
Oil meals Monthly Research Report

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Executive Summary

Soybean noticed weak tone during the month amid new crop arrivals in the domestic market and harvesting pressure in US. The new crop arrival has higher moisture content and there is not much demand for it. Festive demand and expected lower output this season should give some support to the market.

Soybean planting is over and new crop arrival is picking up. South –west monsoon has entered the withdrawal phase and there were rains in some parts of Madhya Pradesh and North –west India. This will aid crop development in the coming days.

The overall monsoon has been normal. However deficit rains in the months of August and September is likely to affect the productivity of soybean crop.

The monthly supply and demand report has been released by USDA for the month of September and soybean production estimates has been increased this month to 4,432 million bushels, up 50 million bushels on higher yields compared to previous month.

The recent weakness in INR will prove attractive for soy meal exports.

Harvesting has begun in U.S. and pressure will mount in the coming days. Planting has begun in Brazil, however it is lagging,

behind compared to previous year due to lack of rains in the growing regions in the beginning.

The rapeseed-mustard prices witnessed mostly easy tone amid lack of buying interest in the cash market and overall weakness in edible oils in the domestic and international markets. Deficit rain in the month of September is unlikely to provide sufficient moisture for rabi sowing.

The rapeseed-mustard prices will remain under overall higher supply pressure. However festive demand in the coming days will limit losses in the market.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): The soybean witnessed mostly easy tone amid new crop arrival in the domestic market and harvesting pressure in U.S. There is not much demand for new crop arrival with higher moisture content of 20 -25%. Bearish global supply scenario will add to the weak tone of the market. Weakness in INR against US dollar, lower soy production and planting of soybean lagging in Brazil will lend some support to the market. The prices are expected to feature range bound movement with weak bias between the price band of 2800 – 3100 level (Indore, Plant basis).

Outlook – Soy meal: Soy meal noticed weak tone during the week amid lack of buying interest and weakness in other legs of the complex. The recent weakness in INR against US dollar will make India's meal exports attractive. Overall On the whole, this year exports of oil meals have been higher following 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 22,000 – 24,000/MT levels during the month.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The rapeseed-mustard witnessed mostly weak tone on lack –lustre demand in the market. However festive demand and lower acreage under oilseeds in the coming days is likely to lend some support to the market. Overall supply pressure is adding to the weak tone of the market. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3800 – 4000/Qtl; levels during the month.

International Highlights

- ❖ According to the Buenos Aires Grains Exchange, Argentine 2017/18 soybean crop is expected at 54 million tonnes compared to 57.5 million tonnes in 2016 -17 as farmers have shifted to wheat and corn. Soy planting area in the 2017/18 season is seen at 18.1 million hectares, down from 19.2 million in 2016/17.
- ❖ Mato Grosso farmers began planting soybeans in the state over the weekend, although the pace of work is below previous years amid absence of rain according to the Mato Grosso Institute of Agricultural and Livestock Economics. According to the institute, producers have sown 0.15 percent of the total area, equivalent to 14.2 thousand hectares in comparison to 112 thousand hectares in the same period last year.
- ❖ China will start auction of 300,000 tonnes of soybeans produced in Helongjiang, Inner Mongolia, Liaoning and Henan from September 29, 2017. The bidders are required to pay a deposit of 220 yuan (\$33.23) per tonne.
- ❖ In the weekly USDA crop progress report released on 25 September; Soybeans dropping leaves are reported at 63% which is less than 65% during the corresponding period last year and same as the 5 year average of 63%. Around 10% of the new soybean crop has been harvested which is more than 9% during the corresponding period last year and down from the 5 year average of 12%. About 60% of the soybean planted crop is under good to excellent condition which is more than 59% during the previous week and down from 73% during the corresponding period last year.
- ❖ Net sales of 2,982,700 MT of soybean for 2017/2018 were reported for China (1,402,800 MT, including 322,000 MT switched from unknown destinations), unknown destinations (1,004,000 MT), Mexico (200,900 MT), Thailand (141,600 MT), and Taiwan (65,500 MT). Reductions were reported for Bangladesh (8,600 MT) and Colombia (4,000 MT) during the period September 15 -21, 2017. For 2018/2019, net sales of 120,000 MT were reported for unknown destinations. Exports of 985,400 MT were primarily to China (672,600 MT), Thailand (75,600 MT), Bangladesh (56,400 MT), Indonesia (51,700 MT), and Japan (41,300 MT).
- ❖ European Union soybean imports in the 2017/18 season that began on July 1 had reached 2.5 million tonnes by Sep. 19, down 20 percent from 3.15 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 4.20 million tonnes, up 8 percent from 3.90 million tonnes a year ago.

