
Oil meals Monthly Research Report

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Executive Summary

Domestic soybean, meal and rapeseed-mustard witnessed positive tone on renewed buying interest, spillover support from CBOT and lower kharif soybean acreage till date.

Recent rains in the growing regions of Madhya Pradesh and Rajasthan will be beneficial for the crop in this month. The erratic distribution of rainfall this season will affect the productivity of the crop.

India's soybean planting is in full swing with the monsoon rains in the key growing belt. However the overall sowing progress is below previous year's level.

The overall monsoon is forecast to be normal.

We expect the domestic 2017 soybean planting lower compared to the previous year due to the lower remuneration in the crop to the farmers and the area is much likely to shift to cotton and urad.

Attractive price for soy meal by South America and positive tone in INR is limiting the gains in the cash market.

Increase in US soybean planting intention for 2017 and higher supplies of soybean in South America will cap gains in the market.

The rapeseed-mustard prices witnessed recovery amid good demand from the solvent extractors and are well above the MSP of Rs.3700/Qtl.

The rapeseed-mustard prices will remain under overall higher supply pressure and it will limit any major upside movement in near to medium-term.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): The soybean witnessed positive tone amid good buying interest in the cash market and lower acreage till date. Bearish global supply scenario, strength in INR against US dollar and higher soy production will cap gains in the medium -term. Favourable weather in the U.S. Midwest will limit gains in the coming days. The prices are expected to feature range bound movement with weak bias between the price band of 2900 – 3100 level (Indore, Plant basis).

Outlook – Soy meal: Soy meal continued positive tone following soybean and good demand in the cash market. Concern over appreciation in INR against USD will render India's meal exports non-competitive in the international market will limit the gains. In last three months the export of oil meals improved compared to the previous year, thanks to good monsoon, better oilseeds production and price parity. Prices have to remain competitive in order to gain global market share. The domestic meal prices are likely to remain under supply pressure in medium –term. Prices are likely to feature range bound movement with weak bias in near-term. Soy meal, Indore is expected to be in the range of 24,500 – 26,500/MT levels during the month.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The rapeseed-mustard witnessed firm tone amid good festival demand and overall positive tone in edible oils. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3750 – 3950/Qtl; levels during the month. Higher supply pressure and overall bearish scenario of palm oil at BMD will add to the weak tone of the market.

International Highlights

- ❖ Acreage under soybean in the coming season 2017-18 is likely to increase in Brazil according to analyst's survey conducted by Reuters. The average of nine estimates for the new crop indicated a planted area with the oilseed of 34.7 million hectares (85.7 million acres), with soybeans being planted in areas previously cultivated with corn. Production on average was forecast at 110.6 million tonnes around 3 percent below the record volume seen in 2016-17.
- ❖ Advisory service Pro Farmer, a division of Farm Journal Media projected 2017 U.S. soybean production at a record of 4.331 billion bushels, based on an average yield of 48.5 bushels per acre. The forecast is lower than the U.S. Department of Agriculture's prediction on Aug. 10 of 4.381 billion bushels on a yield of 49.4 bushels per acre.
- ❖ According to Farm Futures first survey of 2018 planting intentions, soybean planting in US in 2017/18 is likely to decline by 3.9% to 86.1 million acres compared to USDA's August 2017 estimates. Farmers are likely to shift towards wheat in the coming season.
- ❖ In the weekly USDA crop progress report released on 21 August; Soybeans blooming are reported at 97% which is down from 98% during the corresponding period last year and same as the 5 year average of 93%. Soybean crop setting pods are reported at 87% which is down from 88% during the corresponding period last year and up from the 5 year average of 85%. About 60% of the soybean planted crop is under good to excellent condition which is down from 72% during the corresponding period last year.
- ❖ According to Argentina's oilseed industry, local prices for soy oil and soybeans will likely decline as a result of the U.S. decision to impose high tariffs on imports of Argentine biodiesel. In 2016, 1.5 million tonnes of soybean oil were used to manufacture biodiesel shipped to the United States, representing 7.5 million tonnes of soybeans. The U.S. Commerce Department has imposed duties of up to 64.17 percent on biodiesel imports from Argentina.
- ❖ FC Stone has raised its forecast of the U.S. 2017 soybean yield to 49.8 bpa, up from its Aug. 1 figure of 47.7. The firm forecast U.S. soybean production at 4.418 billion bushels, up from 4.235 billion.
- ❖ According to Conab, Brazil's 2016/17 soybean crop has been increased to 114 million tonnes from 113.92 million tonnes in July on increase in planted area.

