

# Oilmeal Weekly Research Report

## Contents

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

## Executive Summary

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Soybean continued positive tone during the week and moved towards 4000 levels. Lower availability in the domestic market and dry weather in the soybean growing regions of Argentina added to the positive tone of the market. Soybean at CBOT noticed range –bound movement with weak bias during the week amid profit taking, at higher levels. Harvesting is progressing in Brazil and it is expected to harvest another record crop this season. The weekly export sales of soybean released by the USDA were lower compared to previous week.

In the domestic market, arrivals are lower in the mandis and there is good demand from the plants. All India average arrival of soybean per day was reported to be around 1.75 -2.25 lakh bags per day during the week.

Argentina has reduced soybean acreage to 16.75 million hectares this season compared to previous estimates of 16.8 million hectares. The Buenos Aires Grains Exchange has reduced soybean output to 51 MMT this season compared to previous estimates of 54 MMT. However overall supply scenario is bearish amid record crop in U.S. and Brazil. The weekly export sales of soybean released by the USDA were lower compared to previous week.

Soy meal prices noticed range –bound movement with benchmark Indore market registering slight losses during the week. Lack of availability of soybean coupled with spillover support from soy meal at CBOT is adding to the positive tone of the market.

Rapeseed prices continued positive tone during the week amid good demand from the retailers and the stockists. However weakness in palm oil at BMD limited upside movement. Rabi mustard seed acreage is lower till date compared to previous year.

Overall supply scenario is bearish in the global market and will weigh on the market in the coming days.

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** The soybean continued positive tone towards 4000 levels on lower arrivals in the mandis and dry weather in the soybean growing regions of Argentina. Soybean at CBOT noticed sideways movement with weak bias during the week amid profit taking at higher levels. Harvesting is progressing in Brazil and it is expected to harvest another record crop this season. The weekly export sales of soybean released by the USDA were lower compared to previous week. The prices are expected to feature range bound movement with firm bias between the price band of 3600 – 3900 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal witnessed slightly weak tone amid profit taking at higher levels. However market is expected to recover in the coming days amid lower availability in the domestic market. 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 29,000 – 32,000/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard continued firm tone amid good demand from the retailers and lower rabi oilseeds acreage. However weakness in palm oil at BMD limited upside movement. Rabi sowing of rapeseed is lower by around 5.0% till date compared to same corresponding period previous year. The seed prices are likely to feature range-bound movement with firm bias and witness the levels between 4000 – 4150/Qtl; levels during the week.

## International Highlights

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- ❖ 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.
- ❖ According to a weather forecast in the beginning of this week, thunderstorms and rainfall in key soybean growing regions is likely to affect harvesting. However the rains will be moderate and is not expected to affect the quality of the crop. According to AgRural, in Mato Grosso soybean harvesting has reached 13.5 per cent of the planted area, an increase of 2.8 per cent compared to previous week as on 26 January, 2018. Favorable weather and the expectation of heavy rains at the end of January and beginning of February led Mato Grosso farmers to speed up harvesting over the previous week.
- ❖ Palm oil output in the top two producing countries of Indonesia and Malaysia is likely to reach record highs this year. Output in top producer Indonesia is forecast to rise to 37.8 MMT, while Malaysian output is expected to increase to 20.5 MMT, according to a recent poll. This will add to overall bearish supply scenario in the global market.
- ❖ According to the Buenos Aires Grains Exchange, Argentina's soybean production has been reduced by 3 MMT to 51 MMT due to adverse weather conditions in the growing regions as on 01 February, 2018.
- ❖ Net sales of 359,000 MT for 2017/2018--a marketing-year low--were down 42 percent from the previous week and 50 percent from the prior previous 4-week average. Increases were reported for China (456,800 MT, including 198,000 MT switched from unknown destinations and decreases of 126,100 MT), the Netherlands (76,400 MT, including 66,000 MT switched from unknown destinations), Egypt (66,000 MT, switched from unknown destinations), Japan (55,900 MT, including 29,200 MT switched from unknown destinations and decreases of 1,900 MT), and Indonesia (28,000 MT) during the week January 19 -25, 2018. Reductions were reported for unknown destinations (400,300 MT), South Korea (600 MT), and Malaysia (100 MT). For 2018/2019, net sales of 50,700 MT were reported for unknown destinations (50,000 MT) and Japan (700 MT). Exports of 1,219,700 MT were down 2 percent from the previous week and 2 percent from the prior 4-week average. The primary destinations were China (694,100 MT), Japan (89,000 MT), the

Netherlands (76,400 MT), South Korea (58,500 MT), and Turkey (53,300 MT). The current week's net sales are lower compared to net sales of 616,300 MT during the previous week.

