

# Oil meals Monthly Research Report

## Contents

- ❖ Executive Summary
- ❖ Outlook – Cash Market
- ❖ AW Oilseeds Index
- ❖ International Highlights
- ❖ Soybean – Domestic & International
- ❖ Balance Sheet – Soybean, India
- ❖ Soy meal
- ❖ Soybean Crush Margin
- ❖ Technical Analysis - Soybean
- ❖ Rapeseed - Mustard
- ❖ RM Seed Supply, Rajasthan
- ❖ Balance Sheet – Rapeseed-Mustard, India
- ❖ Technical Analysis – RM Seed
- ❖ Annexure – Prices etc.

## Executive Summary

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Soybean witnessed easy tone during the month amid expected increase in kharif acreage this season and weakness in soybean at CBOT. Soybean at CBOT featured weak tone amid likely decline in demand from China following recent trade rift between U.S. and China. No fresh sales have been made to China since 11<sup>th</sup> April 2018. However downside was limited amid bullish soybean crush report released by NOPA for the month of March and further lower soybean production estimates in Argentina. The Buenos Aires Exchange has lowered soybean yields in Argentina in its latest weekly report and is likely to reduce further by the time harvesting is completed. China's imports of soybean have declined in March 2018.

In the domestic market, arrivals have declined compared to previous month. Expectation of higher soybean acreage this season according to industry sources weighed on the market.

NOPA released soybean crush estimates for March and it was estimated at 173.858 million bushels compared to 153.060 million bushels in March 2017. The crush estimates increased amid strong crushing margin and are recorded at 21-month high. U.S. is worried of likely decline in demand from China, which is largest importer of soybean. No fresh sales have been reported since 11<sup>th</sup> April 2018. The market is hopeful of demand in the coming days. The Buenos Aires Exchange has reduced soybean yield in Argentina to 2.4 tonnes per hectare compared to average yield of 2.9 tonnes per hectare during the last few years. China's imports of soybean have declined in March 2018. The total weekly export sales of soybean have been reported at 537,800 tonnes below market expectation of 800,000 tonnes -1.4 MMT.

Soy meal prices declined during the period in line with other legs of the complex. Lack of demand in the domestic market around current levels weighed on the market. Production of soy meal is expected to increase in the coming season following expected increase in production of soybean.

Rapeseed prices continued weak tone during the month amid overall weakness in edible oils in the domestic market and weakness in palm oil at BMD. Stockists are holding stocks in anticipation of better prices in the future. All India average arrival of rapeseed was around 3.50 lakh bags per day during the last week of the month.

There is record supply in the global market, which will continue to weigh on the market in the coming days.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed weak tone during the month amid expectation of increase in soybean acreage this season and weakness in soybean at CBOT. Soybean at CBOT declined on likely decline in demand from China and weekly export sales of soybean released by the USDA in the last week of the month were below market expectation. However downside was limited amid record high crush figures of soybean released by NOPA for the month of May and decline in soybean yield in Argentina reported in the latest weekly report according to the Buenos Aires Exchange. China's imports of soybean have declined in the month of March 2018. The prices are expected to feature range bound movement with weak bias between the price band of 3500 – 3900 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal witnessed easy tone during the period in line with other legs of the complex and lack of buying interest in the domestic market around current levels. According to Investment Information and Credit Rating Agency (ICRA), domestic poultry industry is likely to grow at a steady pace in the medium –long term following favourable socio – economic factors. This will lend some support to the market. Soy meal production is expected to be higher this season amid expected increase in soybean production. Soy meal, Indore is expected to be in the range of 28,000 – 32,000/MT levels during the month.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard continued weak tone on overall weakness in edible oils in the domestic market and weakness in palm oil at BMD. Stockists are holding stocks in anticipation of better prices in the future. All India average arrival of rapeseed was around 3.50 lakh bags per day during the last week of the month. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3800 – 4100/Qtl; levels during the month.