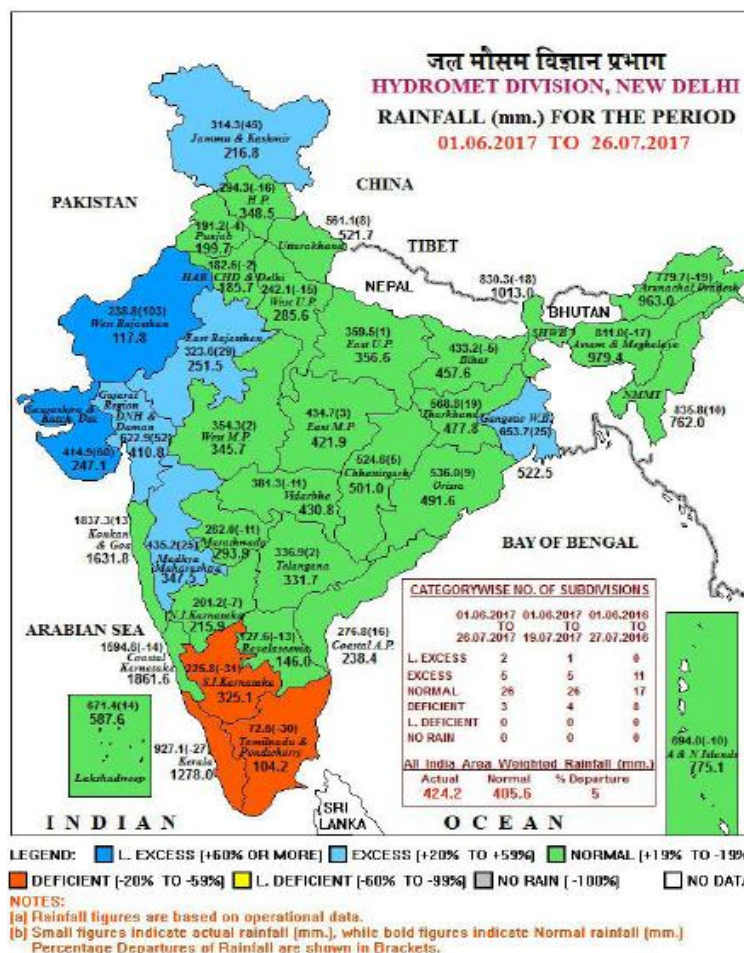
- ❖ According to NOPA, 144.718 million bushels soybean was crushed in July 2017 compared to 138.074 million bushels previous month. It is above analyst's expectation of 143.004 million bushels. Soy meal exports during the month increased to 596,767 tons compared to 562,684 tons in June and 579,417 tons a year earlier.
- ❖ According to latest USDA weekly export sales report, net sales of 123,200 MT for 2016/2017 were down noticeably from the previous week, but up noticeably from the prior 4-week average. Increases were reported for China (209,900 MT, including 123,000 MT switched from unknown destinations), the Netherlands (85,800 MT, switched from unknown destinations), Japan (64,800 MT, switched from unknown destinations), Indonesia (29,100 MT, including 24,500 MT switched from unknown destinations), and Bangladesh (12,900 MT, switched from unknown destinations). Reductions were reported for unknown destinations (253,500 MT), Pakistan (67,500 MT), and Costa Rica (7,000 MT).
- ❖ U.S. oilseed production for 2017/18 is projected at 130.9 million tons, up 3.9 million from last month mainly due to higher soybean production in the August monthly supply and demand report released by USDA. Soybean production is forecast at 4,381 million bushels, up 121 million on higher yields. Harvested area is forecast at 88.7 million acres, unchanged from July. The first survey-based soybean yield forecast of 49.4 bushels per acre is 1.4 bushels above last month but 2.7 below last year's record. With higher production and lower beginning stocks, soybean supplies for 2017/18 are projected at 4,777 million bushels, up 2 percent from last month.
- ❖ European Union soybean imports in the 2017/18 season that began on July 1 had reached 2.1 million tonnes by Aug. 29, down 15 percent from 2.4 million tonnes at the same stage last season according to official data sources. In soy meal, cumulative EU imports so far in 2017/18 were 3.12 million tonnes, up 2 percent from 3.08 million tonnes a year ago.
- ❖ The IGC has reduced the global soybean output in 2017/18 following overly dry weather in North America, the EU and Australia. Global soybean production in 2017/18 was put at 345 million tonnes, down from a previous forecast of 348 million but still the second-biggest crop on record.
- ❖ Oil World has raised their forecast of South American soybean production for 2016/17 to a record 182.4 million tonnes which is up 16.9 million tonnes from the previous season.

IMD Monsoon Forecast and Current Rainfall Status

In the IMD's Operational 2nd stage Long Range forecast for the 2016:

- Rainfall over the country as a whole for the 2017 southwest monsoon season (June to September) is most likely to be NORMAL (96% to 104% of long period average (LPA).
- Quantitatively, monsoon season rainfall for the country as a whole is likely to be 98% of the LPA with a model error of $\pm 4\%$.
- Region wise, the season rainfall is likely to be 96% of LPA over North-West India, 100% of LPA over Central India, 99% of LPA over South Peninsula and 96% of LPA over North-East India all with a model error of $\pm 8\%$.
- The monthly rainfall over the country as whole is likely to be 96% of its LPA during July and 99% of LPA during August both with a model error of $\pm 9\%$.

The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.