- ❖ According to Chinese Agriculture ministry, China is expected to import 94.5 MMT of soybean in 2017/18 from previous forecast of 93.16 MMT. Chinese soybean consumption in 2017/18 is estimated at 109.21 MMT from previous estimate of 108.63 MMT. Soybean deficit of the country is estimated at 0.25 MMT from previous estimate of 0.97 MMT.
- ❖ According to an industry association, Brazilian soy exports in the month of August hit an all time high of 5.7 million tonnes, 500,000 tonnes above August 2015. In this year, total exports of soy have reached 57.6 million tonnes.
- ❖ In its first forecast related to the next crop 2018, Abiove has forecasted Brazilian soybean exports at 65 million tonnes. Soybean output is forecast at 108.5 million tonnes in 2017/18 compared to 113.8 million tonnes in the previous season.
- ❖ China's import of soybean increased by 10.02% to 8.45 million tonnes in August compared to July and is the highest for the month of August. China brought in 63.34 million tonnes from January to August, up 16.8 percent from the same period last year according to the General Administration of Customs.
- ❖ According to NOPA, 142.42 million bushels soybean was crushed in August 2017 compared to 144.718 million bushels previous month. It is above analyst's' expectation of 137.50 million bushels. Soy meal exports during the month declined to 426,896 tons compared to 596,767 tons in July and 574,802 tons a year earlier.
- ❖ U.S. oilseed production for 2017/18 is projected at 132.8 million tons, up 1.9 million tons from last month mainly due to higher soybean yield in the September monthly supply and demand report released by USDA. Soybean production is projected at a record 4,431 million bushels, up 50 million on a higher yield forecast. Soybean supplies are raised with higher production only partly offset by lower beginning stocks. With increased supplies and lower prices, soybean exports are raised to 2,250 million bushels leaving ending stocks unchanged.
- ❖ 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.

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

Soybean continued weak tone amid new crop arrivals in the domestic market and harvesting pressure in U.S. The new crop arrival has higher moisture content and there is not much demand for it. Spill over weakness from soy complex at CBOT added to the weak tone of the market.

The southwest monsoon has withdrawn from some parts of Punjab, Haryana, most parts of West Rajasthan, some parts of Kutch and north Arabian Sea according to the India Meteorological Department. The monsoon usually starts withdrawing in the first week of September, but this year it has been delayed by three weeks. The country has so far received 5 percent lower rainfall than normal in the current monsoon season.

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 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 total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 360,000 bags compared to 172,000 bags reported in the previous week. Arrivals have increased amid new crop arrival in the mandis.

The lack of rains is expected to impact the standing kharif crop and, moreover, could leave its imprint in the coming rabi planting season as well.

IMD in its weekly Southwest monsoon progress report (01.06.2017 to 20.09.2017) has reported India's actual rainfall at 827.4 mm against the normal 875.2 mm and departure stands at -5% till 27 September 2017.

In West Madhya Pradesh, the departure of Southwest monsoon has declined to normal by -15%, actual rains is reported at 737.8 mm vs 868.6 mm normal till 27 September 2017 by IMD. Vidarbha reported the departure of -23%, actual rains 728.5 mm vs 945.7 mm normal. Marathwada reported the departure of -4% with actual rains of 641.4 mm vs 669.0 mm, East Rajasthan reported a departure of -8% with actual rains 566.0 mm vs 612.5 mm normal.

Erratic monsoon this season till date is expected to affect the productivity of soybean.

The area coverage under soybean, as on 29 September, is reported down 7.73% at 105.92 lakh hectares compared to 114.79 lakh hectares at the same period last year.

Crop	As on 29 Sep. 2017	As on 29 Sep. 2016	% Chg.
Groundnut	41.58	46.98	-11.49
Soybean	105.92	114.79	-7.73
Sunflower	1.37	1.69	-19.16
Sesamum	14.19	16.25	-12.65
Niger	2.05	1.99	2.76
Castor	8.30	8.56	-3.07
Total Oilseeds	173.41	190.26	-8.86

Source: MoA

The total sown area under *kharif* oilseeds, as on 29 September, is lower compared to the previous year's level which is down by 8.86% at 173.41 lakh hectares compared to 190.26 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.