## International Highlights

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- ❖ According to the national export chamber CAPECO, Paraguay will produce 10 MMT soybean in 2017-18. It had produced a record 10.3 MMT soybean in 2016-17. Paraguay is the fourth largest exporter of soybean in the world.
- ❖ According to National Oilseed Processors Association (NOPA), U.S. March soybean crush, rose to a record level of 171.858 million bushels from 153.060 million bushels in March 2017 amid strong processing margins. Crush of soybean in February 2018 was 153.719 million bushels. This month's soybean crush is at 21-month high. Soy meal exports in March declined to 878,582 metric tonnes, from 755,103 metric tonnes the previous month and lower than 1.057 MMT in March 2017. Soy oil stocks as of March. 31 increased to 1.946 billion pounds, up from 1.856 billion pounds at the end of February 2018. This is the highest stock on record since June 2016.
- ❖ Soybean output is estimated at 37.6 MMT in 2017 -18 compared to 55 MMT during previous year according to the latest report released by the Agriculture Ministry of Argentina. Prolonged drought condition has affected current year's production.
- ❖ According to a report released by the Ministry of Agriculture and Rural Affairs, China soybean output in 2018 is expected to increase by 1.9 per cent to 15.18 MMT compared to previous year. Soybean acreage is expected to rise 1.1 percent to 8.2813 million hectares. Farmers are likely to follow government's direction of increasing area under oilseeds.
- ❖ In the weekly USDA crop progress report released by USDA on 30 April; Soybeans planting are reported at 5% which is down from 9% from the corresponding period last year and same as the 5 year average of 5%.
- ❖ According to the latest report by consultancy AgRural, Brazil's soybean output in 2017/18 has been estimated at 119 MMT compared to previous month's estimate of 117.9 MMT. According to AgRural excellent yield in the agricultural frontier Matopiba is boosting output.
- ❖ China's spot soybean processing margins have increased to their highest since December 2016, hitting a seasonal record following higher prices of meal and soybeans after Beijing announced plans to impose import tariffs on soybeans.

- ❖ The U.S. Department of Agriculture's monthly supply and demand report for the month of April forecasts U.S. soybean stocks at 550 million bushels, down 5 million bushels from last month. U.S. soybean exports are forecast to remain unchanged. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Soybean production for Brazil has been increased by 2.0 MMT to 115 MMT and for Argentina, it has been reduced by 7.0 MMT to 40 MMT compared to previous month's estimates. Other oilseed production changes include reduced sunflower and peanut production for Argentina, higher sunflower seed production for the European Union, and increased rapeseed production for Belarus. Global oilseed trade for 2017/18 is projected at 174.1 million tons, down 0.6 million on lower soybean, peanut, and rapeseed shipments.
- ❖ According to Abiove, Brazil is expected to export record soybean of 70.4 MMT in 2018 compared to 68.1 MMT soybean exported in the previous year. Soy crush volume this year is estimated at 43.2 MMT and soy meal exports will go up by 600,000 tonnes, to 16.8 MMT this season.
- ❖ China's imports of soybean declined by 10 per cent to 5.66 MMT in March 2018 compared to same corresponding period previous year and it increased slightly compared to imports of 5.42 MMT in February 2018 according to the data released by the General Administration of Customs. In the first three months of the current year till March, it has imported 19.57 MMT of soybean. Imports declined following Lunar New Year holidays.
- ❖ According to the latest report released by the IGC, soybean production in Argentina has been reduced to 38 MMT following hot and dry weather conditions in the growing regions compared to previous month's estimates of 43 MMT. This is in line with Argentina's Agriculture ministry forecast of 37.8 MMT released previous week.
- ❖ According to the latest weekly report released by the Buenos Aires Exchange, soybean farmers in Argentina are harvesting an average yield of 2.4 tonnes per hectare compared to normal average of 2.9 tonnes per hectare over the recent years. Drought in the soybean growing regions has affected yield levels. Overall, around 54 per cent of soybean harvesting has been completed till date. Yields could decline further to a final 2.0 tonnes per hectare as harvesting gets completed.

## Soybean

Soybean witnessed easy tone during the month amid expected increase in kharif acreage this season and weakness in soybean at CBOT. Soybean at CBOT featured weak tone amid likely decline in demand from China following recent trade rift between U.S. and China. No fresh sales have been made to China since 11<sup>th</sup> April 2018. However, downside was limited amid bullish soybean crush report released by NOPA for the month of March and further lower soybean production estimates in Argentina. The Buenos Aires Exchange has lowered soybean yields in Argentina in its latest weekly report and is likely to reduce further by the time harvesting is completed. China's imports of soybean have declined in March 2018.

In the domestic market, arrivals have declined compared to previous month. Expectation of higher soybean acreage this season, according to industry sources, weighed on the market.

The total monthly soybean arrivals in the cash markets of Madhya Pradesh are reported at 10,64,000 bags compared to 11,35,000 bags reported in the previous month.

According to the Indian Meteorological Department (IMD), in 2018 monsoon is expected to be 97% of the long – term average. There is very less probability of a deficient monsoon this season. The next assessment on monsoon will be done in June.