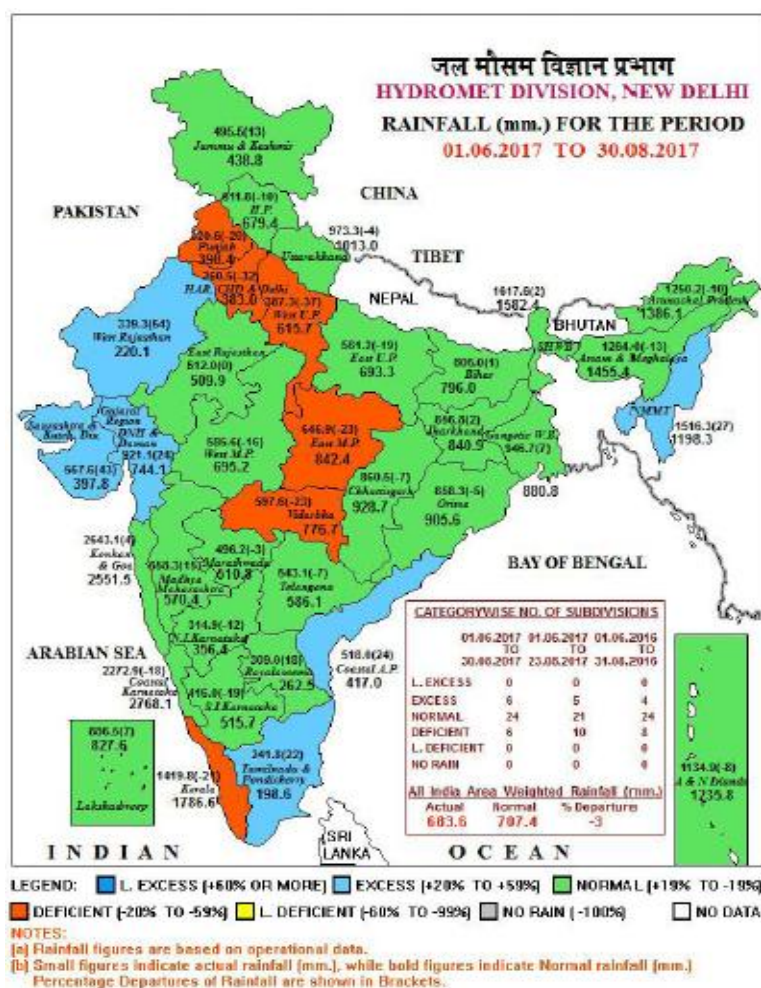


Soybean

In the IMD's Operational 2nd half Long Range forecast for the 2017:

- The rainfall over the country as a whole during second half of southwest monsoon season (August to September) is most likely to be normal (94%-106% of LPA).
- Quantitatively, the rainfall for the country as a whole during the second half of the season is likely to be 100% of LPA with a model error of $\pm 8\%$.
- The rainfall during August is likely to be $99 \pm 9\%$ of LPA.
- The seasonal (June to September) rainfall over the country as a whole is likely to be normal (96% - 104% of LPA) as predicted in June.

The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.



Soybean

The domestic soybean continued positive tone amid good festival demand and lower arrivals. Lower soybean acreage till date added to the positive tone of the market. Arrivals were lower as most of the mandis remained closed for the festivals of 'Janmastami' and 'Ganesh Chaturthi' for some days. Recent rains in certain growing regions of Maharashtra and Madhya Pradesh will prove beneficial for the crop.

Madhya Pradesh Government has cleared scheme to compensate farmers for lower prices. Soybean is also covered under the scheme. The scheme will provide fair price to the farmers and will encourage them to grow more oilseeds and pulses. To avail this scheme, farmers will have to register themselves with mandis by sharing their Aadhaar, bank account and mobile numbers and details of crop cultivation.

The government will arrive at a modal price by finding the average of selling prices in three mandis in three states. If the selling price of a farmer is more than the modal price but less than the MSP, the difference between his selling price and the MSP will be deposited in his bank account. If the farmer's selling price is less than the modal price, the farmer will get the difference between the modal price and the MSP.

The domestic bean prices are at 5 year low and we feel the prices are not expected to recover soon on record global supply pressure. The recent gains are likely to be for short –term.

The total monthly soybean arrivals in the cash markets of Madhya Pradesh are reported at 8,80,000 bags compared to 10,75,000 bags reported in the previous week. The supplies were less as mandis remained closed for some days following the festival of 'Janmastami' and 'Ganesh Chaturthi'.

Rains have not only been unevenly spread geographically; the month-wise distribution too is skewed. While June and July saw 4% and 1.7% rains above normal, respectively, for the entire country, August has so far seen 14% less rains compared to normal. Rainfall data further shows that central India received 5% and 11% above normal rains in June and July, respectively, but saw a deficit of 28% in August. The southern peninsular region, on the other hand, saw a 8% surplus in June, a 36% deficit in July and 16% more rains compared to the normal during August.

India's rainfall deficit for the June-September monsoon season has widened to 6 percent as on 30th August, 2017 since the season's start on June 1, data according to India Meteorological Department

IMD in its weekly Southwest monsoon progress report (01.06.2017 to 30.08.2017) has reported India's actual rainfall at 683.6 mm against the normal 707.6 mm and departure stands at -3% till 30 August 2017.

In West Madhya Pradesh, the departure of Southwest monsoon has declined to normal by -16%, actual rains is reported at 585.6 mm vs 695.2 mm normal till 30 August 2017 by IMD. Vidarbha reported the departure of -23%, actual rains 597.6 mm vs 776.7 mm normal. Marathwada reported the departure of -3% with actual rains of 496.2 mm vs 510.80 mm, East Rajasthan reported a departure of 0% with actual rains 512.0 mm vs 509.9 mm normal.

Forecast of normal seasonal/monsoon this season is expected to boost the soybean production.

The area coverage under soybean, as on 01 September, is reported down 7.17% at 105.18 lakh hectares compared to 113.30 lakh hectares at the same period last year.

Crop	As on 25 Aug. 2017	As on 25 Aug. 2016	% Chg.
Groundnut	39.61	44.13	-10.25
Soybean	105.18	113.30	-7.17
Sunflower	1.28	1.56	-18.07
Sesamum	13.47	14.10	-4.45
Niger	1.42	1.16	23.08
Castor	5.84	6.56	-10.95
Total Oilseeds	166.80	180.81	-7.75

Source: MoA

The total sown area under *kharif* oilseeds, as on 01 September, is lower compared to the previous year's level which is down by 7.75% at 166.80 lakh hectares compared to 180.81 lakh hectares during the corresponding period last year.

India's total area under soybean in 2016 was 114.78 lakh hectares which was lower by 1.4% from 2015.

We expect India's area under soybean in 2017 to be lower than 2016 with the fall in planting intention due to the lower remuneration for the crop to the farmers. The farmers are cautious in planting early this season and some have shifted to cotton or pulses which will eventually reduce the planted area under soybean this year.

Lower acreage along with fear of lower yields in the current season due to erratic rains in the growing regions will continue to be the supporting factor. Further progress of rainfall, which is important for crop development will give direction to the market in the near –term. Slack in domestic soy meal offtake due to weak poultry demand and cheap soy oil imports continued to remain limiting factor.

