Groundnut at 6.16 lha vs 5.96 lha, safflower at 0.95 lha vs 1.17 lha, sunflower at 1.69 lha vs 3.21 lha, sesamum 0.57 vs 0.71 and Linseed at 3.84 lha vs 2.93 lha during the same period last year.

Area in Lakh Hectares

<i>Crop</i>	As on 03 Feb. 2017	As on 03 Feb. 2016	% Change
Rapeseed/Mustard	70.56	64.53	9.3
Groundnut	6.16	5.96	3.4
Safflower	0.95	1.17	-18.8
Sunflower	1.69	3.21	-47.4
Sesamum	0.57	0.71	-19.7
Linseed	3.84	2.93	31.1
Others	0.58	0.91	-36.3
Total Oilseeds	84.35	79.42	6.2

Source: MoA, GOI

Soybean

The domestic soybean featured mild gains on fresh overseas meal demand but higher supplies in bean after improved domestic soybean production and weak international soybean market on record global supplies.

Currently, the bean supplies are almost double compared to the corresponding period last year.

Further, limited buying by the solvent extractors is featured to cater to the overseas and domestic meal demand.

Soy oil and meal are already available at attractive price in the international market. The imported soy oil is cheaper compared to the domestic. Hence soy meal export obligation is the only concern for the solvent extractors at this point.

The soy meal exporters continued to offer meal prices at the attractive prices to the foreign buyers mainly to keep the exports window open for some more time on bearish domestic supply scenario this season.

Our meal prices must compete with the South American prices, where supplies and crushings are expected to peak in a month with bean harvesting in full swing. This will consequently negatively affecting our soy meal exports.

Further, the domestic soy meal demand continued to remain dull due to weak domestic poultry buying.

The *rabi* oilseeds planting is higher by 6% this season after increased *kharif* oilseeds production remained pressurizing factor.

Currently, about 0.55 – 1.25 lakh bags of soybean are arriving in cash markets of Madhya Pradesh against 0.40 – 0.50 lakh bags during the corresponding period last year.

Previous Update

Higher soybean supplies mean increase in crushing and eventually availability of more soy meal, which if not exported in time will lead to huge disparity in crushing.

India's domestic soy meal consumption is around 5 million tonnes and the production is expected to be 8 million tonnes, the surplus 3 million needs to be exported for the good crush market during the season.

The lower soy meal prices have increased the exports prospects which is expected to recover this season, after 3-years of weak soy meal exports of Indian origin. The oilseeds processors want the meal prices to be lower so that the soy meal exports window remains open for some more time, especially when India has produced higher soybean this season.

The soybean supplies continued to be higher not only in Madhya Pradesh but also in the key cash markets of Maharashtra and Rajasthan.

The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Joara, Agrawal Soy Dewas, Agrawal Neemuch, Adani, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, Divya Jyoti, G. Ambuja, Itarsi, Indian Soya, Khandwa, Khyati, Kriti, K.P. Newari, Mahakali, M.S. Neemuch, Prakash, Oyster

Exim, Prestige, Ruchi, Rama, RH Solvex, SSA Mandideep, Shanti Overseas, Sawariya Itarsi, Sitashri, Vippy (10-2-2 specification) for Dewas and Mandsaur delivery during the week.

The domestic soybean prices are likely to feature range-bound movement with firm bias on fresh buying by the solvent extractors and stockists. However, higher soybean production this season, weak soy meal export sales will limit the gains in soybean in near-term.

International:

The CBOT soybean posted gains on strong demand for the US soybean and crop losses in South America due to heavy rains especially in Argentina.

The CBOT soybean improved, during the month, and the March contract soybean prices ended at US \$ 10.24/bushel and compared to US \$ 10.04/bushel last month.

Heavy rains in Argentina has already lead to the crop losses in Argentina, but better crop prospects in Brazil on higher yield potential has offset the losses in Argentina.

Several agencies have raised Brazil's 2016/17 soybean production and estimates are between 103 -107 million tonnes.

Safras and Mercado has projected its Brazil's 2016/17 soybean production estimated at record 107.1 million tonnes up 10.2% from previous season.

The rise in production is attributed to favorable weather which has boosted the yield potential mainly in Midwest and Southeast.