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 April. For the period October -March 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 & Telangana	2.99	1.06
5	Karnataka	3.24	1.73
6	Chattisgarh	1.34	0.86
7	Gujarat	1.38	0.89
8	Rest Of India	1.13	0.46
	<b>Grand Total</b>	109.71	83.50

*As per Agriwatch estimates, soybean production in the current kharif season has been revised to 94 lakh metric tonnes compared to previous estimates of 98 lakh metric tonnes. India produced 115 lakh metric tonnes in 2016-17. 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.***

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**Previous Update**

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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.

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 higher in the key markets of Madhya Pradesh, Maharashtra and Rajasthan during the week.

***The domestic soybean prices are likely to witness range –bound to weak tone on expected increase in soybean acreage this season.***

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**International:**

The international benchmark, CBOT soybean closed lower amid likely decline in demand from China and expected increase in soybean acreage this season.

At CBOT, the soybean, in the most active July contract, ended lower at US \$ 10.50/bushel compared to US \$ 10.55/bushel last month.

Net sales of 371,300 MT of soybean for 2017/2018 were down 64 percent from the previous week and 63 percent from the prior 4-week average. Increases were reported for Indonesia (133,300 MT, including 68,000 MT switched from unknown destinations and decreases of 1,100 MT), the Netherlands (82,000 MT, including 76,000 MT switched from unknown destinations and decreases of 5,200 MT), Mexico (53,000 MT, including decreases of 1,100 MT), Taiwan (26,400 MT, including decreases of 100 MT), and Japan (22,000 MT, including 17,500 MT switched from unknown destinations and decreases of 3,300 MT) during the week April 13 -19, 2018. Reductions were reported for China (9,800 MT) and Bangladesh (1,000 MT). For 2018/2019, net sales of 166,500 MT were for unknown destinations (109,000 MT), Mexico (47,500 MT), and Malaysia (10,000 MT). Exports of 446,100 MT were up 11 percent from the previous week, but down 18 percent from the prior 4-week average. The destinations were primarily to China (127,800 MT), Indonesia (94,400 MT), the Netherlands (82,000 MT), Mexico (39,900 MT), and Taiwan (23,600 MT). The current week's net sales are lower compared to net sales of 1,040,700 MT during the previous week.

**Previous updates**

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In the latest USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on March 1, 2018 totaled 2.11 billion bushels, up 21 percent from March 1, 2017. It is higher than average trade estimate of 2.030 billion bushels.

On -farm stocks are estimated at 855 million bushels, up 28 percent from a year ago. Off-farm stocks, at 1.25 billion bushels, are up 17 percent from last March.

Indicated disappearance for the December 2017 - February 2018 quarter, totalled 1.05 billion bushels, down 9 percent from the same corresponding period a year earlier.

According to the national export chamber CAPECO, Paraguay will produce 10 MMT soybean in 2017-18. It had produced a record 10.3 MMT soybean in 2016-17. Paraguay is the fourth largest exporter of soybean in the world.

According to National Oilseed Processors Association (NOPA), U.S. March soybean crush rose to a record level of 171.858 million bushels from 153.060 million bushels in March 2017 amid strong processing margins. Crush of soybean in February 2018 was 153.719 million bushels. This month's soybean crush is at 21-month high. Soy meal exports in March declined to 878,582 metric tonnes, from 755,103 metric tonnes the previous month and lower than 1.057 MMT in March 2017. Soy oil stocks as of March. 31 increased to 1.946 billion pounds, up from 1.856 billion pounds at the end of February 2018. This is the highest stock on record since June 2016.

According to the latest report released by the Agriculture Ministry of Argentina, soybean output is estimated at 37.6 MMT in 2017 -18 compared to 55 MMT during previous year. Prolonged drought condition has affected current year's production.



According to a report released by the Ministry of Agriculture and Rural Affairs, China soybean output in 2018 is expected to increase by 1.9 per cent to 15.18 MMT compared to previous year. Soybean acreage is expected to rise 1.1 percent to 8.2813 million hectares. Farmers are likely to follow government's direction of increasing area under oilseeds.

According to the latest report by consultancy AgRural, Brazil's soybean output in 2017/18 has been estimated at 119 MMT compared to previous month's estimate of 117.9 MMT. According to AgRural, excellent yield in the agricultural frontier Matopiba, is boosting output.

China's spot soybean processing margins have increased to their highest since December 2016, hitting a seasonal record following higher prices of meal and soybeans after Beijing announced plans to impose import tariffs on soybeans.

The monthly supply and demand report of U.S. Department of Agriculture,'s monthly supply and demand report for the month of April forecasts U.S. soybean stocks at 550 million bushels, down 5 million bushels from last month. U.S. soybean exports are forecast to remain unchanged. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Soybean production for Brazil has been increased by 2.0 MMT to 115 MMT and for Argentina, it has been reduced by 7.0 MMT to 40 MMT compared to previous month's estimates. Other oilseed production changes include reduced sunflower and peanut production for Argentina, higher sunflower seed production for the European Union, and increased rapeseed production for Belarus. Global oilseed trade for 2017/18 is projected at 174.1 million tons, down 0.6 million on lower soybean, peanut, and rapeseed shipments.

