

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean and meal extended previous gains on firm global cues. However, rapeseed-mustard continued downtrend on supply pressure during the week under review.

The trade in the oilseeds and meal remained sluggish due to festivities, including Holi and Good Friday.

The rapeseed-harvesting is almost done with exception of late sown and Sri Ganganagar.

Short-covering and technical buying in soybean at CBOT has hit highest in more than five months. However, higher soybean supply scenario from South America, lower soy meal exports from India, higher edible oil stocks with India after huge imports will limit the gains in bean and meal, in near-term. Besides, rapeseed-mustard will remain under supply pressure in near-term.

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** Soybean prices are expected to feature range-bound movement, with firm bias on short-term bullish global factors. However, bumper South American soybean supply prospects, weakness in crude, higher edible oil inventories in India, weak soy meal exports from India will limit the gains in near-term. The prices are expected to feature range-bound movement and witness 3850 – 3950 levels (Indore, Plant basis).

**Outlook – Soy meal:** Continued weak soy meal shipments from India followed by competitive soy meal price in South America and demand shift to the region will keep the soy meal prices under pressure. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations and Iran. The domestic meal prices are likely to feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of Rs. 34,800 – 35,300/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** In spot, the RM seed harvesting is progressive and the seed supplies are rising week-on-week which will continue to pressure the seed prices. Further, weakness in Malaysian palm oil prices will remain negative for the seed. The new seed prices are likely to be between 4000 - 4100; levels during the week.

## International Highlights

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- ❖ Informa Economics has lowered its forecast for US 2016 soybean planting to 84.0 million acres from its previous estimate of 85.23 million acres. However, the area is higher compared to 82.7 million acres planted in 2015.
- ❖ World supplies of soybeans are likely to increase sharply by 19 Mn T in 2015/16, despite a global prospective production decline by 3 Mn T, leading to another above-average increase in soybean crushings, reports Oil World.
- ❖ Rosario Grains Exchange has raised its forecast for Argentina's 2015/16 soybean production to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.
- ❖ AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains received by the country in recent days.
- ❖ The Global Feed Survey 2016 by Alltech has reported that the global feed (bird and animal) production increased by 1.5% in 2015 on faster growth in poultry. The survey estimates feed production at 995.5 million tonnes which indicates 14% rise since Alltech's previous survey in 2011. The analysis of five-year trends pointed to growth predominantly from the pig, poultry and aqua feed sectors in the Africa, Middle East, Latin American and Europe.
- ❖ Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month.
- ❖ However, it has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.
- ❖ According to cereal exporters association of Brazil-ANEC, Brazil is estimated to export 57 MMT of soybean in 2016. Most of the shipments will be from new northern ports, exporting 4.00 MMT higher than last year.
- ❖ China's crushing industry is expected to grow by 10% in 2016 to a capacity of 179 million tonnes. The capacity increased by 4% to 162 million tonnes in 2015.

- ❖ China imported around 78.36 million tonnes of soybean previous season, i.e. between October and September; it is expected to import 82 – 84 million tonnes this season. The projected growth of 2.1 percent is the lowest since 2011/12 as the country's overall economy is slowing.
- ❖ FCStone increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.
- ❖ AGR Brasil has slightly raised its 2015/16 soybean forecast of Brazil to 100.6 million tonnes from 100.5 million.
- ❖ Lanworth, US crop forecaster has projected Brazil's 2015/16 soybean production to a record 103.0 million tonnes just after Conab, the Brazil government's crop supply agency, reduced its projections citing dry weather in top soy growing belts in November and December.
- ❖ Conab, the Brazil government's crop supply agency, has slashed Brazil's 2015/16 soybean production forecast to 102.1 million tonnes from 102.5 million projected in December.
- ❖ Franca Junior has lowered its forecast for Brazil's 2015/16 soybean crop to 97.9 million tonnes from 101.1 million in its previous estimate.
- ❖ Brazil is expected to export 55 million tonnes of soybean in 2015/16 higher compared to 53.8 million tonnes forecasted in October by Abiove.
- ❖ Celeres has raised their 2015/16 projections for Brazil's production to 101.9 million tonnes from 97.1 million tonnes earlier.
- ❖ EU soybean purchases are seen increasing to 14.6 Mn T this season and crushings may improve by 1.0 Mn T to a multi-year high of 15.0 Mn T.
- ❖ Indonesia's palm oil output in 2016 will be at 33 MMT, 5.00 lakh tons lesser than previously estimated 33.5 MMT due to El Nino. Current year output forecast is at 31.5 MMT, Indonesian Palm Oil Board.
- ❖ Indonesia's 2016 palm oil production has been estimated at 31-31.5 MMT v/s 32.5 MMT in 2015 down due to El Nino, Palm Oil Association.