The harvest in Mato Grosso is expected to stand at 30.06 million tonnes, 9% above previous season. In the state of Parana it is expected 17.8 million tonnes, up 7%. In Rio Grande do Sul, the harvest is likely to reach 16.5 million tonnes, up 1% from 2015/16.

Informa Economics has raised its Brazil's 2016/17 soybean crop and kept Argentina's production estimate unchanged.

In the monthly report Informa has raised Brazil's 2016/17 soybean to 106.5 million tonnes, up 105 million in its previous estimate in December.

It has kept the Argentina's 2016/17 soybean production unchanged at 55.0 million tonnes.

INTL FC Stone has raised its Brazil's 2016/17 soybean production estimate to 104.1 million tonnes which is up from 102.8 million estimated in the January.

Better yield is attributed to the higher production estimate. The consultancy has not reduced the planted area estimate while increased the productivity to 3.1 tonnes per hectares compared to 3.06 tonnes per hectares in January.

The lined up vessels at the Brazilian ports suggests that about 4.39 million tonnes of soy is expected to be shipped to the foreign buyers which is about 97% more than the corresponding period last year, data released by shipping agency Wilson Sons compiled by Reuters.

Dry weather has improved Argentina's 2016/17 soybean crop development. This is despite recent flood. The overall Argentine crop is in good condition.

European Union's 2016/17 soybean imports, by 31 Jan. 2017, have fallen by 6% to 7.6 million tonnes from 8.1 million tonnes registered at the corresponding period last year.

Besides, the EU 2016/17 soy meal imports, by 31 Jan. 2017, are down by 14% at 10.7 million tonnes from 12.4 million previous year.

The gains in the CBOT soybean was limited on the estimated record Brazilian soybean production and improving weather in Argentina after heavy rains previously.

The lined up vessels at the Brazilian ports points suggest that about 4.39 million tonnes of soy is expected to be shipped to the foreign buyers which is about 97% more than the corresponding period last year, data released by shipping agency Wilson Sons compiled by Reuters.

Previous updates:

Imea – the farmers institute said, soybean harvesting in Mato Grosso, where the harvesting first started, was 16.25% compared to 8.19% during the corresponding period last year.

The Imea was expecting it to be about 18% by now.

AgRural consultancy estimated that the 2016/17 Brazil soybean crop harvest reached 4.3% of the area up compared with 1.5% harvest in the same period last year and 1.2% in the five-year average.

Multiple agencies have cut Argentina's 2016/17 soybean production forecast to 53 – 56 million tonnes. CRF has reduced the Argentina's 2016/17 soybean production projection to 56.1 million tonnes from 58 million projected earlier.

Heavy rains in addition to the strong storm have raised concerns over the crop development; the event may negatively affect the yield potential.

The Rosario Grain Exchange has slashed Argentina's soybean production forecast to 52.9 million tonnes from its earlier forecast of 54.4 million tonnes.

Global soybean outturn in 2016/17 is seen at 334 million tonnes, down from a previous projection of 336 million but still a record high, reported in IGC.

Informa Economics has slashed its US 2017 soybean plantings to 88.647 million acres from 88.862 million acres projected in December.

This is after the rise in US 2017 corn planting projections to 90.489 million acres from 90.151 million acres in the previous month.

AgRural consultancy has raised its Brazil's 2016/17 soybean production forecast to 103.1 million tonnes from 101.8 million tonnes projected previous month.

The raise is attributed to better yield potential, but few areas like Bahia, Goias, Minas Gerais could face the productivity losses due to poor rains, said AgRural.

Conab, the Brazilian government agency, has raised Brazil's 2016/17 soybean production forecast to 103.8 million tonnes from its December forecast of 102.45 million tonnes.

The figure is slightly above the analysts' forecast of 103.5 million tonnes estimated in the Reuters poll.

The raise is attributed to the favorable weather which has boosted the yield.

Brazil's 2015/16 soybean production stood at 95.4 million tonnes, when the production was hit due to the dry weather conditions.

Further Brazil is likely to export 57 million tonnes of soybean in 2016/17 compared to 51.6 million tonnes in 2015/16.

After AgRural and Conab, Agroconsult has raised the Brazil's 2016/17 soybean production projection to 104.4 million tonnes from 102.6 million tonnes estimated in November.

