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# Oil meals Monthly Research Report

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## Executive Summary

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Soybean noticed range –bound to firm tone during the month amid lower availability in the domestic market and spillover support from soy complex at CBOT. Average price of soybean in February was higher compared to January. Soybean at CBOT closed higher amid dry weather in the soybean growing regions of Argentina, which is likely to reduce output further. Weather is expected to be dry in the next few weeks. Heavy rain in the soybean growing regions of Brazil is delaying harvesting. In certain areas, the soybean seed has germinated and it will lead to low oil content and less protein content. At the annual outlook forum, the USDA has slightly reduced U.S. soybean acreage in 2018-19 compared to previous year.

In the domestic market, there is lower availability of soybean following decline in output this season. Positive tone of soybean at CBOT continues to remain positive factor for the market. All India average arrival of soybean per day was around 1.20 -1.40 lakh bags.

Various exchanges and official sources are reducing soybean output further in Argentina following dry weather. According toAs per the latest weekly report released by Buenos Aires Exchange, production has been estimated at 47 MMT compared to previous estimates of 50 MMT. Excessive rain in Brazil has slowed down harvesting and is affecting the quality of soybean crop. The weekly export sales of soybean released by the USDA in the last week of February are estimated at 0.109 MMT, below previous week's levels.

Soy meal prices witnessed mostly easy tone, losing the recent gains to certain extent during the period. Lack of demand from the poultry sector around higher levels weighed on the market. However, prices are expected to recover in the coming days amid lower availability in the domestic market and spillover support from soy meal at CBOT.

Rapeseed prices noticed weak tone during the month on increasing arrivals of the new crop. Arrival of new rapeseed crop has started and will pick up momentum in the coming days. Rabi mustard seed acreage this season is lower compared to previous year. Positive tone of palm oil at BMD limited downside movement.

In the global market, overall bearish supply scenario will weigh on the market in the coming days.

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** The soybean noticed weak tone during the month amid profit –booking at higher levels. However average price of soybean in February was higher compared to previous month on lower availability in the domestic market and positive tone of soy complex at CBOT. Soybean at CBOT noticed upside movement amid dry weather in Argentina and heavy rainfall in Brazil. At the annual outlook forum, the USDA has slightly reduced U.S. soybean acreage in 2018-19. The weekly export sales released by the USDA in the last week of February are below previous week's level. The prices are expected to feature range bound movement with firm bias between the price band of 3700 – 4200 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal witnessed easy tone losing the recent gains to certain extent amid lack of demand from the poultry sector in the domestic market around higher levels. However, prices are expected to recover in the coming days on lower availability in the domestic market and spillover support from soy meal at CBOT. Lower production of soybean this season will translate into lower soy meal production. According to industry sources in the current year 2017 -18, soy meal exports are likely to decline by one-fifth due to higher prices ruling in the domestic market currently. Soy meal, Indore is expected to be in the range of 31,000 – 35,000/MT levels during the month.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard noticed weak amid arrival of new crop in the mandis. New crop arrival has started and is expected to pick up in the coming days. Rabi sowing of rapeseed is lower by around 5.0% this season compared to previous year. Positive tone of palm oil at BMD limited downside movement. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3950 – 4150/Qtl; levels during the month.

## International Highlights

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- ❖ According to the latest forecast by the consultancy, Agroconsult Brazilian soybean output in 2017 -18 is estimated at 117.5 MMT compared to previous month's forecast of 114.1 MMT.
- ❖ At the recent annual outlook forum, USDA estimated the soybean crop at 4.320 billion bushels, 2 percent lower than the record-large 2017 harvest. Soybean yield has been put at 48.5 bpa, down 0.6 bushels from a year earlier and down 3.5 bushels from the all-time high of 52.0 bpa set in 2016. U.S. soybean acreage has been expanding in recent years as rising demand makes the oilseed more profitable to grow. The USDA has forecast that U.S. farmers will plant the same area with soybeans as with corn this year and this would be the first time in 35 years that corn was not the top crop.
- ❖ Brazil exported 2.07 MMT of soybean in January 2018 compared to 2.36 MMT in December 2017 and up by 720 per cent compared to same corresponding period previous year. Brazil's share of soybean exports to China recorded the highest increased largest on record in 2017 and is expected to increase in 2018. Competitive price and higher protein content of soybean is helping Brazil to gain share in the global market.
- ❖ According to the consultancy, AgRural Brazilian soybean farmers have harvested 25 per cent of the soybean area compared to the five-year average of 27 per cent and 36 per cent during previous year.
- ❖ According to the Rosario Grains Exchange, soybean output of Argentina in 2017 -18 could be less than 50 MMT as prolonged drought is likely to affect yield. No significant rains are expected in the next few weeks, which is likely to affect the crop further. There could be some very isolated rains in between, which will not be beneficial for the crop.
- ❖ According to sources, Brazilian soybean has started germination in the field due to recent heavy rain. This will lead to low oil percentage and less protein content.
- ❖ According to consultancy, Safras & Mercado, soybean output in 2017 -18 is estimated at a record 115.6 MMT due to better than expected yield in Southeast and Midwest states. In the previous forecast in December, output was estimated at 114.56 MMT.
- ❖ Dry weather in Argentina since November is likely to reduce soybean yield further. Initially production was estimated at 57 MMT for 2017 -18. Recent estimates were around 50 MMT. Currently analysts and farmers

feel that the crop could be around 45 -47MMT. Crop size will depend on further progress of weather in the coming days.