According to the latest report released by the Rosario Exchange, Argentina's soybean output in 2017 -18 is estimated at 37 MMT compared to previous estimates of 40 MMT. Prolonged drought in the soybean growing regions has affected yields.

According to Abiove, Brazil is expected to export record soybean of 70.4 MMT in 2018 compared to 68.1 MMT soybean exported in the previous year. Soy crush volume this year is estimated at 43.2 MMT and soy meal exports will go up by 600,000 tonnes, to 16.8 MMT this season.

According to the data released by the General Administration of Customs, China's imports of soybean declined by 10 per cent to 5.66 MMT in March 2018 compared to same corresponding period previous year and it increased slightly compared to imports of 5.42 MMT in February 2018. In the first three months of the current year till March, it has imported 19.57 MMT of soybean. Imports declined following Lunar New Year holidays.

According to data released by the Trade Ministry, Brazil's exports of soybean increased to 8.81 MMT in March 2018 compared to 2.86 MMT previous month. It exported 8.98 MMT soybean in March 2017. Soy meal exports stood at 1.32 MMT in March 2018 compared to 1.35 MMT previous month.

China has announced 25 per cent import tariff on soybean. However, effective date has not been announced. This is likely to reduce demand for U.S. soybean from China. China purchases around 61 per cent of total U.S. soybean and more than 30 per cent of overall U.S. soybean production. Brazil is likely to benefit from the ongoing trade rift between U.S. and China and soybean exports from Brazil are likely to reach record level this season.

According to the latest report released by the Buenos Aires Exchange, Argentina's soybean output is estimated at 38 MMT compared to the previous estimate of 39.5 MMT. Yields have reduced amid prolonged drought in the country's central Pampas agricultural belt.

According to consultancy, Agroconsult Brazil's soybean crop has been revised up to 118.9 MMT in 2017-18 following favourable weather in the growing regions. According to Agroconsult, Mato Grosso's yields are estimated to reach an average of 56.7 60-kg bags per hectare compared with 55.5 bags in the previous season.

According to the planting intention report released by the USDA, soybean planted area for 2018 is estimated at 89.0 million acres, lower 1 per cent compared to previous year. It is below average trade estimates of 91.056 million acres.

According to Safras & Mercado, Brazil is expected to export a record 70 MMT of soybean in 2018-19. This is 12 per cent higher compared to previous year. Record harvest of soybean in Brazil this season and lower output in Argentina are cited the reasons for record exports of soybean.

According to the latest attaché report released by the USDA, China's soybean imports in 2018/19 are estimated to be around 100 MMT compared to imports of 97 MMT in 2017/18. Rising incomes, urbanization and the modernization of the domestic feed and livestock sectors will continue fostering Chinese consumption of oilseed products. US soybean exports to China are likely to face competition from South American countries in 2017/18 and beyond. Moreover the stringent import norms introduced by China coupled with recent tariffs imposed by US on steel and aluminum imports from China will also weigh on soybean exports.

Soy meal exports in Brazil are expected to increase to 16.2 MMT in 2018 compared to 15 MMT in 2017 following B10 blending mandate and lower availability from Argentina. Around 40% of the domestic soy crush goes towards biodiesel production and this will increase by a quarter this year as the blending mandate has been made 10% in March compared to 8% previously.

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.

*The international soybean prices are likely to notice range –bound to weak tone amid expected decline in demand from China 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	4.15	2.29	1.21
Production	11.50	9.80	9.8	0	0	0
Imports	0.00	0.00	0	0	0	0
Total Availability	11.73	10.03	10.03	4.15	2.29	1.21
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	4.15	2.29	1.21	0.23
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

Soy meal witnessed easy tone during the period following weakness in other legs of the complex and lack of demand in the domestic market. Production of soy meal is expected to increase in the coming season following increase in production of soybean. According to Investment Information and Credit Rating Agency (ICRA), domestic poultry industry is likely to grow at a steady pace in the medium –long term following favourable socio – economic factors. This will lend some support to the market.

Soy meal for ready delivery in PP bags at Dhule was quoted at 31900+GST by MOEPL in the last week of April. This is with 46.5% protein content. However it was quoted at Rs. 32000+GST for ready ad May delivery in PP bags at Latur by ADM. It was quoted at 32500+GST for June delivery and at 33300+GST for July delivery.