The raise is attributed to favourable weather conditions which helped boost the yield potential.

Brazil's 2015/16 soybean production fell due to the unfavorable weather condition and the country could harvest only 96.3 million tonnes of soybean.

Argentina's 2016/17 soybean production is expected to stand at 56 million tonnes against 58.8 million tonnes produced in 2015/16, said agriculture ministry.

China's total soybean imports in 2016 stood at 83.9 million tonnes which is up 2.7% from 2015. This was the smallest growth registered in years due to slowdown in China's economy and rise in country's own soybean production and sales from state inventories.

Buenos Aires Grain Exchange has lowered Argentina's 2016/17 soybean planting estimate to 19.3 million hectares from its previous forecast of 19.6 million. Fall in area is attributed to the dry weather in Southeast Buenos Aires province. Argentina's 2015/16 area under soybean was reported at 20.1 million hectares

Conab, the Brazil's government crop supply agency has forecast Brazil's 2016/17 soybean production at 102.45 million tonnes, up 7% from the last season.

Argentina's 2016/17 area under soybean is forecast at 20.3 million hectares which is up from the previous forecast of 20.2 million hectares, by the agriculture ministry in the monthly crop progress report. There was a fear that Argentina will grow less soybean if the country does not receive rains in time.

China is estimated to import 86 million tonnes of soybean in 2016/17 season, which will be highest ever.

Brazil's soy group Abiove has projected country's soybean exports at 58 million tonnes of soybean in 2017.

The group has estimated 2 million tonnes of additional soy meal production from March 2017 on biodiesel blend.

It has projected Brazil's 2016/17 soybean crop at 101.7 million tonnes and 41 million tonnes of soybean crush in 2017.

China's 2016/17 soybean imports growth are expected to slow down on higher state reserve or inventories and increase in China's soybean production this season.

China's soybean production is up 13% to 13.1 million tonnes, highest in last 5 years, reported by China National Grain and Oils Information Center (CNGOIC).

China's soybean imports slowed down due to its higher state soy inventories.

Paraguay's area under soybean is expected to increase in 2016/17 due to favorable soy prices and expected better returns. Production is forecast up at 8.6 million tonnes compared to 6.4 million tonnes last season.

The international soybean prices are expected to feature range bound movement with firm bias on strong export demand for US soybean and strength in crude oil.

Balance Sheet – Soybean, India

Fig. in MnT

Soybean (Fig in Mn T) MY- Oct.-Sep.			Q3	Q4	Q1	Q2
	2015- 16E	2016- 17F	Oct-Dec'16 F	Jan-Mar'17 F	Apr-Jun'17 F	July-Sep 17 F
Carry In	0.23	0.23	0.23	4.83	2.65	1.38
Production	9.00	11.50	11.5	0	0	0
Imports	0.00	0.00	0	0	0	0
Total Availability	9.23	11.73	11.73	4.83	2.65	1.38
Processing/Crushing	7.50	10.00	6.65	1.94	0.77	0.65
Exports & Direct Consumption	0.50	0.50	0.25	0.25	0.00	0.00
Seeding/Retained for Sowing	1.00	1.00	0	0	0.5	0.5
Total Usage	9.00	11.50	6.90	2.185	1.265	1.15
Carry Out	0.23	0.23	4.83	2.65	1.38	0.23
Monthly Use	0.75	0.96				
Stock/Consumption Ratio	0.03	0.02				
Stock to Month Use Ratio	0.30	0.23				

Source: Agriwatch

- **Trade Observations: Active buying is featured in soybean at various key cash markets. The solvent extractors and stockists are covering their stock future and to meet the soy meal commitments both at overseas and domestic front.**
- India's 2016/17 soybean production is projected at 11.5 million tonnes against 9.0 million last season.
- We expect India's 2016/17 soybean crush at 10.0 million tonnes vs 7.5 million in 2015/16.
- This translates into availability of 8 million tonnes of soy meal and 1.8 million tonnes of soy oil in 2016/17.
- Higher crushing mean increase in the availability of soy meal. India's soy meal prices have to compete with the meal prices of South America in 2016/17 also.

Soy meal

The domestic soy meal continued to remain under pressure in a bid to keep the prices attractive for foreign buyers by solvent extractors during the month in review.