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, DivyaJyoti, 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, Sawariyaltarsi, Sitashri, Vippy (10-2-2 specification) for Dewas and Mandsaur delivery during the week.

Previous Update

We expect India's soy meal exports to ease in coming months. Seasonally India's soy meal exports are at high volume, during October thru February due to higher pace in crushing the bean.

Stronger INR against US dollar, huge South American soy supplies continued to remain weak factor as the Indian soy meal price has been out-priced in the international market in recent weeks.

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 were lower in the key markets of Madhya Pradesh, Maharashtra and Rajasthan.

The domestic soybean prices are likely to feature range-bound movement with weak bias on expected good rains in the growing regions and weakness in soy complex at CBOT.

International:

The international benchmark, CBOT soybean noticed weak tone amid favourable weather in the U.S. Midwest growing regions.

At CBOT, the soybean, in the most active November contract, ended lower at US \$ 9.45/bushel compared to US \$ 10.07/bushel last month.

According to NOPA, 144.718 million bushels soybean was crushed in July 2017 compared to 138.074 million bushels previous month. It is above analyst's expectation of 143.004 million bushels. Soy meal exports during the month increased to 596,767 tons compared to 562,684 tons in June and 579,417 tons a year earlier.

In the weekly USDA crop progress report released on 28 August; Soybeans dropping leaves are reported at 6% which is up from 5% during the corresponding period last year and up from the 5 year average of 5%.

Soybean crop setting pods are reported at 93% which is same as 93% during the corresponding period last year and up from the 5 year average of 92%.

About 61% of the soybean planted crop is under good to excellent condition which is down from 73% during the corresponding period last year.

European Union soybean imports in the 2017/18 season that began on July 1 had reached 2.1 million tonnes by Aug. 29, down 15 percent from 2.4 million tonnes at the same stage last season according to official data sources. In soy meal, cumulative EU imports so far in 2017/18 were 3.12 million tonnes, up 2 percent from 3.08 million tonnes a year ago.

In soy meal, cumulative EU imports so far in 2017/18 were 1.72 million tonnes, up 3 percent from 1.67 million a year ago.

Previous updates

In the USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on June 1, 2017 totaled 963 million bushels, up 11 percent from June 1, 2016.

On-farm stocks totaled 333 million bushels, up 18 percent from a year ago. Off-farm stocks, at 631 million bushels, are up 7 percent from a year ago.

Indicated disappearance for the March - May 2017 quarter totaled 775 million bushels, up 18 percent from the same period a year earlier.

Abiove has once again raised Brazil's 2016/17 soybean production projection to 113.2 million tonnes which is up from the previous forecast of 112.5 million tonnes.

Brazil's soybean exports projection for the year increased to 63 million tonnes from 61.7 million tonnes estimated earlier and the soybean processing is forecast at 41 million tonnes.

The U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) estimated a record high 89.5 million acres of soybeans planted in the United States for 2017, up 7 percent from last year.

Further, US soybean area for harvest is estimated at a record high 88.7 million acres, if realized, up 7 percent from 2016.

Brazil's 2016/17 soybean crop production is projected at 113.3 million tonnes by the Safras.

Informa Economics has once again raised Brazil's 2016/17 soybean production estimate to 114.5 million tonnes from 113 million forecast previous month.

Soybean planting in Brazil covered an area of 33.8 million hectares in 2017 which was up 1.8% from the previous season, said food supply and statistics agency Conab.

Safras & Mercado have forecast Brazil's soybean export at 61 million tonnes in 2017/18 (Feb/Jan) which is 17% higher compared to 2016/17. The forecast is in line with Abiove estimates.

The soybean production is expected at 116.156 MMT in 2017/18. Total soybean demand will be higher by 10% at 105.1 million tonnes, said the agency.

Buenos Aires Grains Exchange has raised Argentina's 2016/17 soybean crop estimate to 57.5 million tonnes from 56.5 million tonnes estimated earlier. Higher soybean crop is due to high yields brought by wet weather.

The international soybean prices are expected to feature range bound movement with weak-bias on record global supply scenario. Forecast of favourable weather in U.S. Midwest will add to the weak tone of the market in the in the coming days.

Balance Sheet – Soybean, India

Fig. in MnT

Soybean (Fig in Mn T) MY- Oct.-Sep.			Q3	Q4	Q1	Q2
	2016- 17E	2017- 18F	Oct-Dec'17 F	Jan-Mar'18 F	Apr-Jun'18 F	July-Sep 18 F
Carry In	0.23	0.23	0.23	5.85	3.99	2.91
Production	11.50	9.80	11.5	0	0	0
Imports	0.00	0.00	0	0	0	0
Total Availability	11.73	10.03	11.73	5.85	3.99	2.91
Processing/Crushing	10.00	7.80	5.38	1.36	0.58	0.48
Exports & Direct Consumption	0.50	1.00	0.50	0.50	0.00	0.00
Seeding/Retained for Sowing	1.00	1.00	0	0	0.5	0.5
Total Usage	11.50	9.80	5.88	1.86	1.08	0.98
Carry Out	0.23	0.23	5.85	3.99	2.91	1.93
Monthly Use	0.96	0.78				
Stock/Consumption Ratio	0.02	0.02				
Stock to Month Use Ratio	0.23	0.29				

Source: Agriwatch

- **Trade Observations: Traders are mostly doing need based buying on higher edible imports at competitive prices.**
- India's 2017/18 soybean production is projected at 9.80 million tonnes against 11.5 million last season.
- We expect India's 2017/18 soybean crush at 7.80 million tonnes vs 10.0 million in 2016/17.
- This translates into availability of 6.2 million tonnes of soy meal and 1.4 million tonnes of soy oil in 2016/17.
- Lower crushing mean decrease in the availability of soy meal. India's soy meal prices have to compete with the meal prices of South America in 2017/18 also.