Kharif acreage under soybean this season is likely to increase by 15 per cent in the domestic market according to industry sources, following increase in soybean price amid highest level of hike in import duty, to the highest level by the government. Prices have increased and are ruling above the MSP in the market. Higher soybean production will translate into higher soy meal production. This is likely to increase soy meal exports in the coming season.

***On a financial year basis, India's export of oil meals during April 2017 to March 2018 stands at 2,839,623 metric tonnes as compared to 1,885,480 metric tonnes in the same corresponding period of previous year showing an increase of 51% according to data released by the Solvent Extractor's Association of India.***

***In the month of March 2018, export of oil meals declined by 56% to 75,393 metric tonnes compared to the same corresponding period previous year. Soy meal exports during the period April 2017 to March 2018 was reported up at 1,156,549 metric tonnes compared to 916,306 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 week.

CBOT soy meal July contract settled at US \$ 393.80 per short ton compared to US \$ 386.30 per short ton last month.

Net sales of 223,700 MT of soybean cake and meal for 2017/2018 were up 36 percent from the previous week, but down 17 percent from the prior 4-week average. Increases were reported for Vietnam (83,000 MT), Thailand (50,000 MT, switched from unknown destinations), Canada (21,100 MT, including decreases of 200 MT), and Colombia (12,000 MT, including decreases of 400 MT) during the week April 13 -19, 2018. Reductions were reported for unknown destinations (17,000 MT). For 2018/2019, net sales of 40,800 MT were reported for unknown destinations (40,000 MT) and Canada (800 MT). Exports of 268,900 MT were down 2 percent from the previous week, but up 3 percent from the prior 4-week average. The primary destinations were the Philippines (90,100 MT), Indonesia (45,200 MT), Mexico (32,900 MT), Cuba (27,000 MT), and Vietnam (21,600 MT). The current week's net sales for 2017/18 are higher compared to net sales of 164,900 MT during the previous week.

According to the data released by the General Administration of Customs, China's imports of rapeseed meal increased by 87.51% to 109,795 metric tonnes in March 2018 compared to same period previous year. In the first three months of the current year, imports of rapeseed meal increased by 46.26% to 297,848 metric tonnes compared to same corresponding period previous year.

The domestic soy meal prices at Indore were quoted at Rs 30,000 – 31,000/MT in the last week of April compared to Rs. 30,500/MT -32,000/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed weak tone and were quoted at Rs 32,200/MT and 32,300/MT respectively compared to Rs 30,300/MT in Indore and Rs 31,200/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 must 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 30,000 – 31,000/MT during the last week of April compared to Rs 25,500 – 26,000/MT during the corresponding period last year.

*The soy meal prices are likely to witness range –bound to weak tone on lack –luster demand in the domestic market.*

## Soy Meal Export (In MT)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jan	240318	574996	474993	619793	364443.7	103934	28400	155160	105678
Feb	220552	540360	344240	577589	183551	64514	29951	207977	73816
Mar	163666	410537	460464	302131	232176	46670	26645	107059	39209
Apr	60264	305033	313832	100312	75884	18017	12295	124374	
May	60575	176819	142588	97547	8226	14045	10400	48900	
Jun	98400	117600	180987	213564	2636	2098	17930	45975	
Jul	166632	139547	168341	107038	6682	929	12270	80797	
Aug	176138	165510	10005	183555	2778	768	10615	87668	
Sep	290868	225921	6525	173381	868	6886	12210	102212	
Oct	404960	223594	49840	182724	29071	4237	31390	71425	
Nov	443488	397659	517103	503269	110806	8909	97750	207630	
Dec	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 had started the current season with commendable growth and 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, during the last two months, exports have been declining due to higher price of soy meal in the domestic market on lower production this season. Prices must have to remain competitive this season to gain global market share.

## Soybean Crush Margin

Avg Crush Margin – Apr. 2018		Avg Crush Margin – Mar. 2018		Avg Crush Margin – Apr. 2017	
<b>-1104</b>		<b>-1113</b>		<b>-786</b>	
Min	Max	Min	Max	Min	Max
<b>-1599</b>	<b>-574</b>	<b>-1746</b>	<b>-284</b>	<b>-1255</b>	<b>-210</b>