- ❖ According to the latest weekly report of Buenos Aires Exchange, soybean crop in Argentina is estimated at 47 MMT compared to previous estimates of 50 MMT. Drought in the soybean growing regions is affecting soybean crop.
- ❖ The IGC has reduced the global soybean output in 2017/18 by 2 MMT to 347 MMT from its previous estimates following lower production in Argentina. Global soybean production in 2017/18 is still below the 2016/17 record crop of 351 MMT. The global harvested area for soybean in 2018-19 is expected to increase by 2 per cent. Soybean consumption is likely to increase to 353 MMT compared to 338 MMT in 2016/17.
- ❖ According to the data released by the General Administration of Customs, China's imports of soybean increased by 10.7 per cent to 8.48 MMT in January 2018 compared to same corresponding period previous year and it declined by 11.20 per cent compared to December 2017. Imports declined compared to previous month following tighter specification pertaining to the import of the oilseed at the Beijing airport.
- ❖ According to National Oilseed Processors Association (NOPA), U.S. January soybean crush rose to a record level of 163.111 million bushels from 162.675 million bushels in January 2017 amid record –large stockpiles of soybean. Crush of soybean in December 2017 was 166.305 million bushels. Soy meal exports in January declined to 860,416 metric tonnes, from 921,726 metric tonnes the previous month and 891,143 metric tonnes in January 2017. It was the first monthly decline in five months. Soy oil stocks as of Jan. 31 increased to an eight-month high of 1.728 billion pounds, up from 1.518 billion at the end of December.
- ❖ The monthly supply and demand report U.S. Department of Agriculture,'s monthly supply and demand report for the month of February forecasts U.S. soybean stocks at 530 million bushels, up 60 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 60 million bushels to 2100 million bushels amid lagging sales and increased competition from Brazil. Total U.S. oilseed production for 2017/18 is projected at 131.3 MMT, unchanged from previous month's estimates. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Global oilseed production is forecast at 578.6 MMT, down 1.5 MMT mostly reflecting lower soybean production. Global oilseed ending stocks for 2017/18 are forecast at 110.4 MMT down 0.75 MMT from previous month's, mostly reflecting decreases in soybean stocks for Argentina, Bolivia, Paraguay and India.

## Soybean

Soybean noticed range –bound to firm tone during the month on lower availability in the domestic market and positive tone of soy complex at CBOT. Average price of soybean in February was higher compared to January. Soybean at CBOT noticed upside movement amid dry weather in the soybean growing regions of Argentina and rain in Brazil. Various exchanges and official sources in Argentina are reducing soybean output further amid expected dry weather in the coming weeks. Heavy rainfall in Brazil has slowed down harvesting and is likely to affect the quality of soybean crop. The weekly export sales of soybean released by the USDA in the last week of February are below previous week's level. At the annual outlook forum, USDA has slightly reduced U.S. soybean acreage in 2018-19 compared to previous year.

There is lower availability of soybean this season following decline in output. Positive tone of soybean at CBOT continues to remain positive factor for the market. All India average arrival of soybean was reported to be around 1.20 -1.40 lakh bags per day.

The total monthly soybean arrivals in the cash markets of Madhya Pradesh are reported at 13,10,500 bags compared to 26,55,000 bags reported in the previous month.

According to the latest survey by the Soybean Processor's Association of India (SOPA), India's soybean output in the 2017 -18 season is likely to decline by 24 per cent to 8.35 MMT compared to previous year's estimates of 10.9 MMT. Output is lower amid flood-induced crop damage in major growing states, followed by blight disease in the plants. According to industry sources, India's total acreage is down by 5 per cent this year. SOPA also estimates India's soybean meal exports at 1.25 MMT for financial year 2017-18 compared to 2 MMT reported for the previous year.

According to SOPA, the total supply of soybean has been estimated at 96.50 lakh metric tonnes for the oil year 2017 -18 in its latest estimates released in February. For the period of October -January of the current oil year, the production is estimated at 83.50 lakh metric tonnes, while the carryover from the previous year is put at 13.00 lakh metric tonnes.

The demand for crushing is likely to be around 77.50 lakh metric tonnes, while exports are projected at 2 lakh metric tonnes.

With 12 lakh metric tonnes retained for sowing and 1.5 lakh metric tonnes for direct consumption, the carryover for the coming year is estimated at 3.50 lakh metric tonnes.

### **SOPA SOYEAN REVISED PRODUCTION ESTIMATES KHARIF 2017 As on 07.02.2018**

Area in Lakh Ha, Yield in Kg. Per Hectare, Production In Lakh MT

S.No.	Division/District	Kharif 2016 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh	2.99	1.06

	<b>&amp; Telangana</b>		
<b>5</b>	<b>Karnataka</b>	3.24	1.73
<b>6</b>	<b>Chattisgarh</b>	1.34	0.86
<b>7</b>	<b>Gujarat</b>	1.38	0.89
<b>8</b>	<b>Rest Of India</b>	1.13	0.46
	<b>Grand Total</b>	109.71	83.50

*As per Agriwatch estimates, soybean production in the current kharif season was estimated to be 98 lakh metric tonnes compared to 115 lakh metric tonnes in the previous season. Lower soybean production will lend some support to the market. However comfortable carry-in stocks and record soybean crop in U.S. Midwest will continue to be the limiting factor.*

The total sown area under rabi oilseeds, as on 9<sup>th</sup> February 2018, is lower compared to the previous year's level which is down by 5.27% at 80.87 lakh hectares compared to 84.85 lakh hectares during the corresponding period last year.