Soy meal

The domestic meal prices continued positive tone following good demand in the cash market and support from other legs of the complex.

The monsoon has covered almost whole country leading fall in the weather temperature by 5-8 degrees Celsius in recent days.

Besides, we expect increase in the poultry demand with the fall in temperature, in coming days. However higher supplies in the domestic and international market is likely to negate good demand in medium -term.

The domestic soybean planting is almost over and forecast of normal monsoon should prove favourable for the bean production. But, the planted area under soybean is lower compared to previous season.

Further, competitive price offer by South America for soy meal has already witnessed reduction in the international meal demand from India.

But, significantly lower domestic soy meal price, this season, have obviously lend some support to India's soy meal exports in previous months.

India's soy meal exports and its other value added products ((HS Code 2304 and 1208) during July 2017 is 0.98 lakh tons compared to 0.29 lakh tons in July 2016 showing an increase of 235% over the same period of last year.

On a financial year basis, the export during April'2017 to July'2017 stands at 6.38 lakh tons as compared to 4.13 lakh tons in the same period of previous year showing an increase of 54%.

During current oil year, (October – September), total exports during October 2016 to July 2017 is 16.46 lakh tons as against 3.48 lakh tons during the same period last year, showing an increase by 373%, reported by SOPA.

Currently, the domestic meal prices are lower compared to the corresponding period last year.

Strength in INR against USD in recent months and improved seasonal South American soy supplies still continue to be concern for meal exports from India.

The forward booking for soy meal have reduced as compared to the previous months with competitive price offers by South America.

Soy meal declined in international market, during the month.

CBOT soy meal December contract settled at US \$ 299.50 per short ton compared to US \$ 325.40 per short ton last month.

The domestic soy meal prices at Indore, were quoted at Rs 26,000 – 26,700/MT in the last week of August compared to Rs 24,700 – 25,000/MT in the last week of July.

At Latur and Nanded, Maharashtra, soy meal witnessed firm tone and were quoted at Rs 28,400/MT and 27,900/MT respectively compared to Rs 26,000/MT in Indore and Rs 26,300/MT in Kota.

Previous Updates

India's oilseeds industry body, Solvent Extractors Association has slashed India's 2016/17 soy meal exports forecast by 25% to 1.5 million tonnes from its previous outlook. The situation will either leave higher meal inventories or the exporters have to cut down the export prices further during the season ending September.

Despite strength in INR against US dollar, India has registered gains in the soy meal exports in the current season. It will eventually make India's soy meal export prices unattractive.

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 must 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 months in soy meal have made the imports from India, lucrative.

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.

Indian meal prices need to be highly competitive against the South American and China's meal prices to regain the 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 once again recovered the lost ground but with stiff price competition against the South American meal. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea were the major destinations for Indian soy meal exports, who have once again started buying from India whenever the offer is attractive compared to South America.

India's Y-o-Y soy meal prices, Indore, are currently lower. Soy meal Indore was quoted lower between Rs 26,000 – 26,700/MT during the last week of August compared to Rs 29,500 – 31,000/MT during the corresponding period last year.

The soy meal prices are likely to feature range-bound movement with weak bias on lack of demand in the domestic market and weakness in soy meal at CBOT. Strength in INR against US dollar and higher international soybean production will add to the weak tone of the market in near-term.

Soy Meal Export (In MT)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Jan	521243	240318	574996	474993	619793	364443.7	103934	28400	155160
Feb	375098	220552	540360	344240	577589	183551	64514	29951	207977
Mar	224639	163666	410537	460464	302131	232176	46670	26645	107059
Apr	100106	60264	305033	313832	100312	75884	18017	12295	124374
May	77018	60575	176819	142588	97547	8226	14045	10400	48900
Jun	109923	98400	117600	180987	213564	2636	2098	17930	45975
Jul	58268	166632	139547	168341	107038	6682	929	12270	30678
Aug	127299	176138	165510	10005	183555	2778	768	10615	
Sep	171955	290868	225921	6525	173381	868	6886	12210	
Oct	219721	404960	223594	49840	182724	29071	4237	31390	
Nov	297340	443488	397659	517103	503269	110806	8909	97750	
Dec	328225	611157	798041	510698	451314	193832	5667	241250	
Total	2610835	2937018	4075617	3179616	3512217	843874	276674	531106	684798

Source: SEA

India's soy meal exports have seen commendable growth this season 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 – Aug 2017		Avg Crush Margin – July 2017		Avg Crush Margin – Aug 2016	
146		503		-947	
Min	Max	Min	Max	Min	Max
-650	1225	-265	1270	-1385	-235

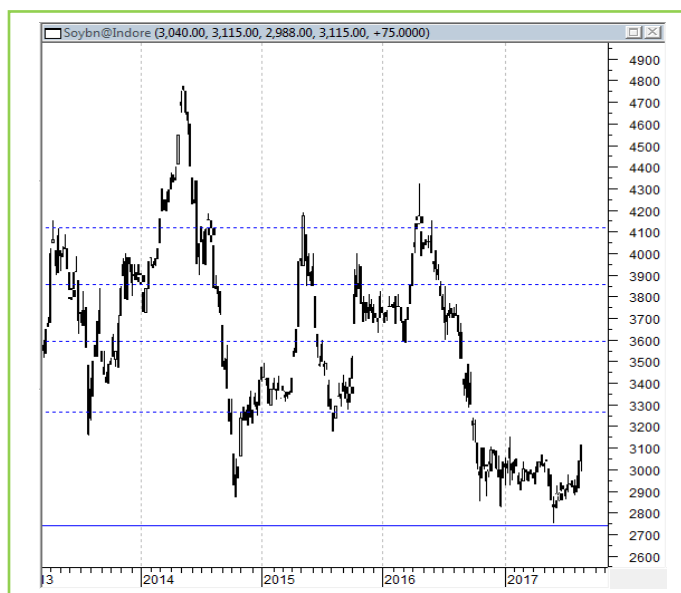
The domestic soybean crush margins in August 2017 were better from the corresponding period last year owing to the higher soybean and meal prices and lower compared to July'17.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean - Oct. contract