## Soybean

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Soybean witnessed gains in line with the international benchmark, CBOT, which hit highest in more than five months, since March.

However, dull trade in soybean was featured in second half of the week due to festivities during the week.

Need buying is featured in the cash market to meet the domestic meal and oil demand, the trade volume in soybean got weaker in recent days with the rising wheat supplies in the state of Madhya Pradesh and Rajasthan. However, the new crop wheat supplies haven't started in Maharashtra.

Many traders at the cash markets actively switched to the wheat trade from soybean with the start in wheat harvesting as the volume in trade surges with buyers covering their stock.

But, we feel there will be no aggressive buying during the whole season due to poor soy meal exports and cheaper edible imports leading to disparity on crushing the beans followed by lower bean production.

Expected record soybean production in South America has made their soy product prices competitive in the market affecting India's meal exports.

The benchmark, Indore, soybean breached the immediate resistance of 3800 hitting the highest 3905 level in four month during the week under review.

The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, ABIS Rajnandgaon, Laxmi Solvex, Sanwariya – Itarasi, SSA Mandideep, Adani, Cargill, Adani, Bansal, Khandwa Oil, Ruchi, Agrawal Neemuch, Betul Oil, Prakash, Bajrang, Prestige, Ambuja, Prakash, Sitashri, Divya Jyoti, AV Agro, Rama Sitashri Vippy, Kriti, Mahakali, Mahalaxmi, Dhanuka, Khyati, Premier, Dhan Laxmi, Dhanuka Soy, Indian Solvent (ABIS) and Advantage Overseas (10-2-2 specification) for Dewas and Mandsaur delivery during the week.

***The domestic soybean prices are likely to feature range bound movement with firm bias supported by short-term gains in the international soybeans. However, lower soy meal exports, increased edible oil imports at attractive prices, lower crude and bearish global supply scenario will once again pressure the market in coming days.***

### International:

The international soybean at benchmark, CBOT, witnessed gains which hit highest in more than five months, since March on technical buying and short-covering.

Besides, weakness in US dollar somewhat lent support to the international beans boosting the demand.

Informa Economics has lowered its forecast for US 2016 soybean planting to 84.0 million acres from its previous estimate of 85.23 million acres.

However, the area is higher compared to 82.7 million acres planted in 2015.

The National Oilseed Processors Association (NOPA) has released its monthly soybean crushings and processing figure and reported that US processors have crushed 146,181 thousand bushels in February 2016, down 3% from 150,453 thousand bushels in January 2015 and from 146,970 thousand bushels in February 2015.

Agroconsult has projected Brazil's 2016/17 area under soybean higher by 600,000 hectares. The consultant has projected Brazil's 2015/16 soybean production at 101.7 million tonnes in its final estimate.

Conab, the Brazil government's crop supply agency, has raised its Brazil's 2015/16 soybean crop to a record 101.18 million tonnes, which is up from 100.93 million tonnes from its previous estimate in February followed by increase in planted area and yields.

FCStone has increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.

Again, Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month.

However, it has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.

Brazil's Congress has passed a bill that will increase the country's biodiesel blend from its current 7% to 10% over the next three years.

Abiove have projected Brazil's 2015/16 soybean production at a record 99.7 million tonnes, which is up 1% from previous month's forecast of 98.5 million tonnes.