***The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Kalapipal, Agrawal Neemuch, Adani Shujalpur, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, DivyaJyoti, G. Ambuja, Itarsi, Indian Soya (3-2-10 specification), 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 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 of bean crushing. the bean.

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 7-7.5 million tonnes, the surplus 2.5 million needs to be exported for the good crush market during the season.

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

***The domestic soybean prices are likely to notice range –bound to firm tone amid lower arrivals in the mandis and positive tone of soybean at CBOT.***

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**International:**

The international benchmark, CBOT soybean closed higher on dry weather in the soybean growing regions of Argentina and slow harvesting in Brazil.

At CBOT, the soybean, in the most active May contract, ended higher at US \$ 10.56/bushel compared to US \$ 10.07/bushel last month.

Net sales reductions of 109,100 MT of soybean for 2017/2018--a marketing-year low--were down noticeably from the previous week and from the prior 4-week average. Increases were reported for Turkey (70,600 MT, including 65,000 MT switched from unknown destinations), Egypt (66,000 MT), Mexico (59,400 MT), Japan (44,400 MT, including 18,000 MT switched from unknown destinations and decreases of 8,600 MT), and Malaysia (35,700 MT, including 24,000 MT switched from unknown destinations) during the week February 09 -15, 2018. Reductions were reported for China (361,700 MT), unknown destinations (123,200 MT), and South Korea (200 MT). For 2018/2019, net sales of 222,100 MT were reported for unknown destinations (222,000 MT) and Japan (100 MT). Exports of 893,800 M--a marketing-year low--were down 35 percent from the previous week and 32 percent from the prior 4-week average. The primary destinations were China (546,500 MT), Turkey (70,600 MT), Egypt (66,000 MT), and Mexico (60,700 MT). The current week's net sales are lower compared to net sales of 640,400 MT during the previous week.

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**Previous updates**

In the latest USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on December 1, 2017 totaled 3.16 billion bushels, up 9 percent from December 1, 2016.

On-farm stocks totaled 1.49 billion bushels, up 11 percent from a year ago. Off-farm stocks, at 1.67 billion bushels, are up 7 percent from a year ago.

Indicated disappearance for September - November 2017 totaled 1.54 billion bushels, down 4 percent from the same period a year earlier.

According to the data released by the General Administration of Customs, China's imports of soybean increased by 10.7 per cent to 8.48 MMT in January 2018 compared to same corresponding period previous year and it declined by 11.20 per cent compared to December 2017. Imports declined compared to previous month following tighter specification pertaining to the import of the oilseed at the Beijing airport.

According to consultancy, AgRural farmers in Brazil have harvested 10 per cent of the soybean area in 2017 -18 season as on 10, February 2018. Harvesting is mainly slow in the state of Parana, where only 1 per cent of the area had been harvested compared to 13 per cent previous year.

Heat wave in Argentina is likely to affect soybean yield season and output could decline further. The Buenos Aires Grains Exchange reduced its soy crop estimate to 50 MMT from 51 MMT. Light rainfall is expected later in the month.

According to the Rosario Grains Exchange, soybean output of Argentina in 2017 -18 could be less than 50 MMT as prolonged drought is likely to affect yield. No significant rains are expected in the next 10-12 days, which is likely to affect the crop further. There could be some very isolated rains, which will not be beneficial for the crop.



According to experts and meteorological data, Brazil's central region which accounts for most of the country's soybean production is expected to receive heavy rainfall in the second half of February. This is likely to delay harvesting in the region and affect the quality of the crop to certain extent.

According to National Oilseed Processors Association (NOPA), U.S. January soybean crush rose to a record level of 163.111 million bushels from 162.675 million bushels in January 2017 amid record –large stockpiles of soybean. Crush of soybean in December 2017 was 166.305 million bushels. Soy meal exports in January declined to 860,416 metric tonnes, from 921,726 metric tonnes the previous month and 891,143 metric tonnes in January 2017. It was the first monthly decline in five months. Soy oil stocks as of Jan. 31 increased to an eight-month high of 1.728 billion pounds, up from 1.518 billion at the end of December.

In Ukraine, soybean area likely to decline by 14 -17% to around 1.6 million hectares in 2018. Acreage has declined following lower realisation and cancellation of a VAT refund for exports of oilseeds from September 01, 2018 by parliament.

The U.S. Department of Agriculture's monthly supply and demand report for the month of February forecasts U.S. soybean stocks at 530 million bushels, up 60 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 60 million bushels to 2100 million bushels amid lagging sales and increased competition from Brazil. Total U.S. oilseed production for 2017/18 is projected at 131.3 MMT, unchanged from previous month's estimates. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Global oilseed production is forecast at 578.6 MMT, down 1.5 MMT mostly reflecting lower soybean production. Global oilseed ending stocks for 2017/18 are forecast at 110.4 MMT down 0.75 MMT from previous month's, mostly reflecting decreases in soybean stocks for Argentina, Bolivia, Paraguay and India.