S1	S2	PCP	R1	R2
3000	2968	3084	3150	3205

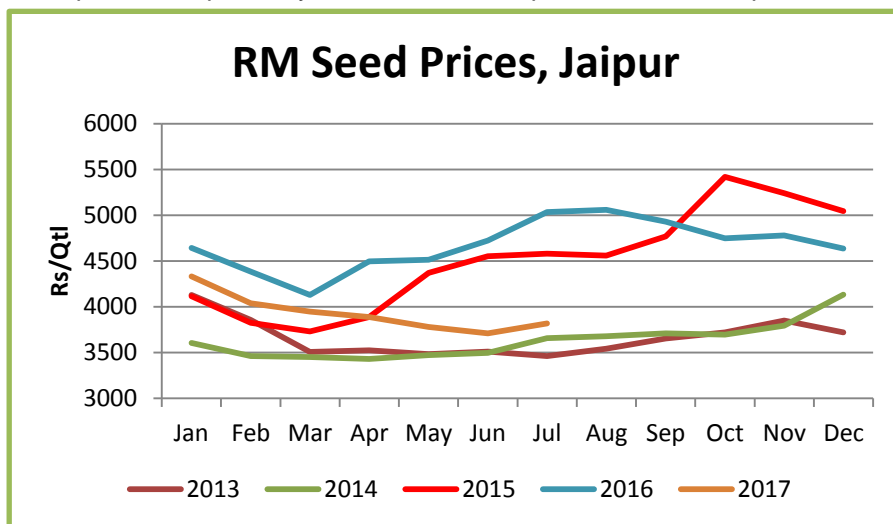
- Soybean noticed downtrend on selling interest, during the week.
- Prices closed below 18-day EMA.
- RSI is increasing in neutral zone and stochastic is declining in the oversold zone.
- MACD is declining in the positive territory.
- Trade Recommendation (NCDEX Soybean – Aug.) – 1 Month: **SELL** Below 3150. T1 – 2950; T2 - 2850; SL –3280.

Rapeseed - Mustard Seed

The domestic rapeseed-mustard witnessed firm tone during the month amid continuation of good buying support and overall positive tone in the global edible oils market.

The hike in import duty on edible oils will lend some support to the market in the near –term. According to Ministry of Finance, Government of India in Notification no 71/2017-Customs, dated August 11, 2017, import duty on crude palm oil have been hiked from 7.5 percent to 15 percent and refined palm oil to 25 percent from 15 percent. Crude edible oils other than crude palm oil import duty are hiked to 17.5 percent from 12.5 percent. All other refined oils will be taxed at 25 percent from current 20 percent.

Decision of hike in import duty has been taken to protect the interest of farmers and encourage domestic crushing industry. However, this decision falls short of industry demand for differential between crude and refined edible oils import duty at 15 percent or more, whereas government has only provided the duty differential at 7.5-10 percent.



Further, higher domestic production and eventually increase in supplies will weigh on the market in the medium – term. The fall is restricted as there is a continued demand in the seed mainly by the solvent extractors.

The all India seed supplies were reported between 0.90 – 1.35 lakh bags in a day compared to around 0.85 – 1.60 bags a day, previous month. The supplies were 0.60 – 0.80 lakh bags a day during the corresponding period last year.

RM Seed Supply, Pan India

RM Seed Arrivals Pan India in Bags (85 kg each).		
Monthly Arrivals– Aug	1 Month Ago	Corresponding Period Last Year
30,90,000	27,95,000	17,45,000

The seed prices are still lower at spot market and are quoted at around Rs 3,960 – 3,990 a quintal compared to Rs 4,850 – 4,995 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at September contract ended higher at 3771/Qtl compared to 3737/Qtl previous month.

The rapeseed-mustard prices are driven by India's edible oil imports and Malaysian palm oil. India's edible oil imports increased in June.

Previous Updates

Agriwatch has projected India's 2016/17 rapeseed production at 7.0 million tonnes with an average yield of about 1000 kg/ha compared to 5.8 million in 2015/16 while Solvent Extractors of India has estimated India's seed production at 7.2 million tonnes.

According to Solvent Extractors Association (SEA), India's July edible oil imports rose 33.18 percent y-o-y to 14.89 lakh tons from 11.18 lakh tons in July 2016. Palm oil imports in July rose 42.1 percent y-o-y to 8.1 lakh tons from 5.70 lakh tons in July 2016. CPO Imports rose 38.4 percent y-o-y to 5.16 lakh tons from 3.63 lakh tons in July 2016.

RBD palmolein imports rose 26.3 percent y-o-y to 2.95 lakh tons from 2.07 lakh tons in July 2016. Soy oil imports rose 34 percent y-o-y to 4.68 lakh tons from 3.49 lakh tons in July 2016. Sunflower oil imports rose 49.25 percent y-o-y to 2.00 lakh tons from 1.34 lakh ton in July 2016. There was no import of rapeseed (canola) oil in July compared to 0.66 lakh tons in July 2016.

According to Solvent Extractors Association (SEA), India's June edible oil stocks at ports and pipelines rose 8.56 percent m-o-m to 24.73 lakh tons from 22.78 lakh tons in June 2017. Stocks of edible oil at ports rose to 883,000 tons (CPO 270,000 tons, RBD Palmolein 140,000 tons, Degummed Soybean Oil 300,000 tons, Crude Sunflower Oil 170,000 tons and 3,000 tons of Rapeseed (Canola) Oil) and about 1,590,000 tons in pipelines (stocks at ports were 738,000 and in pipelines were at 2,278,000 tons in June 2017).