Further, the domestic soy meal demand continued to remain weak on feeble demand in the poultry.

However, better overseas soy meal demand in recent weeks limited the losses. India has reportedly exported 2 lakh tonnes of soy meal in January while Brazil has exported 1.39 million tonnes of soy meal during the same period. Detailed export figure will be discussed in the next weekly.

India has registered the surge of about 736% of soy meal exports in December 2017, y-o-y.

But as discussed above weak domestic soy meal demand from poultry remained pressuring factor for domestic soy meal prices.

The Indian soy meal exporters continue to offer the soy meal at attractive prices to the foreign buyers to compete with the South American meal prices and keep the exports window open for some more time to utilize the expected higher meal supplies this season.

Soy meal witnessed fall in the international market and the March CBOT soy meal settled at US \$ 316 per short ton compared to US \$ 331 per short ton last week.

The domestic soy meal prices at Indore, fell and were quoted at Rs 23,056 – 23,650/MT in the last week of January compared to Rs 22,425 – 23,400/MT compared to corresponding period last month.

At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 23,400/MT compared to Rs 23,650/MT in Indore and Rs 24,400/MT in Kota, in the last week of January.

Previous Updates

India is expected to produce 8 million tonnes of soy meal this season. Out of which 5 million tonnes will be consumed domestically but another 3 million needs to be shipped overseas, failing which, the disparity on crushing soybean will increase.

India's forward booking for soy meal are better than the corresponding period last year, further sharp fall in the export prices in recent weeks in soy meal have made the imports from India lucrative.

The meal prices are unlikely to post sharp gains to keep the exports window open at least for the period when India's soybean crushing is at a higher pace for first 4 - 5 months (Oct-Feb) of the new marketing season.

Higher domestic soybean production in 2016/17 will eventually increase the soybean crushing which will further increase the availability in soy meal this season.

We expect India's soy meal exports to recover slightly in the new season with higher 2016/17 soybean production leading to higher crushing eventually increasing the meal supplies.

India's 2016/17 soy meal exports are expected to witness 3 year high and expected to jump 2 million tonnes from 2,61,051 exported last year, stated industry officials.

The exporters have contracted to ship around 500,000 tonnes soy meal for December-March delivery.

However, currently the domestic soy meal demand is sluggish due to weak demand from poultry owing to fall in poultry demand after demonetization.

India's soy meal and its other value added products (HS Code 2304) during January 2017 is 1,55,164 tons compared to 28,398 tons in January 2016 showing an increase of 446.38% over the same period of last year.

On a financial year basis, the export during April'2016 to January'2017 is 6,01,294 tons as compared to 3,30,702 tons in the same period of previous year showing an increase of 81.82%.

During current Oil year, (October – September), total exports during October 2016 to January 2017 is 5,25,562 tons as against 1,29,174 tons last year, showing an increase by 306.86%, as reported by SOPA.

Japan (47703.830 MT), Bangladesh (44100.000 MT), France (35700.000 MT), Myanmar (12451.030 MT) and Indonesia (6435.000 MT) remained the top buyers of the soy meal of Indian origin during the month of January 2017.

Recovery in exports is primarily due to drastic fall in the Indian soy meal prices making it price competitive to South America.

Indian meal prices need to be highly competitive against the South American and China's meal prices to regain the lost markets it lost in previous seasons.

Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advantage and demand for non-GMO meal has lost the ground owing to much higher soy meal price of Indian origin compared to the South American meal. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea were the major destinations for Indian soy meal exports, whose demand shifted to South America.

India's Y-o-Y soy meal prices, Indore, are currently lower. Soy meal Indore was quoted lower between Rs 23,056 – 23,660/MT in the last week of January compared to Rs 33,700 – 33,800/MT during the corresponding period last year.

The soy meal prices are likely to feature range-bound movement with firm-bias on likely fresh buying by the poultry and feed manufacturing industry. However, higher domestic and international soybean production will limit the gains market, in near-term..