Abiove expects Brazil to export about 55.3 million tonnes of soybean during the season which is up from 54.5 million tonnes estimated in February.

AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains received by the country in recent days.

Rosario Grains Exchange has raised Argentina's 2015/16 soybean production forecast to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.

CRF reported that the Argentina's soybean production is nearing last year's record of around 61 million tonnes. It also projected Paraguay 2015/16 soybean production at record 9.7 million tonnes which is above USDA's estimate of 8.8 million tonnes.

However, according to the estimates by the government agency, Argentina's 2015/16 soybean production is estimated near 60 MMT which is below last year production of 61.4 MMT.

China is forecast to import 83 million tonnes of soybean in 2015/16 up 6% from 78.35 million tonnes previous season, compared to USDA's forecast of Chinese import of 80 million tonnes. This is due to the higher demand for animal feed.

China's soybean imports increased by 5.9% to 4.51 million tonnes due to Chinese Lunar New Year in February compared to the corresponding period last year. The figures are above expectations of 4 million tonnes.

However, China's soy imports fell by 20.3% in February from 5.66 million compared to January 2016, reported in the countries custom data.

China's edible oil imports were reported at 400,000 tonnes in February up 14.8% compared to the corresponding period last year but lower by 32.6% compared to January.

China's soybean imports are estimated to set yet another record at 82 Mn T in 2015/16 and forecast to reach 84.5 Mn T in 2016/17, reported by USDA attaché in China.

Oil World has said, that the global stocks of soybeans are seen increasing by 3 Mn T to a new high of around 90 Mn T this season, approximately 28.5% of annual consumption.

*Technical buying and short-covering may push the prices for short-term. However, South American soybean harvest, lower crude, higher inventories of edible oils at Indian ports, poor soy meal shipments from India will limit the gains in near-term.*

## Soy meal

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Soy meal continued uptrend in sync with soybean consecutive third week, primarily supported by CBOT soy meal and bean in recent days.

Soy meal futures at CBOT has hit highest since March 11 during the week. Further, steady domestic demand from poultry farmers and feed manufacturers remained supportive for the meal.

But isolated incidents of bird flu in India have led to a ban on imports of Indian poultry products into Kuwait, and if the other Middle East countries follow the same India's poultry export will suffer on a wider scale, subsequently negatively affecting the domestic soy meal demand.

However, the soy meal exports from India continued to be sluggish on uncompetitive prices compared to the South American meal prices.

India's oilmeal shipments plunged 74% from the corresponding period last year to 53,866 tonnes in February owing to non-competitiveness of India's soy meal prices compared to South American meal prices.

However, the overseas demand improved by 5.2% in February from January month, said SEA.

At Latur, Maharashtra, soy meal was quoted at Rs 36,500/MT compared to Rs 35,200/MT in Indore, M P. and Rs 35,000/MT in Kota, Rajasthan in the weekend. The meal prices of the various centers of Maharashtra were at premium compared to the centers of Madhya Pradesh. This is due to the freight advantage for the South-Indian poultry units from Maharashtra over Madhya Pradesh.

***India's shipment of soy meal during February, 2016 was just 1127 tons compared to 64,515 tons in February, 2015 showing a decrease of 98% over the same period of last year.***

***On a financial year basis, the export during April'2015 to February'2016 is 70,392 tons compared to 5,99,818 tons in the corresponding period of previous year showing a decrease of 88.26%.***

***During current Oil year, (October – September), total exports during October 2015 to February, 2016 is 27,647 tons as against 5,02,958 tons last year, showing a decrease by 94.50%.***

Kuwait, New Zealand, Tanzania and Thailand were the buyers of Indian soy meal in February.

Lower exports are mainly due to demand shift to South America. This is mainly due to the attractive offer price compared to India.

Oil world expects world production of soy meal to rise by about 6% to a record 163.8 Mn T in Jan/Sept 2016, allowing exports to improve by 3.2 Mn T or 7% under the lead of Argentina.