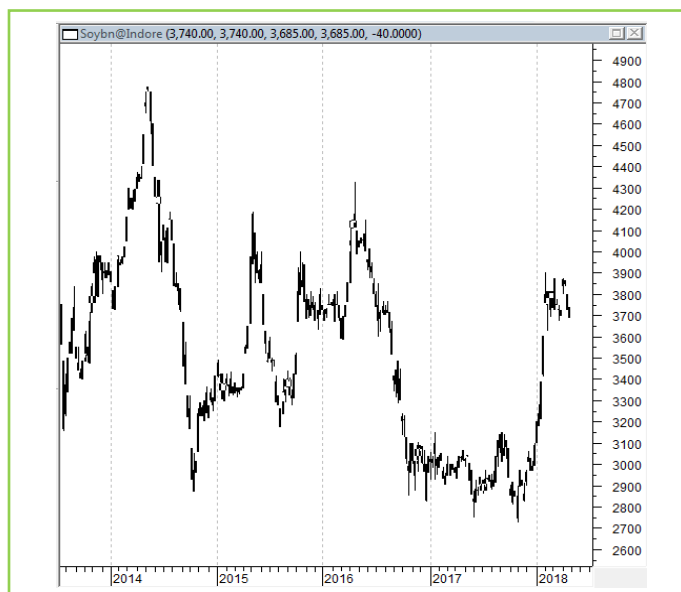
The domestic soybean crush margins in April 2018 were lower from the corresponding period last year owing to the lower soybean and meal prices in April '18.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

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

S1	S2	PCP	R1	R2
3600	3500	3732	3900	4000

- Soybean noticed range –bound to weak tone, during the month.
- Prices closed below 18-day EMA.
- RSI and stochastic are increasing in the neutral zone.
- MACD is declining in the negative territory.
- The prices are expected to feature loss during the month.
- Trade Recommendation (NCDEX Soybean – June.): **SELL** Below 3800. Levels: T1 – 3650; T2- 3600, SL -3880.

## Rapeseed - Mustard Seed

Rapeseed prices continued weak tone during the month amid overall weakness in edible oils in the domestic market and weakness in palm oil at BMD. Stockists are holding stocks in anticipation of better prices in the future. All India average arrival of rapeseed was around 3.50 lakh bags per day during the last week of the month.

The Haryana State Co-operative Supply and Marketing Federation Ltd. (HAFED) has opened 43 purchase centres for mustard seed procurement. It has purchased 54,564 quintal mustard seed as on March 28, 2018 directly from farmers, through the shops of its member Cooperative Marketing Societies.

According to industry sources, India's rapeseed and mustard output in 2017/18 is likely to be around 63 -64 lakh tonnes. 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 3.00 – 4.00 lakh bags in a day in the last week of April compared to around 3.50 – 4.55 bags a day, previous week. The supplies were 2.50 -5.00 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– Apr	1 Month Ago	Corresponding Period Last Year
98,45,000	122,80,000	99,55,000

The seed prices are higher at spot market and are quoted at around Rs 3,900 – 3,960 a quintal in the last week of April compared to Rs 3,800 – 3,870 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at June contract ended lower at 3799/Qtl compared to 4090/Qtl previous month.

The area coverage under rapeseed, this season is reported down 5.27% at 66.88 lakh hectares compared to 70.56 lakh hectares at the same period last year.

The total sown area under *rabi* oilseeds 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.

According to the data released by the General Administration of Customs, China's import of rapeseed declined by 15.48% to 250,034 metric tonnes in March 2018 compared to same corresponding period previous year. In



the first three months of the year 2018, imports of rapeseed declined by 21.18% to 984,947 metric tonnes compared to same corresponding period previous year. Imports of rapeseed meal increased by 87.51% to 109,795 metric tonnes in March 2018 compared to same corresponding period previous year. In the first three months of the current year, imports of rapeseed meal increased by 46.26% to 297,848 metric tonnes compared to same corresponding period previous year.

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**Previous Updates**

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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 March edible oil imports rose 2.26 percent y-o-y to 11.23 lakh tons from 10.98 lakh tons in March 2017. Palm oil imports in March rose 11.9 percent y-o-y to 7.61 lakh tons from 6.8 lakh tons in March 2017. CPO Imports rose 19.8 percent y-o-y to 5.92 lakh tons from 4.54 lakh tons in March 2017. RBD palmolein imports fell 25.57 percent y-o-y to 1.63 lakh tons from 2.19 lakh tons in March 2017. Soy oil imports fell 50.0 percent in March y-o-y to 1.15 lakh tons from 2.30 lakh tons in March 2017. Sunflower oil imports rose 15.4 percent in March percent y-o-y to 2.10 lakh tons from 1.82 lakh tons in March 2017. Rapeseed (canola) oil import was at 0.37 lakh tons compared zero imports in March 2017.