Soy Meal Export (In MT)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Jan	521243	521243	240318	574996	474993	619793	364443.7	103934	7707
Feb	375098	375098	220552	540360	344240	577589	183551	64514	1127
Mar	224639	224639	163666	410537	460464	302131	232176	46670	430.1
Apr	539175	100106	60264	305033	313832	100312	75884	18017	1442
May	326875	77018	60575	176819	142588	97547	8226	14045	1015
Jun	241508	109923	98400	117600	180987	213564	2636	2098	2672
Jul	282438	58268	166632	139547	168341	107038	6682	929	3290
Aug	205890	127299	176138	165510	10005	183555	2778	768	1726
Sep	68443	171955	290868	225921	6525	173381	868	6886	3343
Oct	88723	219721	404960	223594	49840	182724	29071	4237	3177
Nov	647400	297340	443488	397659	517103	503269	110806	8909	51805
Dec	655882	328225	611157	798041	510698	451314	193832	5667	-
Total	4177314	2610835	2937018	4075617	3179616	3512217	843874	276674	153464

Source: SEA

India's soy meal exports are seen improving with attractive price offer, after multi-year fall in exports due to the demand shift to South America, owing to the competitive meal price of South America over India's.

Soybean Crush Margin

Avg Crush Margin – Jan. 2017		Avg Crush Margin – Dec. 2016		Avg Crush Margin – Jan. 2016	
-420		-128		-1278	
Min	Max	Min	Max	Min	Max
-1120	990	-950	615	-1805	-870

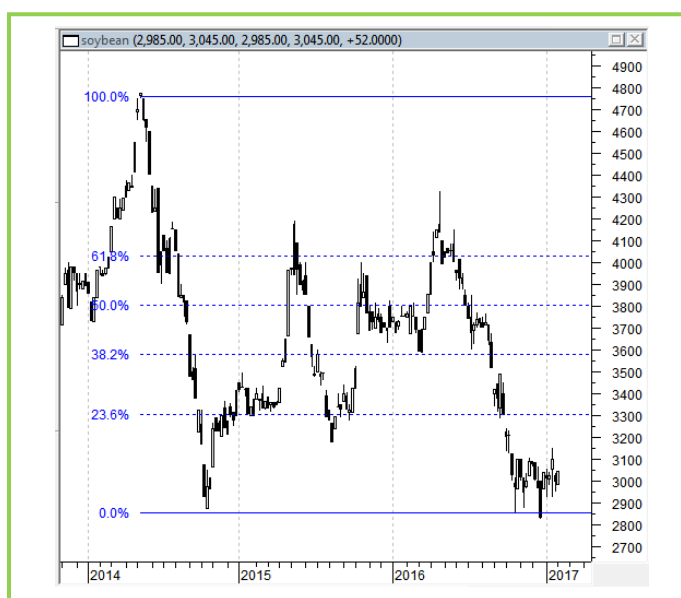
The domestic soybean crush margins in January 2017 have significantly recovered from the corresponding period last year on better margins after surge in the soy meal exports from India in the new 2016/17 marketing season.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Daily Chart

Support & Resistance NCDEX- Soybean Mar. Contract

S1	S2	PCP	R1	R2
2950	2900	3091	3289	3388

- Soybean extended losses on selling pressure in the market.
- Prices closed below 40-day EMA.
- MACD is falling in the negative territory.
- RSI and stochastic are easing in oversold zone.
- Trade Recommendation (NCDEX Soybean – Mar.) – 1 Month: **BUY** Above 2990. T1 – 3090; T2 - 3140; SL –2930.

Rapeseed - Mustard Seed

The domestic rapeseed-mustard declined on fag end with feeble buying by the solvent extractors. Expectation of higher 2016/17 domestic rapeseed-mustard production after higher planted area under the seed remained pressurizing factor.