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 pick up 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.

Weaker INR against US dollar and huge South American soy supplies continue to influence the market as the Indian soy meal price has been out-priced in the international market in recent weeks.

Lower soybean supplies this season, mean decline in crushing and eventually, availability of less soy meal, eventually leading to lower exports.

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.

The soybean supplies were higher in the key markets of Madhya Pradesh, Maharashtra and Rajasthan during the week.

The domestic soybean prices are likely to feature range-bound movement with weak bias on expected increase in new crop arrival and harvesting pressure in U.S.

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 higher at US \$ 9.68/bushel compared to US \$ 9.45/bushel last month.

According to NOPA, 142.42 million bushels soybean was crushed in August 2017 compared to 144.718 million bushels previous month. It is above analyst's expectation of 137.50 million bushels. Soy meal exports during the month declined to 426,896 tons compared to 596,767 tons in July and 574,802 tons a year earlier.

In the weekly USDA crop progress report released on 25 September; Soybeans dropping leaves are reported at 63% which is less than 65% during the corresponding period last year and same as the 5 year average of 63%.

Around 10% of the new soybean crop has been harvested which is more than 9% during the corresponding period last year and down from the 5 year average of 12%.

About 60% of the soybean planted crop is under good to excellent condition which is more than 59% during the previous week and 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 2.5 million tonnes by Sep. 19, down 20 percent from 3.15 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 4.20 million tonnes, up 8 percent from 3.90 million tonnes a year ago.

Previous updates

In the USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on September 1, 2017 totaled 301 million bushels, up 53 percent from September 1, 2016.

On-farm stocks totaled 88 million bushels, up 110 percent from a year ago. Off-farm stocks, at 213 million bushels, are up 37 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.

According to Abiove, soybean crop forecast in 2017/18 increased to 113.8 million tonnes, higher by 0.5% compared to forecast in June. Brazil's soybean export forecast as been increased to 64 million tonnes from 63 million tonnes.

According to a recent estimate released by FC Stone during the week, US soybean harvest in 2017 is forecast at 4.235 billion bushels with an average yield of 47.7 bushels per acre.

According to Informa, U.S. 2017 soybean production is forecast at 4.196 billion bushels with a yield of 47.3 bushels per acre.

According to the Ministry of Agriculture, soybean production in Brazil is expected to decline by 2 per cent to 110.66 million tonnes in 2017-18 compared to previous year.

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 ongoing harvesting pressure and record global supply scenario. Good demand from China and late planting of soybean in Brazil will give some boost to the market 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 noticed weak tone amid lack of buying interest in the cash market and spillover weakness from soy meal at CBOT towards the end of the month.

Poultry demand should improve in the coming days amid lower temperature. However higher supplies in the domestic and international market is likely to negate good demand in medium -term. Export demand is expected to pick up when crushing begins in full swing by next month.

According to the latest press release by the Solvent Extractor's Association of India (SEA), cottonseed oilcake will attract nil GST rate and all other oilcakes will bear 5% GST irrespective of their end use.

The domestic soybean planting is almost over and erratic monsoon this season is likely to affect the productivity of soybean. The planted area under soybean is lower compared to previous season. Lower production will translate into lower meal production in the domestic market this 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.

The export of Soybean meal and its other value added products (HS Code 2304 and 1208) during August 2017 is 0.50 lakh tons compared to 0.27 lakh tons in August 2016 showing an increase of 86% over the same period of last year.

On a financial year basis, the export during April'2017 to August'2017 is 5.57 lakh tons as compared to 1.47 lakh tons in the same period of previous year showing an increase of 280% according to data compiled by SOPA.

During current Oil year, (October – September), total exports during October 2016 to August 2017 is 17.35 lakh tons as against 3.75 lakh tons during the same period last year, showing an increase of 362.13%.

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

Recent weakness in INR against USD will remain positive factor 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 increased in international market, during the month.

CBOT soy meal December contract settled at US \$ 315.80 per short ton compared to US \$ 299.40 per short ton last month.

The domestic soy meal prices at Indore, were quoted at Rs 23,400 – 25,200/MT in the last week of September compared to Rs 26,000 – 26,700/MT in the last week of August.