According to Solvent Extractors Association (SEA), India's March edible oil stocks at ports and pipelines fell 3.87 percent m-o-m to 21.12 lakh tons from 21.97 lakh tons in February 2018. Stocks of edible oil at ports fell to 770,000 tons (CPO 350,000 tons, RBD Palmolein 160,000 tons, Degummed Soybean Oil 80,000 tons, Crude Sunflower Oil 160,000 tons and 20,000 tons of Rapeseed (Canola) Oil) and about 1,342,000 tons in pipelines (stocks at ports were 757,000 tons in February 2018). India is presently holding 33 days of edible oil requirement on 1st April, 2018 at 21.12 lakh tons compared to 36 days of requirements last month at 21.97 lakh tons. India's monthly edible oil requirement is 18.25 lakh tons.

According to USDA April estimate, India's soy oil imports estimate is reduced to at 33.45 lakh tons from previous estimate of 35.45 lakh tons. Soy oil production estimate is reduced to 14.94 lakh tons from previous estimate of 15.75 lakh tons. Consumption estimate of soy oil is reduced to 51 lakh tons from previous estimate of 52 lakh tons. End stocks estimate of soy oil is reduced to 1.67 lakh tons from 2.18 lakh tons in its previous estimate.

According to China General Administration of Customs (CNGOIC), China's March imports of edible vegetable oil imports for March, rose 14.0 percent to 399,000 tons from 350,000 tons in February. Exports fell 11.3 percent from March 2017 reported at 450,000 tons. Year to date imports fell 5.5 percent to 1,325,000 tons compared to corresponding period in 2017.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's April 1-25 palm oil exports fell 2.5 percent to 1,160,994 tons compared to 1,190,261 tons in corresponding period last month. Top buyers are European Union at 246,023 tons (234,268 tons), India at 199,915 tons (313,233 tons), China at 126,130 tons (106,864 tons), Pakistan at 100,100 tons (58,395 tons) and United States at 40,060 tons (42,575 tons). Values in brackets are figures of corresponding period last month.

According to cargo surveyor AmSpec Agri, Malaysia's April 1-25 palm oil exports fell 0.8 percent to 1,157,020 tons compared to 1,165,833 tons in corresponding period last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's March palm oil stocks fell 6.24 percent to 23.23 lakh tons compared to 24.78 lakh tons in February. Production of palm oil in March rose 17.21 percent to 15.74 lakh tons compared to 13.43 lakh tons in February. Exports of palm oil in March rose 19.20 percent to 15.65 lakh tons compared to 13.13 lakh tons in February. Imports of palm oil in March fell 41 percent to 0.40 lakh tons compared to 0.67 lakh tons in February. Fall in palm oil end stocks in March was above 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 Malaysia Palm Oil Board (MPOB), Malaysia imposed export duty on palm oil for April at 5 percent after three month suspension of export duty. Export duty of palm oil is calculated at reference price of 2,409.66 ringgit (\$621.37) 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's February palm and palm kernel oil exports fell 13.5 percent m-o-m to 2.37 MMT compared to 2.74 MMT in January. On y-o-y basis exports fell 6.3 percent. Exports were 2.53 MMT in February 2017.

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 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 on lack of buying interest and overall weakness in edible oils in the domestic market.*

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2017-18	2018-19	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.10	0.10	0.10	3.17	1.66	0.87
Production	6.80	6.30	6.30	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	6.90	6.40	6.40	3.17	1.66	0.87
Processing/Crushing	6.80	6.30	3.18	1.46	0.68	0.67
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	6.80	6.30	3.23	1.51	0.78	0.77
Carry Out/Ending Stock	0.10	0.10	3.17	1.66	0.87	0.10
Monthly Use	0.57	0.53				
Stock/Consumption Ratio	0.01	0.02				
Stock to Month Use Ratio	0.18	0.19				

(Source: AgriWatch)

- We have pegged India's 2018/19 Rapeseed-mustard outturn at 6.3 million tonnes, lower by more than 5% compared to the 2017/18 production at 6.8 million tonnes.
- India's production is lower than 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 get some support following increase in import on edible oils and procurement at MSP by the government.