According to the monthly crop report released by the Agriculture Ministry, Argentina's soybean acreage this season is estimated at 16.75 million hectares compared to the previous estimates of 16.8 million hectares. Acreage is estimated to be lower amid dry weather in the growing regions.

Informa lowered U.S. soybean acreage in 2017/18 to 91.197 million acres compared to its previous estimates of 91.387 million acres. According to USDA in 2017 U.S. soybean farmers had planted an all –time high of 90.142 million acres.

Brazil's share of soybean exports to China reached record level in 2017. China is the world's top buyer of soybean, which imports 60 per cent of the soybeans traded worldwide. China bought 50.93 MMT of soybean from Brazil in 2017, accounting for 53.3 percent of total purchases, according to the recently released customs data. Brazil's soybean is often cheaper and contains more protein compared to U.S. soybean.

According to the data released by the General Administration of Customs, China's import of soybean increased by 13.9 per cent to 95.54 MMT in 2017 compared to 83.91 MMT during previous year. Good demand from the crushers ahead of Lunar New Year added to the imports.

According to Conab, Brazilian soybean output in 2017/18 has been increased by 1.2 MMT to 110.4 MMT in the latest monthly report compared to previous month's estimates. Output estimates are likely to increase in the forthcoming reports amid beneficial rains since early November in the growing regions.

According to the agriculture ministry, Argentina has cut its soybean export tax to 29.5 per cent from 30 per cent previously. This is the first step towards gradually reducing the levy to 18 per cent in the next two years. According to the plan, there will be tax cut of one half percentage point per month in the next twenty- four months.

According to consultancy Safras & Mercado, Brazilian soybean output is expected at 114.57 MMT in 2017 -18 compared to 114.7 MMT estimated in the month of October. Safras has forecast a 5 percent rise in Brazil's soybean planted area at 35.49 million hectares (87.7 million acres) this season.

According to a report released by the agriculture ministry, China's soybean imports are expected to increase by 2.7 per cent to 95.97 MMT in 2017 -18 compared to previous year. Soybean output is expected to increase by 15.1 per cent to 14.89 MMT during the period. Consumption is expected to increase by 2.3 per cent to 111 MMT in 2017 -18 compared to previous year.

The IGC has kept the global soybean output in 2017/18 unchanged from its previous estimates. Global soybean production in 2017/18 was put at 348 million metric tonnes which is unchanged from previous projection and up from previous forecast of 347 million but still below the 2016/17 record crop of 351 million metric tonnes. Soybean consumption is likely to increase to 353 million metric tonnes up from previous forecast of 351 million metric and higher compared to 338 million metric tonnes in 2016/17.

*The international soybean prices are likely to notice range –bound to firm tone amid dry weather in Argentina and slow harvesting in Brazil.*

## 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 metric tonnes against 11.5 million metric tonnes last season.
- We expect India's 2017/18 soybean crush at 7.80 million metric tonnes vs 10.0 million metric tonnes in 2016/17.
- This translates into availability of 6.2 million metric tonnes of soy meal and 1.4 million metric tonnes of soy oil in 2016/17.
- Lower crushing mean decrease in the availability of soy meal. India's soy meal prices have to must compete with the meal prices of South America in 2017/18 also.

## Soy meal

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Soy meal witnessed mostly easy tone during the month amid lack of demand from the poultry sector in the domestic market. Lack of demand around higher levels weighed on prices. However, prices are expected to recover in the coming days amid lower availability in the domestic market and spillover support from soy meal at CBOT.

Soy meal ready for delivery in PP bags at Dhule was quoted at 33300+GST by MOEPL in the last week of February. This is with 46.5% protein content. However, it was quoted at 34000+GST at Latur by ADM for February and March delivery. Advance deposit of 10% is required for forward contracts.

India's soy meal export is likely to decline by a fifth in the current year 2017/18. Rally in local soybean prices and firmer rupee makes Indian soy meal unattractive in the global market. This is likely to help other major producers of soy meal like U.S., Argentina and Brazil. The country's soy meal exports could fall to 1.4 MMT to 1.6 MMT in the 2017/18 marketing year which started on Oct. 1 compared to 2 MMT previous year according to industry sources.

India has been a major supplier to countries like Japan, Bangladesh, Nepal and Vietnam, where its meal is sought, because of lower freight rates and the ability to supply small quantities; according to an official at Solvent Extractor's Association Of India. Rupee is at around 30 month's high and soybean prices in the domestic market have increased by nearly 15% to Rs. 3300/Qtl levels in the last two months.

***On a financial year basis, India's export of oil meals during April 2017 to January 2018 stands at 2,362,049 metric tonnes as compared to 1,409,527 metric tonnes in the same corresponding period of previous year showing an increase of 68% according to data released by the Solvent Extractor's Association of India.***

***In the month of January 2018, export of oil meals declined by 52% to 116,150 metric tonnes compared to the same corresponding period previous year. Soy meal exports during the period April 2017 to December 2017 was reported up at 1,013,935 metric tonnes compared to 601,270 metric tonnes during the same corresponding period previous year.***

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

Soy meal increased in international market, during the month.