At Latur and Nanded, Maharashtra, soy meal witnessed easy tone and were quoted at Rs 27,000/MT and 27,500/MT respectively compared to Rs 23,500/MT in Indore and Rs 23,700/MT in Kota.

Previous Updates

India has registered gains in the soy meal exports in the current season. Weakness in INR against dollar will eventually make India's soy meal export prices attractive.

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.

We expect India's soy meal exports to decline slightly in the new season with lower 2017/18 soybean production leading to lower crushing eventually decreasing the meal supplies.

Indian meal prices need to be highly competitive against the South America's 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 23,400 – 25,200/MT during the last week of September compared to Rs 26,000 – 26,700/MT during the corresponding period last year.

The soy meal prices are likely to feature range-bound movement with weak bias amid lack of demand in the domestic market and weakness in soy meal at CBOT. 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	80797
Aug	127299	176138	165510	10005	183555	2778	768	10615	81079
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	851321

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 – Sep. 2017		Avg Crush Margin – Aug. 2017		Avg Crush Margin – Sep. 2016	
-316		146		-218	
Min	Max	Min	Max	Min	Max
-1214	450	-650	1225	-1065	950

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

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Oct. contract

S1	S2	PCP	R1	R2
2900	2772	2985	3150	3250

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

Rapeseed - Mustard Seed

The domestic rapeseed-mustard noticed mostly weak tone on lack of demand from the solvent extractors and weakness in edible oils in the domestic and international market. Deficit rains in the months of August and September is unlikely to provide sufficient soil moisture for rabi sowing.

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 hasve been hiked from 7.5 percent to 15 percent and refined palm oil to 25 percent from 15 percent. Import dury on Crude edible oils other than crude palm oil, import duty are is hiked to 17.5 percent from 12.5 percent. All other refined oils will be taxed at 25 percent from current 20 percent.

Decision toof 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.

However higher domestic production and eventually increase in the seed supplies will weigh on the market in the coming days.

The all India seed supplies were reported between 0.70 – 1.65 lakh bags in a day compared to around 0.50 – 1.50 bags a day, previous week. The supplies were 0.25 – 0.85 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– Sep	1 Month Ago	Corresponding Period Last Year
31,55,000	30,90,000	17,70,000

The seed prices are still lower at spot market and are quoted at around Rs 3,970 – 4,015 a quintal compared to Rs 4,815 – 5,025 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at October contract ended higher at 3739/Qtl compared to 3820/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 August edible oil imports rose 7 percent y-o-y to 13.37 lakh tons from 12.45 lakh tons in August 2016. Palm oil imports in August rose 15 percent y-o-y to 8.69 lakh tons from 7.55 lakh tons in August 2016. CPO Imports rose 10.9 percent y-o-y to 6.00 lakh tons from 5.41 lakh tons in August 2016. RBD palmolein imports rose 26.3 percent y-o-y to 2.95 lakh tons from 2.07 lakh tons in August 2016. Soy oil imports fell 13.2 percent y-o-y to 2.90 lakh tons from 3.34 lakh tons in August 2016. Sunflower oil imports rose 17.7 percent y-o-y to 1.33 lakh tons from 1.13 lakh tons in August 2016. Rapeseed (canola) oil imports in August fell 6.7 percent to 0.45 lakh tons compared 0.48 lakh tons in August 2016.

According to Solvent Extractors Association (SEA), India's August edible oil stocks at ports and pipelines rose 20.1 percent m-o-m to 29.70 lakh tons from 24.73 lakh tons in July 2017. Stocks of edible oil at ports rose to 907,000 tons (CPO 340,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 250,000 tons, Crude Sunflower Oil 150,000 tons and 17,000 tons of Rapeseed (Canola) Oil) and about 1,590,000 tons in pipelines (stocks at ports were 883,000 and in pipelines were at 1,590,000 tons in August 2017).