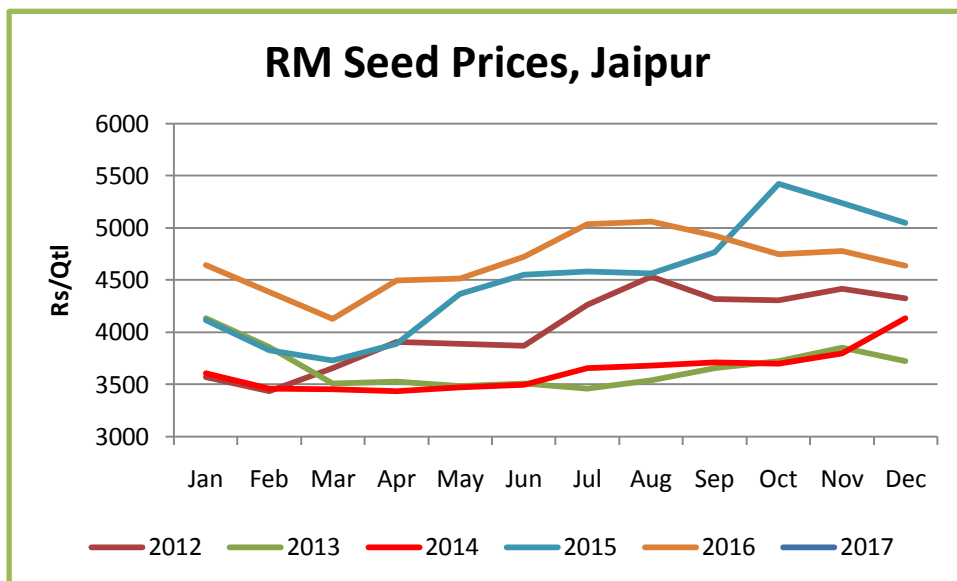
The mustard seed crop is in healthy condition and in pod formation stage across the key producing belt. Considering the weather and crop health, there are fair chances of increase in the yield potential in rapeseed-mustard crop.

In the recent government update on rabi crop planting, India's rapeseed-mustard sowing is reported up by 9.3% at 70.56 lha compared to 64.53 lha during the corresponding period of last year.

India is expected to produce around 7.0 million tonnes of rapeseed-mustard in 2016/17 with an average yield of about 1000 kg/ha compared to 5.8 million in 2015/16.

The seed prices, during the week, at benchmark, Jaipur was quoted between Rs. 4,155 – 4,190 per quintal compared to Rs. 4,150 – 4,245 per quintal witnessed in the corresponding periods last year.

The all India daily arrivals of the seed continued to ease and were reported between 0.60– 0.65 lakh bags and are lower compared to 1.15 - 1.50 lakh bags during the corresponding period last year.



At NCDEX the April contract is trading around 3860/Qtl while the seed prices in the May contract is hovering around 3900/Qtl.

India's palm oil imports have fallen m-o-m but the buying is still strong due to competitive price pressuring the mustard oil and subsequently the rapeseed-mustard prices.

RM Seed Supply, Pan India

RM Seed Arrivals Pan India in Bags (85 kg each).		
Monthly Arrivals– Jan.	1 Month Ago	Corresponding Period Last Year
16,55,000	13,80,000	19,05,000

Malaysia's January palm oil exports rose 4.3 percent to 1,157,288 tons compared to 1,109,606 tons in December 2016. Top buyers were European Union at 213,950 tons (257,808 tons), China at 145,510 tons (176,477 tons), India at 140,550 tons (154,525 tons), United States at 50,350 tons (43,620 tons) and Pakistan at 31,500 tons (46,150 tons). Values in brackets are figures of December 2016, reported cargo surveyor Societe Generale de Surveillance (SGS).

Indonesia's December 2016 palm and palm kernel oil exports fell 5.6 percent to 2.68 MMT from 2.84 MMT in November 2016. Exports rose 6.8 percent from December 2015 when exports were 2.51 MMT. Exports in November 2016 rose 17.8 percent compared to October 2016. Exports in October 2016 were 2.41 MMT, said Indonesia Palm Oil Association.

According to Indonesia Palm Oil Association, Indonesia's 2017 crude palm oil production is estimated to rise 12.7 percent to 35.5 MMT compared to 31.1 MMT in 2016. Heavy rains in 2016 will support palm oil production and growth in plantation in 2013 will bear fruit in 2017.

Malaysia's palm oil production in 2017 is estimated to rise 12 percent to 19.4 MMT from 17.4 MMT in 2016. Exports of palm oil in 2017 from Malaysia will increase 11.2 percent to 17.85 MMT from 16.05 MMT in 2016. CPO prices are expected to remain firm in 2017, according to the board, said the Malaysia Palm Oil Board (MPOB).