CBOT soy meal May contract settled at US \$ 394.70 per short ton compared to US \$ 341.50 per short ton last month.

Net sales of 131,900 MT for 2017/2018 were down 37 percent from the previous week and 51 percent from the prior 4-week average. Increases were reported for the Philippines (61,200 MT), Colombia (18,200 MT, including 10,000 MT switched from unknown destinations), Vietnam (12,000 MT), Canada (6,900 MT), and Peru (6,300 MT, including 7,000 MT switched from unknown destinations and decreases of 700 MT) during the week February 09 -15, 2018. Reductions were reported for El Salvador (2,300 MT) and Nicaragua (500 MT). Exports of 329,200 MT--a marketing-year high--were up 30 percent from the previous week and 32 percent from the prior 4-week average. The primary destinations were the Philippines (144,900 MT), Thailand (53,000 MT), Mexico

(34,200 MT), Canada (15,900 MT), and Peru (15,100 MT). The current week's net sales for 2017/18 are lower compared to net sales of 210,000 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 30,500 – 32,000/MT in the last week of February compared to Rs. 31,000/MT -32,500/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed weak tone and were quoted at Rs 33,500/MT and 33,400/MT respectively compared to Rs 32,00/MT in Indore and Rs 32,500/MT in Kota.

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**Previous Updates**

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India has registered gains in the soy meal exports in the current season. Recovery in INR against dollar will eventually make India's soy meal export prices unattractive and help South American soy meal to gain market share.

India is expected to produce 7-7.5 million metric tonnes of soy meal this season. Out of which 5 million metric tonnes will be consumed domestically but another 2 -2.5 million metric tonnes 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 meal prices of South American and China, 's meal prices to regain the markets it lost in previous seasons.*

India's Y-o-Y soy meal prices, Indore, are currently higher compared to previous year. Soy meal Indore was quoted higher between Rs 30,500 – 32,000/MT in the last week of February compared to Rs 22,500 – 22,800/MT during the corresponding period last year.

*The soy meal prices are likely to notice range-bound movement with firm bias on lower availability in the domestic market.*

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## Soy Meal Export (In MT)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Jan</b>	240318	574996	474993	619793	364443.7	103934	28400	155160	76089
<b>Feb</b>	220552	540360	344240	577589	183551	64514	29951	207977	
<b>Mar</b>	163666	410537	460464	302131	232176	46670	26645	107059	
<b>Apr</b>	60264	305033	313832	100312	75884	18017	12295	124374	
<b>May</b>	60575	176819	142588	97547	8226	14045	10400	48900	
<b>Jun</b>	98400	117600	180987	213564	2636	2098	17930	45975	
<b>Jul</b>	166632	139547	168341	107038	6682	929	12270	80797	
<b>Aug</b>	176138	165510	10005	183555	2778	768	10615	87668	
<b>Sep</b>	290868	225921	6525	173381	868	6886	12210	102212	
<b>Oct</b>	404960	223594	49840	182724	29071	4237	31390	71425	
<b>Nov</b>	443488	397659	517103	503269	110806	8909	97750	207630	
<b>Dec</b>	611157	798041	510698	451314	193832	5667	241250	168865	
<b>Total</b>	<b>2937018</b>	<b>4075617</b>	<b>3179616</b>	<b>3512217</b>	<b>843874</b>	<b>276674</b>	<b>531106</b>	<b>1408042</b>	

Source: SEA

India's soy meal exports have started the current season with commendable growth 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. However, prices have to must remain competitive this season to gain global market share.

## Soybean Crush Margin

Avg Crush Margin – Feb. 2018		Avg Crush Margin – Jan. 2018		Avg Crush Margin – Feb. 2017	
108		-955		-773	
Min	Max	Min	Max	Min	Max
-1220	1290	-1620	90	-1270	-214

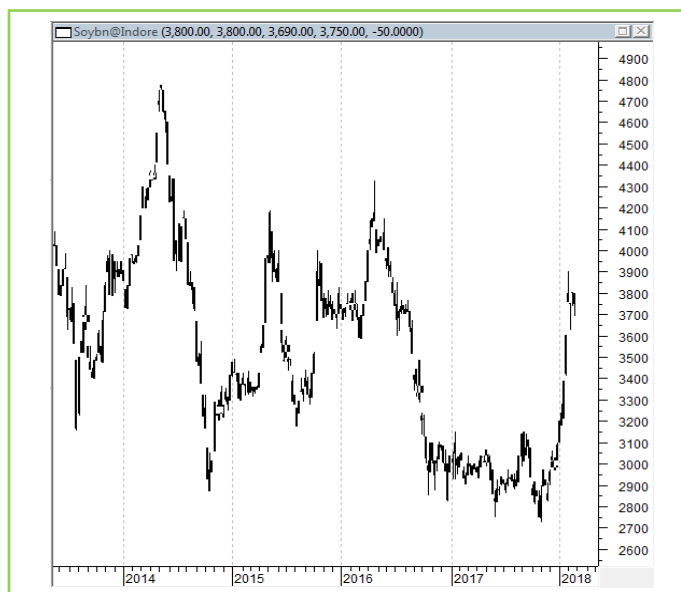
The domestic soybean crush margins in February 2018 were higher from the corresponding period last year owing to the higher soybean and meal prices in February '18.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Apr. contract

S1	S2	PCP	R1	R2
3700	3600	3834	4000	4100

- Soybean noticed range –bound to firm tone, during the month.
- Prices closed above 18-day EMA.
- RSI is declining in the neutral zone and stochastic is increasing in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature gain during the month.
- Trade Recommendation (NCDEX Soybean – Apr.): **BUY** Above 3750. Levels: T1 – 3850; T2- 3900, SL - 3690.