India is presently holding 43 days of edible oil requirement on 1st September, 2017 at 29.70 lakh tons compared to 42 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 September palm oil exports rose 10.0 percent to 1,384,665 compared to 1,259,240 tons last month. Top buyers are China at 227,764 tons (184,750 tons), European Union at 195,869 tons (248,008 tons), India at 156,675 tons (180,940 tons), Pakistan at 106,540 tons (18,500 tons) and United States at 66,840 tons (49,250 tons). Values in brackets are figures of last month.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's September palm oil exports rose 10.4 percent to 1,372,990 tons compared to 1,243,361 tons last month. Top buyers were China at 320,512 tons (204,450 tons), European Union at 292,155 tons (321,325 tons) and India & Subcontinent at 261,675 tons (164,750 tons). Values in brackets are figures of last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's August palm oil stocks rose 8.79 percent to 19.42 lakh tons compared to 17.84 lakh tons in July. Production of palm oil in August fell 0.90 percent to 18.11 lakh tons compared to 18.27 lakh tons in July. Exports of palm oil in August rose 6.43 percent to 14.88 lakh tons compared to 13.98 lakh tons in July. Imports of palm oil in August fell 21.34 percent to 0.42 lakh tons compared to 0.47 lakh tons in July. Rise in palm oil end stocks in August was above analyst's estimates. Exports growth improved in August due to higher buying by India and China.

According to Malaysia Palm Oil Board (MPOB), Malaysia increased October crude palm oil export duty to 6.0 percent from 5.5 percent in September. Tax is calculated at reference price of 2,754.18 ringgit (\$657.32) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

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 by 11.2 percent to 17.85 MMT in 2017, 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 near -term on weakness in edible oils in the market. Expected festive demand will lend some support to the market.

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 207/18 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, almost fully. Prices to remain weak due to overall supply pressure.**
- India's rapeseed-mustard prices fell at cash market in 2016/17 season and they are at 36-month low in benchmark Jaipur.

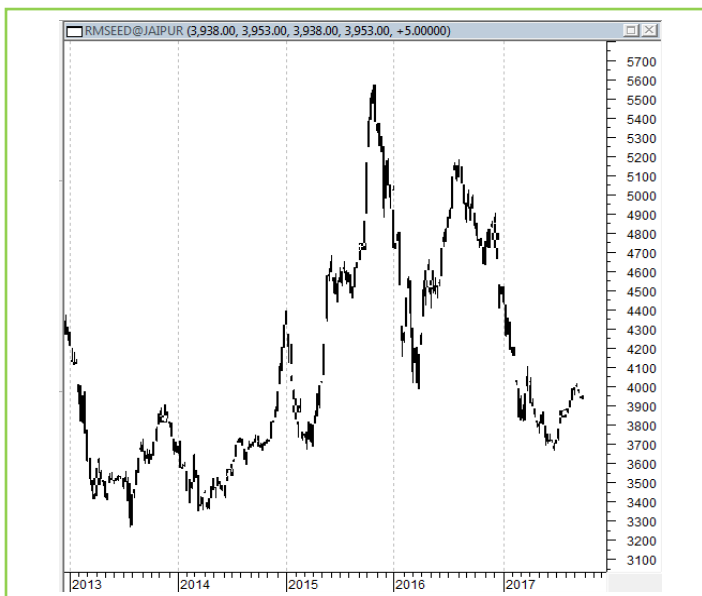
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – Sep. contract

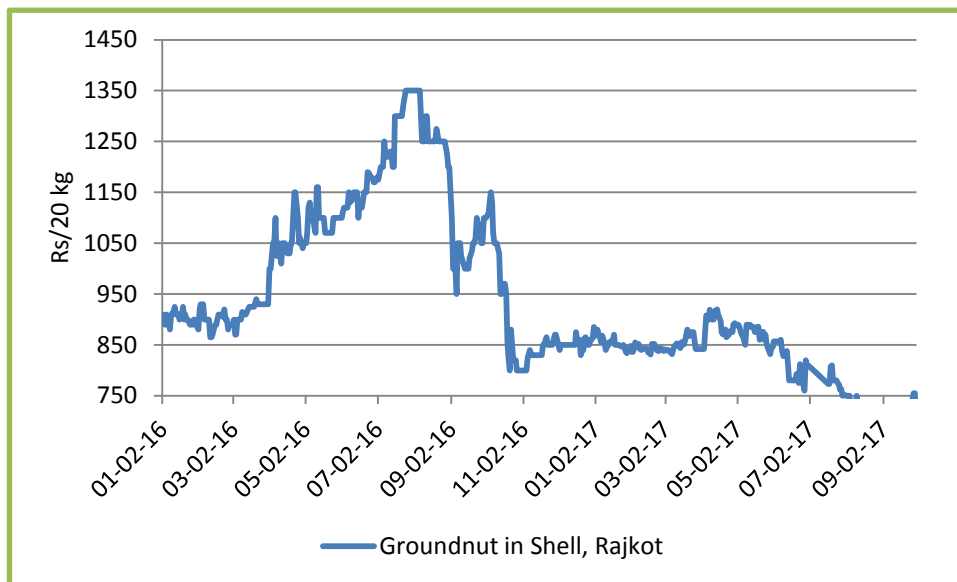
S1	S2	PCP	R1	R2
3630	3600	3827	3957	4000