Oil World expects sharp increase in world exports of soy meal by 12% to 31.5 Mn T anticipated in Oct/March 2015/16.

Soy meal prices at the international market are weakening relative to soy oil on improving South American production and export supplies.

*India may not be able to regain the market it lost last season due to competitive prices in South American and China's coupled with bearish factors.*

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

India's Y-o-Y soy meal prices, Indore, are higher. Soy meal export price, Indore was quoted higher between Rs 33,800 – 35,200/MT during the week compared to Rs 29,000 – 29,300/MT during the corresponding period last year.

*The soy meal prices will feature range-bound movement with firm bias on domestic demand but the gains will be limited due to the weak exports from India and bearish global supply scenario in near –term.*



## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

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

S1	S2	PCP	R1	R2
3717	3640	3971	4092	4176

- Soybean surged on buying support, during the week.
- Prices closed above 9-day EMA.
- RSI and stochastic are rising in neutral region.
- MACD is rising in the negative territory.
- The prices are expected to feature gains in the coming week.
- Trade Recommendation (NCDEX Soybean – Apr.) Week: **BUY** Above 3870. Levels: T1 – 3970; T2- 4050, SL - 3810.

## Rapeseed - Mustard Seed

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Rapeseed-mustard continued downtrend on new crop supply pressure during the week under review. Further, the supplies fell from the recent daily average and dull trade activity featured in the second half of the week due to festivities, Holi and Good Friday.

Overall active seed buying among the stockists and the solvent extractors is witnessed in recent weeks to cover their stock.

The all India arrivals of the seed were recorded highest since the new crop supplies around 6.7 – 6.8 lakh bags compared to around 1.65 – 1.7 lakh bags during the corresponding period last month and 5.0 – 5.15 lakh bags during the corresponding period previous year. The current figures has surpassed previous year's season high of 5.8 lakh bags tested in the second half of April.

We are of the opinion that the supplies will touch 7.0 lakh bags or even above it this season.

There is negligible crop (rapeseed-mustard) damage due to the recent rains and hailstorm in some parts of key seed growing belts.

Agriwatch has forecasted India's 2015/16 rapeseed-mustard production between 5.5 – 6.0 million tonnes.

In a recent conference on the rabi oilseeds, COOIT has forecasted India's 2016/17 rapeseed-mustard production at 5.8 million tonnes.

BMD CPO (Malaysian palm oil) and edible oil imports determine domestic rapeseed-mustard prices.

India's import of edible oils in February rose by 29 percent y-o-y to 10.94 LT from 8.47 LT in February 2015. However, imports of edible oil in February were down 14.7 percent from January 2015 m-o-m.

Palm oil imports were 6.10 LT (5.09 LT), higher by 19.8 percent y-o-y. Soy oil imports were 3.80 LT (2.42 LT), higher by 57 percent y-o-y. Sunflower oil imports were 0.87 LT (0.63 LT), higher by 38 percent y-o-y. Rapeseed (canola) oil imports were 0.17 LT (0.32 LT), lower by 88 percent y-o-y. Values in brackets are figures of February 2015, reported by SEA.