India is presently holding 42 days of edible oil requirement on 1st August, 2017 at 24.73 lakh tons compared to 39 days of requirements last month. India's monthly edible oil requirement is 17.5 lakh tons. Stocks in ports rose in anticipation of hike in import duty. Importers cleared customs and stored edible oils to take advantage of rise in import duty.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's August 1-20 palm oil exports fell 15.3 percent to 692,662 from 817,961 tons in corresponding period last month. Top buyers are European Union at 122,973 tons (221,380 tons), India at 115,240 tons (104,100 tons), China at 97,600 tons (136,701) tons, United States at 18,730 tons (31,986 tons) and Pakistan at 0.0 tons (23,000 tons). Values in brackets are figures of corresponding period last month.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's August palm oil exports rose 0.3 percent to 1,243,361 tons from 1,239,407 last month. Top buyers were European Union at 321,325 tons (323,071 tons), China at 204,450 tons (174,116 tons) and India & Subcontinent at 164,750 tons (242,600 tons). Values in brackets are figures of last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's July palm oil end stocks increased 16.8 percent to 17.84 lakh tons compared to 15.27 lakh tons in June. Production of palm oil in July increased 20.7 percent to 18.27 lakh tons compared to 15.14 lakh tons in June. Exports increased 1.3 percent to 13.98 lakh tons compared to 13.80 lakh tons in June. Imports of palm oil in July increased 15.22 percent to 0.53 lakh tons compared to 0.46 lakh tons in June.

According to Malaysia Palm Oil Board (MPOB), Malaysia kept September crude palm oil export duty unchanged at 5.5 percent. Tax is calculated at reference price of 2,677.91 ringgit (\$623.57) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Indonesia trade ministry, Indonesia keeps August palm oil export duty to zero, unchanged from last month. Tax is not charged if prices at or below USD 750 per ton. Indonesia keeps export duty at zero as it expects that prices will miss certain thresholds.

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.

According to Indonesia Palm Oil Association (GAPKI), Indonesia exports of palm and palm kernel oil fell 19 percent to 2.13 MMT from 2.62 MMT in June 2017 and 1.78 MMT in June 2016, higher by 19.7 percent y-o-y.

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).

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).

U.S. Commerce department has ruled to impose countervailing duty on biodiesel imports from Argentina and Indonesia. U.S. commerce department decision comes after complain from US National Biodiesel Board (NBB) in March that both the countries were dumping biodiesel in US market.

According to Energy Administration Agency (EIA), U.S. produced 140 million gallons in June compared to 136 million gallons in May, higher by 2.9 percent m-o-m. Soy oil was the largest feedstock with 549 million lbs in June compared to 546 million lbs in May.

According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in July fell 30.4 percent to 2.7 lakh tons compared to 3.9 lakh tons in June. Imports fell 40 percent compared to corresponding period last year which was reported at 4.5 lakh tons. Year to date imports of edible vegetable oil rose 5.4 percent to 30.4 lakh tons.

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

Outlook: The rapeseed-mustard is expected to notice range –bound to weak tone in medium -term amid lack of buying interest in the cash market and overall bearish scenario in edible oils.

Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2016-17	2017-18	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.20	0.10	0.10	3.41	1.78	0.94
Production	5.80	6.80	6.80	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	6.00	6.90	6.90	3.41	1.78	0.94
Processing/Crushing	5.90	6.80	3.44	1.58	0.74	0.74
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	5.90	6.80	3.49	1.63	0.84	0.84
Carry Out/Ending Stock	0.10	0.10	3.41	1.78	0.94	0.10
Monthly Use	0.49	0.57				
Stock/Consumption Ratio	0.02	0.01				
Stock to Month Use Ratio	0.20	0.18				

(Source: AgriWatch)

- We have pegged India's 2017/18 Rapeseed-mustard outturn at 6.8 million tonnes, higher by more than 17% compared to the 2016/17 production at 5.8 million tonnes.
- India's production is slightly above 5 year average of around 6.7 million tonnes.
- **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 fell at cash market in 2016/17 season and they are 36-month low in benchmark Jaipur.

Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – Sep. contract

S1	S2	PCP	R1	R2
3630	3600	3799	3957	4000

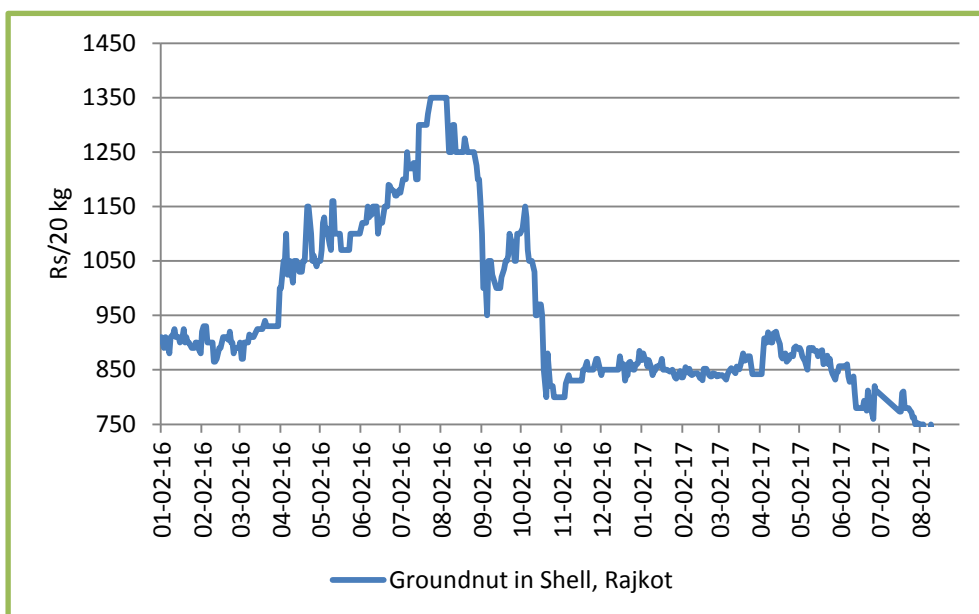
- Downward movement witnessed in RM seed.
- Prices closed above 18-day EMA.
- RSI is increasing and stochastic is declining in the neutral zone.
- MACD is steady in the positive territory.
- Trade Recommendation (NCDEX RM Seed – Aug.) – 1 Month: **SELL** Below 3900. T1 – 3700; T2 - 3650; SL – 4030.