- Downward movement witnessed in RM seed.
- Prices closed above 18-day EMA.
- RSI and stochastic are declining in the neutral zone.
- MACD is declining in the negative territory.
- Trade Recommendation (NCDEX RM Seed – Nov.) – 1 Month: **SELL** Below 3875. T1 – 3675; T2 - 3625; SL – 3905.

Groundnut

The domestic groundnut prices continued weak tone in September 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 lower and it is behind previous year's figure by 11.49%, by 29 September 2017.

The groundnut prices (in shell - Rajkot) increased by 0.1% in September compared to August and witnessed the monthly average price of Rs 720 per 20 kg compared to Rs 715 per 20 kg in August.



The groundnut prices in Kernel, Saurashtra are also lower compared to the same corresponding 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. 40000 per metric ton in September 2017 vs Rs 43250 per metric ton in August 2017.

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	29-Sep-17	31-Aug-17	30-Sep-16	30-Sep-15
Rajkot	GN in Shell (Rs/20kg)	-34.5	0.1	720	715	1100	950
Shaurashtra	GN Seed Kernel (Rs/MT)	-11.1	-0.8	40000	43250	45000	51500

(Source: AW)

Annexure

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	29-Sep-17	31-Aug-17	Parity To
Indore (MP)	23500	26250	Gujarat, MP
Kota	23700	26500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	27500	28300	Mumbai, Maharashtra
Nagpur (42/46)	26000	27500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	27500	27900	Andhra, AP, Kar ,TN
Latur	27000	28700	-
Sangli	26500	28500	Local and South
Sholapur	27000	28200	Local and South
Akola	26000	27400	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	27500	28500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	25500	26500	-

Soy DOC at Port			
Centers	Port Price		
	28-Sep-17	30-Aug-17	Change
Kandla (FOR) (INR/MT)	25000	28000	-3000
Kandla (FAS) (USD/MT)	382	437	-55

International Soy DOC			
Argentina FOB USD/MT	28-Sep-17	30-Aug-17	Change
Soybean Pellets	Unq	304	-
Soybean Cake Flour	Unq	304	-
Soya Meal	Unq	312	-
Soy Expellers	Unq	312	-

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	29-Sep-17	31-Aug-17	Change
Adoni	16500	19800	-3300
Khamgaon	NA	NA	-
Parli	17000	19600	-2600
Latur	16300	19400	-3100

Groundnut Meal (Rs/MT)	29-Sep-17	31-Aug-17	Change
Basis 45%, Saurashtra	18000	19000	-1000
Basis 40%, Saurashtra	15500	17000	-1500
GN Cake, Gondal	17500	18500	-1000

Mustard DOC/Meal	29-Sep-17	31-Aug-17	Change
Jaipur (Plant delivery)	13200	13700	-500
Kandla (FOR Rs/MT)	14000	14300	-300
Sri Ganganagar	1655	1645	10

India's Kharif Oilseeds Production Seen at 20.68 Mn T vs 22.40 Mn T in 1st Adv Est. - GOI

The 1st Advance Estimates of production of major crops for 2017-18 have been released today by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of floods and erratic rainfall during monsoon 2017, the country has witnessed lower food grain production in the current year compared to previous year.

The estimated production of major Kharif Oilseeds during 2017-18 is as under:

Oilseeds – 20.68 million tonnes

- Soyabean – 12.22 million tonnes
- Groundnut – 6.21 million tonnes
- Castorseed – 1.40 million tonnes

With a decline of 1.72 million tonnes over the previous year, total kharif Oilseeds production in the country is estimated at a level of 20.68 million tonnes. It is lower by 1.93 million tonnes than the all time record production of 22.61 million tonnes achieved during 2013-14.

The production of Oilseeds during 2017-18 is higher by 0.346 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 22.40 million tonnes during 2016-17.

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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