Previous Updates

Malaysia's December palm oil end stocks rose 0.2 percent to 16.65 lakh tons compared to 15.63 lakh tons in November. Market expectation was fall of end stocks. Production dropped 6.43 percent in December to 14.74 lakh tons compared to 15.75 lakh tons in November. Exports in December fell 7.48 to 12.64 lakh tons compared to November exports at 13.70 lakh tons. Imports in December fell 35.79 percent to 0.36 lakh ton compared to 0.57 lakh tons in November, said Malaysian Palm Oil Board (MPOB).

India's December edible oil imports fell 16.7 percent y-o-y to 11.74 lakh tons from 14.09 lakh tons in December 2015. Palm oil imports fell 8.6 percent y-o-y to 7.23 lakh tons y-o-y from 7.91 lakh tons in December 2015. CPO Imports fell 14.2 percent y-o-y to 4.73 lakh tons from 5.51 lakh tons in December 2015. RBD palmolein imports rose 6 percent y-o-y to 2.46 lakh tons from 2.32 lakh tons in December 2015. Soy oil imports fell 52.7 percent y-o-y to 2.32 lakh tons from 4.90 lakh tons in December 2015.

Sunflower oil imports rose 44.3 percent y-o-y to 1.85 lakh tons from 1.03 lakh ton in December 2015. Rapeseed (Canola) oil imports rose 27 percent y-o-y to 0.33 lakh tons from 0.26 lakh tons in December 2015, reported by the Solvent Extractors Association (SEA).

India's December edible oil stocks at ports and pipelines rose 1.1 m-o-m to 18.45 lakh tons from 18.25 lakh tons in November 2016. Stocks of edible oil at ports rose to 695,000 tons (655,000 tons last month) which includes (CPO 240,000 tons, RBD Palmolein 145,000 tons, Degummed Soybean Oil 210,000 tons, Crude Sunflower Oil 90,000 tons and 10,000 tons of Rapeseed (Canola) Oil) and about 1,150,000 tons in pipelines (stocks in pipelines were at 1,170,000 tons in November). India is presently holding 34 days of edible oil requirement on 1st January, 2016 at 18.45 lakh tons compared to 33 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons, as per Solvent Extractors Association (SEA).

Indonesia is expected to produce 32-33 MMT of palm oil in 2017 compared to estimated production of 28.5-30 MMT in 2016, higher by 16 percent y-o-y. Production in 2015 was 33 MMT. Wet condition in 2016 in Indonesia is primary reason for higher production in 2017. Exports are expected to grow to 23-25 MMT in 2017 compared to 23 MMT estimated in 2016. Palm oil prices rose in 2016 due to lower stocks of palm on El Nino, crude oil prices and biodiesel mandates in Indonesia and Malaysia, said Indonesia Palm Oil Association (GAPKI).

Indonesia has imposed crude palm oil duty for January at USD 3 per ton. The reference price of CPO is set at USD 788.26 per ton. Tax will be charged when the prices rise above USD 750 per ton, Indonesia government.

Malaysia increased crude palm oil export duty to 7 percent for January from 6 percent in December. Tax is calculated at reference price of 3,119.48 ringgit (\$696.62) per ton. Prices above 2,250 are taxed starting from 4.5 percent to a maximum of 8.5 percent, Malaysia Palm Oil Board (MPOB).

India's rapeseed-mustard is driven by Malaysian palm oil, India's edible oil imports and Chinese vegoil demand.

Outlook: The rapeseed-mustard is expected to witness downward movement higher domestic acreage under the seed, upcoming new marketing season and better kharif oilseeds production and their supplies.

Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2015-16	2016-17*F	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.20	0.20	0.10	2.92	1.53	0.81
Production	5.90	5.80	5.80	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	6.10	6.00	5.90	2.92	1.53	0.81
Processing/Crushing	5.70	5.90	2.93	1.34	0.62	0.61
Exports	0.00	0.00	0.00	0.00	0.00	0.00
Retained for Sowing & Direct Consumption	0.30	0.30	0.05	0.05	0.10	0.10
Total Usage	5.70	5.90	2.98	1.39	0.72	0.71
Carry Out/Ending Stock	0.20	0.10	2.92	1.53	0.81	0.10
Monthly Use	0.48	0.49				
Stock/Consumption Ratio	0.04	0.02				
Stock to Month Use Ratio	0.42	0.20				

(Source: Agriwatch)