### Technical Analysis:

#### NCDEX RM Seed Futures



\*Note: Daily Chart

#### RM Seed Spot, Jaipur



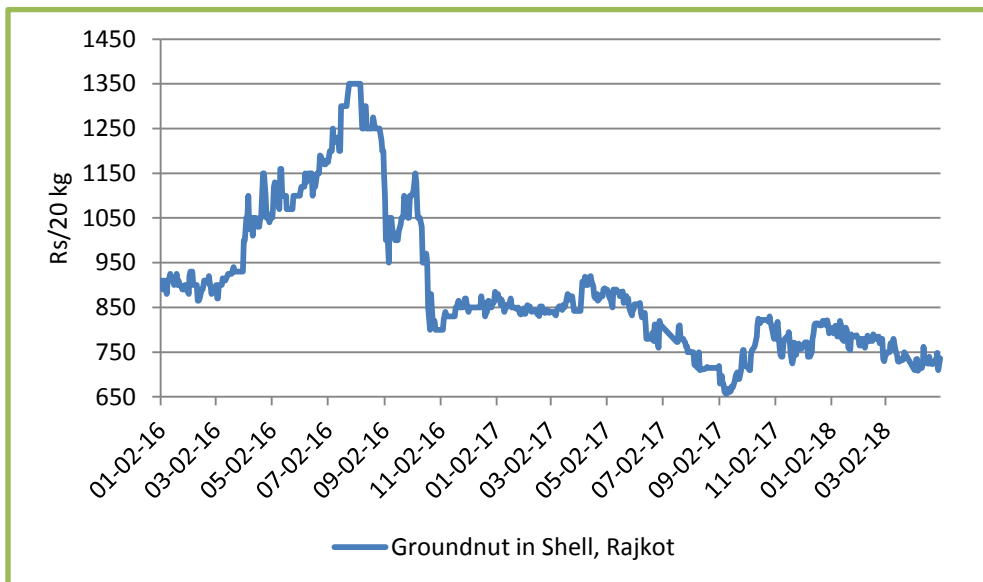
#### Support & Resistance NCDEX RM Seed – June. contract

S1	S2	PCP	R1	R2
3650	3550	3799	4200	4300

- Downward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI and stochastic are increasing in the overbought 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 – June) Month: **SELL** Below 3900. Levels: Target – 3750; T2- 3700, SL –3980.

## Groundnut

The domestic groundnut prices noticed weak tone during the month amid lack of demand and comfortable stocks in the market. Arrivals of groundnut are reported to be of good quality and have declined, compared to previous month. There is subdued demand for groundnut oil and groundnut meal. Retail demand of groundnut oil is moderate. According to market sources, there is stock of 9 lakh tonnes stocks with the government and around 7-8 lakh tonnes stocks with the farmers. There is no news regarding sale of new crop procured by the government during the season. Exports are reported in smaller quantities around current levels. As per Gujarat state agriculture, as on 30th April, 2018 52.3 thousand hectares has been brought under groundnut against 69.7 thousand hectares last year and against 59.7 thousand hectares of three year average.



The groundnut prices (in shell - Rajkot) declined by 1.9% in April compared to March and witnessed the monthly average price of Rs 736 per 20 kg compared to Rs 750 per 20 kg in March.

The groundnut prices in Kernel, Saurashtra are lower 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. 42500 per metric ton in April 2018 vs Rs 52000 per metric ton in April 2017.

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	30-Apr-18	22-Mar-18	20-Apr-17	30-Apr-16
Rajkot	GN in Shell (Rs/20kg)	-17.6	-1.9	736	750	893	1050
Saurashtra	GN Seed Kernel (Rs/MT)	-18.3	-2.3	42500	43500	52000	49000

(Source: AW)

## Annexure

### Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	30-Apr-18	31-Mar-18	Parity To
Indore (MP)	30000	30500	Gujarat, MP
Kota	31000	31600	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	31900	33000	Mumbai, Maharashtra
Nagpur (42/46)	31500	32000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	32300	32200	Andhra, AP, Kar ,TN
Latur	31800	32500	-
Sangli	32500	33300	Local and South
Sholapur	32500	32200	Local and South
Akola	30500	31500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	32000	32500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	30500	31000	-

Soy DOC at Port			
Centers	Port Price		
	28-Apr-18	30-Mar-18	Change
Kandla (FOR) (INR/MT)	32300	32800	-500
Kandla (FAS) (USD/MT)	485	506	-21

International Soy DOC			
Argentina FOB USD/MT	28-Apr-18	30-Mar-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>30-Apr-18</b>	<b>31-Mar-18</b>	<b>Change</b>
Adoni	19100	19000	100
Khamgaon	NA	NA	-
Parli	NA	NA	-
Latur	19000	18800	200

<b>Groundnut Meal (Rs/MT)</b>	<b>30-Apr-18</b>	<b>31-Mar-18</b>	<b>Change</b>
Basis 45%, Saurashtra	21500	23000	-1500
Basis 40%, Saurashtra	19000	20500	-1500
GN Cake, Gondal	20000	22500	-2500

<b>Mustard DOC/Meal</b>	<b>30-Apr-18</b>	<b>31-Mar-18</b>	<b>Change</b>
Jaipur (Plant delivery)	14600	15600	-1000
Kandla (FOR Rs/MT)	15500	16200	-700
Sri Ganganagar	1785	1905	-120

## 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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