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard noticed weak tone on new crop arrivals in the mandis. However, downside was limited amid firm tone of edible oils in the domestic market and positive tone of palm oil at BMD. New crop arrival has started in the mandis. This year rabi mustard seed acreage is lower compared to previous year.

According to industry sources, India's rapeseed and mustard output in 2017/18 is likely to decline by 10 per cent compared to previous season. According to Government of India figures, rapeseed and mustard seed has been sown in 66.88 lakh hectares as on 09 February 2018 compared to 70.60 lakh hectares during the same corresponding period previous year.

Farmers have reduced the area in Rajasthan amid higher temperatures and lack of moisture at the time of sowing. According to Solvent Extractor's Association of India, India produced a record 6.73 MMT rapeseed in the 2016/17 marketing year.

The all India seed supplies were reported between 0.60 – 1.50 lakh bags in a day in the last week of February compared to around 1.00 – 1.25 bags a day, previous week. The supplies were 1.30 -2.20 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– Feb	1 Month Ago	Corresponding Period Last Year
29,60,000	34,35,000	29,35,000

The seed prices are higher at spot market and are quoted at around Rs 4,108 – 4,148 a quintal in the last week of February compared to Rs 3,908 – 4,023 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at April contract ended lower at 4085/Qtl compared to 4136/Qtl previous month.

The area coverage under rapeseed, as on 09 February, is reported down 5.27% at 66.88 lakh hectares compared to 70.60 lakh hectares at the same period last year.

Crop	As on 09 Feb. 2018	As on 09 Feb. 2018	% Chg.
Rapeseed/Mustard	66.88	70.60	-5.27
Groundnut	6.39	6.36	0.38
Safflower	0.81	1.05	-22.98
Sunflower	1.74	1.71	1.46
Sesamum	0.68	0.70	-3.43
Linseed	4.01	3.84	4.48
<b>Total Oilseeds</b>	<b>80.87</b>	<b>84.85</b>	<b>-5.27</b>

Source: Government of India



The total sown area under *rabi* oilseeds, as on 09 February, is lower compared to the previous year's level which is down by 5.27% at 80.87 lakh hectares compared to 84.85 lakh hectares during the corresponding period last year.

India's total area under rapeseed in 2017 was 70.56 lakh hectares which was higher by 9.3% from 2016.

The rapeseed-mustard prices are driven by India's edible oil imports, Chinese veg. oil demand and Malaysian palm oil. India's edible oil imports increased in November.

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### **Previous Updates**

Agriwatch had 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 tonnes in 2015/16 while Solvent Extractors of India had estimated India's seed production at 7.2 million tonnes.

According to Solvent Extractors Association (SEA), India's January edible oil imports rose 23.22 percent y-o-y to 12.47 lakh tons from 10.12 lakh tons in January 2017. Palm oil imports in January rose 36.2 percent y-o-y to 8.35 lakh tons from 6.13 lakh tons in January 2017. CPO Imports rose 63.35 percent y-o-y to 6.73 lakh tons from 4.12 lakh tons in January 2017. RBD palmolein imports fell 40.2 percent y-o-y to 1.51 lakh tons from 1.97 lakh tons in January 2017. Soy oil imports rose 34.73 percent y-o-y to 2.25 lakh tons from 1.67 lakh tons in January 2017. Sunflower oil imports fell 20.47 percent y-o-y to 1.71 lakh tons from 2.15 lakh tons in January 2017. Rapeseed (canola) oil imports in January fell marginally to 0.17 lakh tons compared 0.18 lakh tons in January 2017.

According to Solvent Extractors Association (SEA), India's January edible oil stocks at ports and pipelines rose 0.9 percent m-o-m to 21.95 lakh tons from 21.76 lakh tons in December 2017. Stocks of edible oil at ports fell to 855,000 tons (CPO 355,000 tons, RBD Palmolein 130,000 tons, Degummed Soybean Oil 200,000 tons, Crude Sunflower Oil 160,000 tons and 10,000 tons of Rapeseed (Canola) Oil) and about 1,340,000 tons in pipelines (stocks at ports were 876,000 tons in December 2017). India is presently holding 36 days of edible oil requirement on 1st February, 2018 at 21.96 lakh tons compared to 36 days of requirements last month at 21.76 lakh tons. India's monthly edible oil requirement is 18.25 lakh tons.

According to United States Department of Agriculture (USDA) in its February review, India's 2017/18 imports of palm oil is hiked 0.4 MMT to 10.6 MMT from 10.2 MMT in its earlier review. Consumption of palm oil in India in 2017/18 is increased to 10.6 MMT from 10.3 MMT in its earlier review. End stocks of palm oil in India in 2017/18 is increased 0.1 MMT to 0.590 MMT from 0.490 MMT.