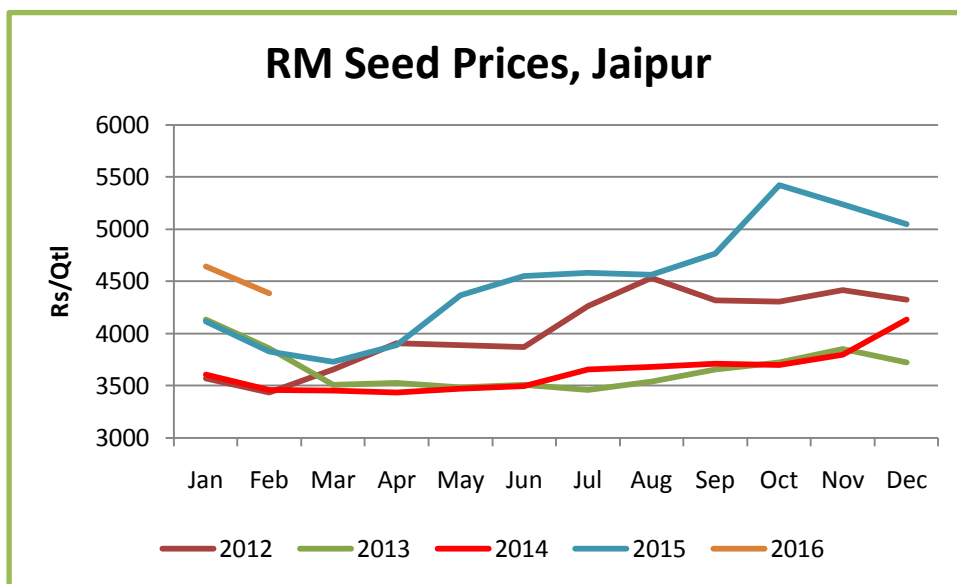
India's edible oils stocks at ports and pipelines dropped to 23.6 LT in February from 24.55 LT in January 2016, lower by 4 percent m-o-m. Stocks at ports on 1st March 2016 were 9.10 LT (CPO 3.30 LT tons, RBD palmolein 1.70 LT, Degummed Soybean Oil 3.20 LT, Crude Sunflower Oil 0.7 LT and 0.20 LT tons of Rapeseed (Canola) Oil) and 14.5 LT tons in pipelines.

Stock at ports and pipelines were 43 days of India's monthly edible oil use. India typically uses 16.5 LT of edible oil in a month. As on 1st March, 2016 the total stock at ports and pipelines is higher by 3.5 LT tons compared to 1st March, 2015.

India's imports of edible oil in the first four months of oil year 2015-16 (November 2015 to February 2016) were 50.90 LT v/s 42.03 tons in the corresponding period last oil year, higher by 21.1 percent.

According to Malaysia Palm Oil Board (MPOB), Malaysia's February palm oil ending stocks fell by 6.05 percent to 2.17 MMT from 2.30 MMT in January. Production fell by 7.7 percent to 1.04 MMT in February from 1.13 MMT in January. Exports fell by 15.15 percent to 1.09 MMT in January from 1.28 MMT in February. Imports of palm oil rose by 84.44 percent to 0.07 MMT in January from 0.04 MMT in February.

Malaysia's March 1-20 palm oil exports rose by 23.2 percent to 717,670 tons v/s 582,297 tons in the corresponding period last month. Top buyers were India at 117,750 tons (89,200 tons), China at 107,480 tons (43,155 tons), European Union at 103,913 tons (145,966 tons), and United States at 55,650 tons (74,028 tons). Values in brackets are figures of corresponding period last month, said the cargo surveyor Societe Generale de Surveillance (SGS).



Global palm oil production will fall by almost 3.00 million tons in September 2016. Indonesia's palm oil output estimate is cut by 1.2 million tons. Malaysia's palm oil production estimate is cut by 1.5 million tons to 18.4 million tons. Consumers will get relief from July 2016. Palm oil stock buildup will possibly start from September 2016.

*Outlook: The rapeseed-mustard will continue to get supply pressure on newly harvested seed for some more days, however, some gains in soybean will limit the losses in coming days.*