- We have pegged India's 2016/17 Rapeseed-mustard outturn at 5.8 million tonnes, slightly lower by 1% compared to the 2015/16 production at 5.9 million tonnes.
- India's production is below 5 year average of around 7.0 million tonnes. This is mainly due to the fall in sown area in last couple of years.
- **Trade Observations: India is an import dependent country in edible oils, hence the oilseeds produced almost gets crushed fully, prices to remain strong in 2016-17 season due to the sharp demand in the seed.**
- India's rapeseed-mustard prices hit all time high at cash market in 2015-16 season to Rs 5,575/Qtl in Jaipur, surpassing the previous high registered in 2012 at around Rs 4,653/Qtl, Jaipur basis.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



*Daily Chart

Support & Resistance NCDEX - RM Seed Apr. Contract

S1	S2	PCP	R1	R2
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- Rapeseed-mustard fell on selling pressure in the market.
- Prices closed below 40-day EMA.
- MACD is easing in negative territory.
- RSI and stochastic are falling in neutral zone.
- Trade Recommendation (NCDEX RM Seed – Apr.) – 1 Month: **SELL** Below 4050. T1 – 3850; T2 - 3800; SL –4170.

Annexure

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	31-Jan-17	31-Dec-16	Parity To
Indore (MP)	23169	23100	Gujarat, MP
Kota	24100	24300	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	23800	23800	Mumbai, Maharashtra
Nagpur (42/46)	23500	23000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	23400	23500	Andhra, AP, Kar, TN
Latur	23400	23400	-
Sangli	24000	25000	Local and South
Sholapur	23800	23600	Local and South
Akola	23500	22700	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	23500	23500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Bundi	22600	23800	-

Soy DOC at Port			
Centers	Port Price		
	31-Jan-17	31-Dec-16	Change
Kandla (FOR) (INR/MT)	25100	25000	100
Kandla (FAS) (USD/MT)	369	368	1

International Soy DOC			
Argentina FOB USD/MT	30-Jan-17	31-Dec-16	Change
Soybean Pellets	353	334	19
Soybean Cake Flour	353	334	19
Soya Meal	361	342	19
Soy Expellers	361	342	19

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	31-Jan-17	31-Dec-16	Change
Adoni	17800	18000	-200
Khamgaon	NA	NA	-
Parli	17800	17800	Unch
Latur	17600	17600	Unch

Groundnut Meal (Rs/MT)	31-Jan-17	31-Dec-16	Change
Basis 45%, Saurashtra	20800	21300	-500
Basis 40%, Saurashtra	19300	19800	-500
GN Cake, Gondal	21000	21800	-800

Mustard DOC/Meal	31-Jan-17	31-Dec-16	Change
Jaipur (Plant delivery)	15300	16300	-1000
Kandla (FOR Rs/MT)	15100	16300	-1200
Sri Ganganagar	1855	2055	-200

MSP for 2016/17 Kharif Oilseeds

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for Minimum Support Prices (MSPs) for Kharif Crops of 2016-17 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 6.7% to Rs 2775/Qtl (including Rs 100 bonus) for 2016-17 season from Rs 2600/Qtl in 2015-16, Groundnut -in- shell by 4.7% to Rs 4220/Qtl (including Rs 100 bonus) from Rs 4030/Qtl, Sunflower seed by 3.9% to Rs 3950/Qtl (including Rs 200 bonus) from Rs 3800/Qtl, Nigerseed by 4.8% to Rs 3825/Qtl (including Rs 100 bonus) from Rs 3650/Qtl and Sesamum by 6.4% to Rs 5000/Qtl (including Rs 200 bonus) from Rs 4700/Qtl.

MSP for 2016/17 Rabi Oilseeds

The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2016-17 season are as follows: The MSP of Rapeseed/Mustard is raised (10.4%) by Rs. 350/Qtl to Rs. 3,700/Qtl from Rs. 3,350/Qtl earlier. For Safflower too it is increased (12.1%) by Rs. 400/Qtl to Rs. 3,700/Qtl from Rs. 3,300/Qtl in 2014-15. Further, to incentivise cultivation of oilseeds, the Cabinet has decided to give a bonus of Rs 100/- per quintal each for Rabi oilseeds including Rapeseeds/Mustards and Safflower, over and above the recommendations of the CACP.

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