According to United States Department of Agriculture (USDA) in its February review, India's 2017/18 imports of soy oil is reduced 0.155 MMT to 3.645 MMT from 3.8 MMT in its earlier review. Consumption of soy oil in India in 2017/18 is reduced to 5.2 MMT from 5.4 MMT in its earlier review. End stocks of soy oil in India in 2017/18 are unchanged at 0.320 MMT.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's February 1-20 palm oil exports rose 8.8 percent to 791,992 tons compared to 727,958 tons in corresponding period last month. Top buyers are European Union at 240,457 tons (195,753 tons), India & subcontinent at 218,045 tons (130,710 tons) tons and China at 27,530 tons (100,650 tons). Values in brackets are figures of corresponding period last month.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's February 1-20 palm oil exports rose 9.5 percent to 815,183 tons compared to 744,706 tons in corresponding period last month. Top buyers are

European Union at 237,281 tons (130,925 tons), India at 189,605 tons (107,928 tons), United States at 52,450 tons (83,019 tons), China at 46,570 tons (74,200 tons) and Pakistan at 15,000 tons (33,500 tons). Values in brackets are figures of corresponding period last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's January palm oil stocks fell 6.75 percent to 25.48 lakh tons compared to 27.32 lakh tons in December. Production of palm oil in January fell 13.49 percent to 15.87 lakh tons compared to 18.34 lakh tons in December. Exports of palm oil in January rose 6.01 percent to 15.13 lakh tons compared to 14.27 lakh tons in December. Imports of palm oil in January rose 132 percent to 0.35 lakh tons compared to 0.14 lakh tons in December. Fall in palm oil end stocks in January was below trade estimates.

According to Malaysia Palm Oil Board (MPOB), Malaysia's 2018 production is estimated to grow 3 percent to 20.5 MMT from 19.9 MMT in 2017. Malaysia's 2018 exports are estimated to rise 5.1 percent to 17.4 MMT. MPOB estimates palm oil stocks to fall 15.8 percent to 2.3 MMT.

According to Malaysian government, Malaysia has removed export duty on crude palm oil for three months starting January 8, to support prices. If stocks fall below 1.6 MMT before three months then export duty may be imposed earlier than three months, according to Malaysia's minister of plantation industries. The step has been taken to reduce stocks of palm oil in the country.

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's October palm oil (excluding biodiesel and oleo chemicals) exports fell 5.6 percent to 2.6 MMT from 2.79 MMT in September and 2.41 MMT in October 2016.

End stocks of palm oil in Indonesia in October rose 16 percent to 3.38 MMT from 2.92 MMT in September 2017. Production of palm oil in Indonesia in October rose 3 percent to 4.16 MMT from 4.03 MMT in September 2017.

According to Indonesia trade ministry, Indonesia keeps January crude palm oil export duty to zero, unchanged from last month. This is the ninth consecutive month of zero tax. Reference prices of export tax are set at USD 750 per ton.

According to the latest monthly estimates from Strategie Grains, rapeseed production estimates have been increased to 22.60 MMT in European Union for 2017/18 compared to previous estimates of 21.86 MMT and 20.34 MMT in 2016/17.

*Outlook: The rapeseed-mustard is likely to witness range-bound to weak tone amid increasing new crop arrivals in the mandis.*

## 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, 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**



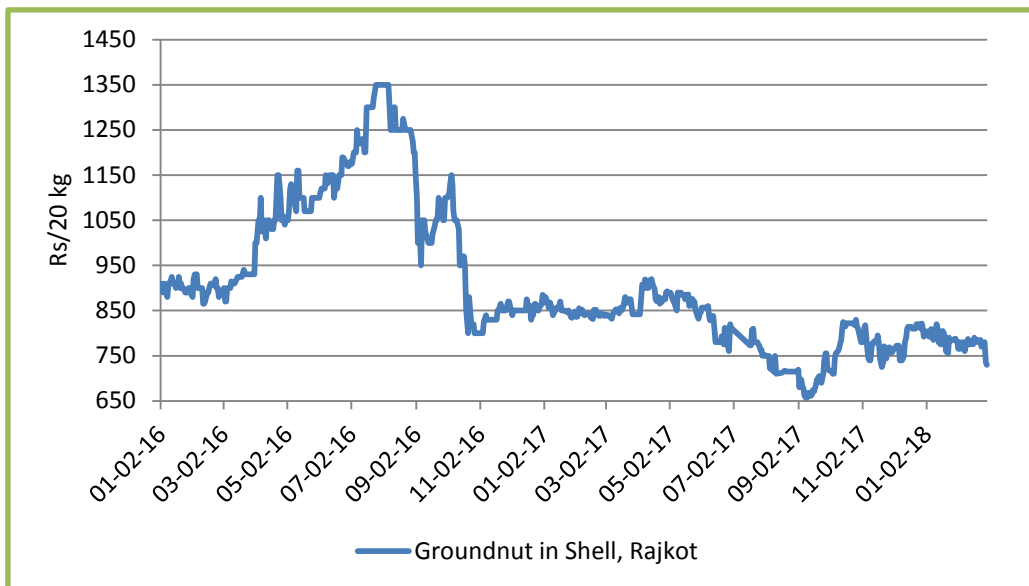
**Support & Resistance NCDEX RM Seed – Apr. contract**

S1	S2	PCP	R1	R2
3900	3800	4085	4250	4300

- Downward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI is increasing and stochastic is declining in the neutral zone.
- MACD is declining in the negative territory.
- The prices are expected to feature range-bound movement with weak bias, during the month.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr) Month: **SELL** Below 4150. Levels: Target – 4050; T2- 4000, SL –4210.