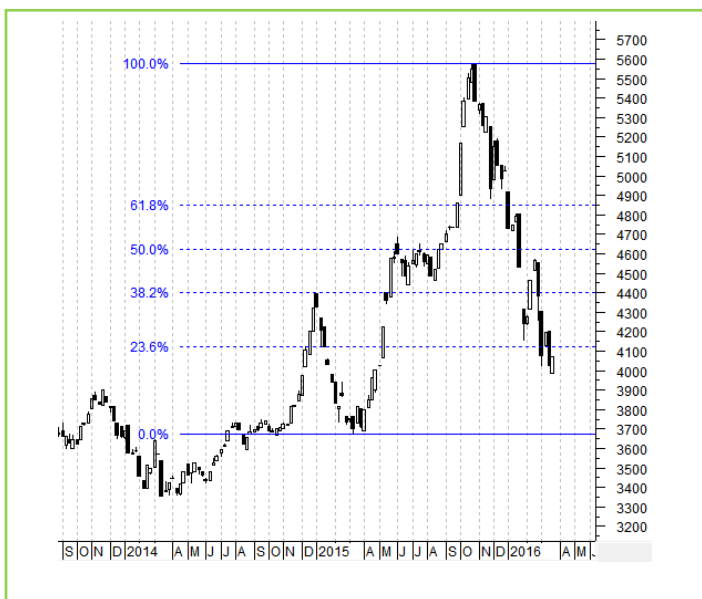
## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



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

S1	S2	PCP	R1	R2
3808	3750	4034	4150	4251

- RM seed posted gains, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is heading upwards in positive territory.
- The prices are expected to feature gains during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr.) Week: **BUY** Above 3950. Levels: Target – 4050; T2- 4100, SL - 3890.

## Annexure

### Oil Meal Prices at Key Spot Markets:

### **Soy DOC Rates at Different Centers**

Centres	Ex-factory rates (Rs/ton)		
	25-Mar-16	18-Mar-16	Parity To
Indore (MP)	35200	34000	Gujarat, MP
Kota	35000	33500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	36600	35200	Mumbai, Maharashtra
Nagpur (42/46)	NR	NR	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	NR	NR	Andhra, AP, Kar ,TN
Latur	36500	35700	-
Sangli	35700	35400	Local and South
Sholapur	36500	36000	Local and South
Akola	35000	35000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	35000	35000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	35000	33000	-

### Soy DOC at Port

Centers	Port Price	
	24-Mar-16	17-Mar-16
Kandla (FOR) (INR/MT)	35000	35000
Kandla (FAS) (USD/MT)	523	523

International Soy DOC			
Argentina FOB USD/MT	24-Mar-16	17-Mar-16	Change
Soybean Pellets	300	297	3
*Soybean Cake Flour	300	297	3
Soya Meal	308	305	3
Soy Expellers	308	305	3

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	25-Mar-16	18-Mar-16	Change
Adoni	23400	23400	Unch
Khamgaon	NA	NA	-
Parli	23800	23800	Unch
Latur	23400	23400	Unch

Groundnut Meal (Rs/MT)	25-Mar-16	18-Mar-16	Change
Basis 45%, Saurashtra	29500	28800	700
Basis 40%, Saurashtra	26500	25800	700
GN Cake, Gondal	30500	29500	1000

Mustard DOC/Meal	25-Mar-16	18-Mar-16	Change
Jaipur (Plant delivery)	17000	17300	-300
Kandla (FOR Rs/MT)	16500	16700	-200
Sri Ganganagar	2040	1955	85

## MSP of 2015/16 Kharif Oilseeds Increased

The Cabinet Committee on Economic Affairs has given its approval for the Minimum Support Prices (MSPs) for Kharif Crops of 2015-16 seasons. The decision is based on recommendations of Commission for Agricultural Costs and Prices (CACP) for the Price Policy of Kharif Crops for the Marketing Season 2015-16. The MSP of all the kharif oilseeds have been increased.

The MSP of soybean is raised by Rs. 40/qtl from previous season to Rs 2600/qtl, Groundnut by Rs 30/qtl to Rs 4030/qtl, sunflower and Niger seed by Rs 50/qtl to Rs 3800/qtl and Rs 3650/qtl respectively. The MSP of sesamum is increased by Rs 100/qtl to Rs 4700/qtl.

## Rabi MSP 2014-15

- ❖ The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2014-15 season to be marketed in 2015-16 as follows: The MSP of Rapeseed/Mustard is raised by Rs. 50/Qtl to Rs. 3100/Qtl from Rs. 3050/Qtl earlier. For Safflower too it is increased by Rs. 50/Qtl to Rs. 3050/Qtl from Rs. 3000/Qtl in 2013-14.

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