Groundnut

The domestic groundnut prices extended losses in August amid lack of demand in the cash market. Higher edible oil imports at competitive price added to the weak tone of the market. Losses were limited as the kharif groundnut planting is underway and it is behind previous year's figure by 10.25%, by 01 September 2017.

The groundnut prices (in shell - Rajkot) fell by 0.5% in August compared to July and witnessed the monthly average price of Rs 715 per 20 kg compared to Rs 724 per 20 kg in July.

The groundnut prices in Kernel, Saurashtra are also lower compared to the same period last year. Improved production in the groundnut along with other oilseeds is cited for the decline. The average monthly price of nuts in Saurashtra was Rs 44186 per metric ton in August 2017 vs Rs 46980 per metric ton in July 2017.



Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	31-Aug-17	31-Jul-17	31-Aug-16	31-Aug-15
Rajkot	GN in Shell (Rs/20kg)	-40.4	-0.5	715	752	1200	950
Shaurashtra	GN Seed Kernel (Rs/MT)	-21.4	-0.6	43250	46000	55000	50000

(Source: AW)

Annexure

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	31-Aug-17	31-Jul-17	Parity To
Indore (MP)	26250	24600	Gujarat, MP
Kota	26500	24600	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	28300	26400	Mumbai, Maharashtra
Nagpur (42/46)	27500	25500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	27900	26400	Andhra, AP, Kar ,TN
Latur	28700	26600	-
Sangli	28500	26700	Local and South
Sholapur	28200	27400	Local and South
Akola	27400	25300	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	28500	26400	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	26500	25300	-

Soy DOC at Port			
Centers	Port Price		
	31-Aug-17	28-Jul-17	Change
Kandla (FOR) (INR/MT)	28000	26500	1500
Kandla (FAS) (USD/MT)	437	414	23

International Soy DOC			
Argentina FOB USD/MT	31-Aug-17	31-Jul-17	Change
Soybean Pellets	304	322	-18
Soybean Cake Flour	304	322	-18
Soya Meal	312	330	-18
Soy Expellers	312	330	-18

Sunflower (DOC) Rates		Ex-factory rates (Rs/ton)	
Centers	31-Aug-17	31-Jul-17	Change
Adoni	19800	16600	3200
Khamgaon	NA	NA	-

Parli	19600	16500	3100
Latur	19400	16000	3400

Groundnut Meal (Rs/MT)	31-Aug-17	31-Jul-17	Change
Basis 45%, Saurashtra	19000	18500	500
Basis 40%, Saurashtra	17000	17000	Unch
GN Cake, Gondal	18500	19000	-500

Mustard DOC/Meal	31-Aug-17	31-Jul-17	Change
Jaipur (Plant delivery)	13700	13400	300
Kandla (FOR Rs/MT)	14300	14000	300
Sri Ganganagar	1645	1595	50

India's Oilseeds Production Seen Record at 33.6 Mn T vs 25.3 Mn in 2nd Adv Est. - GOI

The 2nd Advance Estimates of production of oilseeds for 2016-17 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 15th February, 2017. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources.

The estimated production of major Oilseeds during 2016-17 is as under:

Oilseeds – 33.60 million tonnes (record) in 2016/17 vs 25.3 million tonnes in 2015/16

- Soyabean – 14.13 million tonnes vs 8.6 million tonnes in 2015/16
- Groundnut – 8.47 million tonnes vs 6.33 million tonnes in 2015/16
- Castorseed – 1.74 million tonnes vs 1.75 million tonnes in 2015/16

With an increase of 8.35 million tonnes over the previous year, total Oilseeds production in the country is estimated at record level of 33.60 million tonnes. It is higher by 0.85 million tonnes than the previous record production of 32.75 million tonnes achieved during 2013-14.

The production of Oilseeds during 2016-17 is also higher by 4.34 million tonnes than the five year's average Oilseeds production. The current year's production is significantly higher than the production of 25.25 million tonnes during 2015-16.

MSP for 2017/18 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 2017-18 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.9% to Rs 3050/Qtl (including Rs 100 bonus) for 2017-18 season from Rs 2,775/Qtl in 2016-17, Groundnut -in- shell by 5.5% to Rs 4,450/Qtl (including Rs 100 bonus) from Rs 4,220/Qtl, Sunflower seed by 3.8% to Rs 4,100/Qtl (including Rs 200 bonus) from Rs 3,950/Qtl, Nigerseed by 5.9% to 4,050/Qtl (including Rs 100 bonus) from Rs 3,825/Qtl and Sesamum by 6.0% to Rs 5,300/Qtl (including Rs 200 bonus) from Rs 5,000/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.

Sown Area – *Rabi* Oilseeds, India

In the official Rabi oilseeds planting report, by the Ministry of Agriculture, 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

Crop	2017	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

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