## Groundnut

The domestic groundnut prices noticed weak tone during the month amid unloading of stocks by farmers during marriage season. In Gujarat, the government has failed to arrange warehouses and fulfill the conditions set by the central government for additional procurement of groundnut by NAFED. The government of Gujarat had announced to procure additional 1 lakh metric tonnes of groundnut in the last week of January. However due to storage issues, procurement has not yet restarted yet. According to official



sources at State-run Gujarat State Warehousing Corporation (GSWC), it might take some time to arrange for private warehouses required for storing procured groundnut. In the meanwhile, farmers in need of money during the marriage season are selling their produce at prices below MSP in the open market. This has led to increase in supply in the market, thereby adding to the weak tone. Groundnut prices are expected to decline following increase in supply and quality deterioration. There is lower demand in the export market as the quality has deteriorated now. Most of the groundnut is consumed in ready markets.

The groundnut prices (in shell - Rajkot) declined by 6.4% in February compared to January and witnessed the monthly average price of Rs 730 per 20 kg compared to Rs 780 per 20 kg in January.

The groundnut prices in Kernel, Saurashtra are higher compared to the same corresponding period last year. Lower arrivals are reported in the mandis. The average monthly price of nuts in Saurashtra was Rs. 43500 per metric ton in February 2018 vs Rs 46000 per metric ton in January 2018.

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	28-Feb-18	31-Jan-18	28-Feb-17	29-Feb-16
Rajkot	GN in Shell (Rs/20kg)	-12.9	-6.4	730	780	838	890
Saurashtra	GN Seed Kernel (Rs/MT)	1.2	-5.4	43500	46000	43000	47000

(Source: AW)

## Annexure

### Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	28-Feb-18	31-Jan-18	Parity To
Indore (MP)	32000	31500	Gujarat, MP
Kota	32500	33200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	32800	34000	Mumbai, Maharashtra
Nagpur (42/46)	32500	33500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	33400	34500	Andhra, AP, Kar ,TN
Latur	33500	34500	-
Sangli	34500	34500	Local and South
Sholapur	34000	34500	Local and South
Akola	32500	33200	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	33000	34000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	32000	33500	-

### Soy DOC at Port

Centers	Port Price		
	27-Feb-18	30-Jan-18	Change
Kandla (FOR) (INR/MT)	33000	33500	-500
Kandla (FAS) (USD/MT)	509	525	-16

### International Soy DOC

Argentina FOB USD/MT	27-Feb-18	30-Jan-18	Change
Soybean Pellets	NA	NA	-
Soybean Cake Flour	NA	NA	-
Soya Meal	NA	NA	-
Soy Expellers	NA	NA	-

<b>Sunflower (DOC) Rates</b>	<b>Ex-factory rates (Rs/ton)</b>		
<b>Centers</b>	<b>28-Feb-18</b>	<b>31-Jan-18</b>	<b>Change</b>
Adoni	19200	18500	700
Khamgaon	NA	NA	-
Parli	NA	NA	-
Latur	19000	17000	2000

<b>Groundnut Meal (Rs/MT)</b>	<b>28-Feb-18</b>	<b>31-Jan-18</b>	<b>Change</b>
Basis 45%, Saurashtra	24000	27500	-3500
Basis 40%, Saurashtra	22000	27500	-5500
GN Cake, Gondal	23500	32000	-8500

<b>Mustard DOC/Meal</b>	<b>28-Feb-18</b>	<b>31-Jan-18</b>	<b>Change</b>
Jaipur (Plant delivery)	14900	15500	-600
Kandla (FOR Rs/MT)	15500	15500	Unch
Sri Ganganagar	1845	1905	-60

## India's Kharif Oilseeds Production Seen at 20.36 Mn T vs 21.51 Mn T in 2<sup>nd</sup> Adv Est. - GOI

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The 2<sup>nd</sup> Advance Estimates of production of major crops for 2017-18 have been released on 27 February, 2018 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 – 20.36 million tonnes

- Soyabean – 11.39 million tonnes
- Groundnut – 6.61 million tonnes
- Castorseed – 1.49 million tonnes

With a decline of 1.15 million tonnes over the previous year, total kharif Oilseeds production in the country is estimated at a level of 20.36 million tonnes. It is lower by 2.25 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 0.204 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 21.51 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 2017-18 season are as follows: The MSP of Rapeseed/Mustard is raised (8.1%) by Rs. 300/Qtl to Rs. 4,000/Qtl from Rs. 3,700/Qtl earlier. For Safflower too it is increased (10.8%) by Rs. 400/Qtl to Rs. 4,100/Qtl from Rs. 3,700/Qtl in 2016-17.

## 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

<b>Crop</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
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
<b>Total Oilseeds</b>	<b>84.35</b>	<b>79.42</b>	<b>6.2</b>

Source: MoA, GOI

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