## Soybean

Soybean continued positive tone during the week and moved towards 4000 levels. Lower arrivals in the mandis and dry weather in the soybean growing regions of Argentina added to the positive tone of the market. Soybean at CBOT noticed sideways movement with weak bias amid profit taking at higher levels. Harvesting is progressing in Brazil and it is expected to harvest another record crop this season. The weekly export sales of soybean released by the USDA were lower compared to previous week.

In the domestic market, there are lower arrivals in the mandis and good demand from the plants. All India average arrival of soybean per day was reported to be around 1.75 -2.25 lakh bags per day.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 4,55,000 bags compared to 11,00,000 bags reported in the previous week.

According to the Soybean Processors Association of India (SOPA), the total supply of soybean has been estimated at 104.49 lakh metric tonnes for the oil year 2017 -18 in its first quarterly estimates. Carryover stocks have been estimated at 3.99 lakh metric tonnes. For the first quarter of the current oil year till December 2017, the production is estimated at 91.46 lakh metric tonnes, while the carryover from the previous year is put at 13.03 lakh metric tonnes.

The demand for crushing is likely to be around 85 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 3.99 lakh metric tonnes.

### SOPA SOYEAN PRODUCTION ESTIMATES KHARIF 2017

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

S.No.	Division/District	Kharif 2016			Kharif 2017		
		Area	Yield	Production	Area	Yield	Production
1	Madhya Pradesh	54.010	1058	57.168	50.100	905	45.359
2	Maharashtra	35.809	1102	39.456	34.484	925	31.894
3	Rajasthan	9.812	968	9.499	9.245	825	7.629
4	Andhra Pradesh (Telangana)	2.993	815	2.439	1.652	840	1.388
5	Karnataka	3.240	785	2.543	2.710	840	2.276
6	Chattisgarh	1.340	975	2.543	1.320	860	1.135
7	Gujarat	1.379	1005	1.307	1.290	905	1.167
8	Rest Of India	1.131	980	1.386	0.760	800	0.608
	<b>Grand Total</b>	<b>54.010</b>	<b>109.714</b>	<b>1047</b>	<b>101.561</b>	<b>901</b>	<b>91.457</b>

As per Agriwatch estimates, soybean production in the current kharif season is expected 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 2<sup>nd</sup> February 2018, is lower compared to the previous year's level which is down by 4.91% at 80.29 lakh hectares compared to 84.44 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**

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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, lesser 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 and Maharashtra and higher in Rajasthan during the week.

***The domestic soybean prices are likely to notice range –bound to firm tone on lower availability in the domestic market.***

**International:**

The international benchmark, CBOT soybean closed lower amid lower weekly export sales and profit –taking at higher levels.

At CBOT, the soybean, in the most active March contract, ended lower at US \$ 9.79/bushel compared to US \$ 9.86/bushel last week.

Net sales of 359,000 MT of soybean for 2017/2018--a marketing-year low--were down 42 percent from the previous week and 50 percent from the prior 4-week average. Increases were reported for China (456,800 MT, including 198,000 MT switched from unknown destinations and decreases of 126,100 MT), the Netherlands (76,400 MT, including 66,000 MT switched from unknown destinations), Egypt (66,000 MT, switched from unknown destinations), Japan (55,900 MT, including 29,200 MT switched from unknown destinations and decreases of 1,900 MT), and Indonesia (28,000 MT) during the week January 19 -25, 2018. Reductions were reported for unknown destinations (400,300 MT), South Korea (600 MT), and Malaysia (100 MT). For 2018/2019, net sales of 50,700 MT were reported for unknown destinations (50,000 MT) and Japan (700 MT). Exports of 1,219,700 MT were down 2 percent from the previous week and 2 percent from the prior 4-week average. The primary destinations were China (694,100 MT), Japan (89,000 MT), the Netherlands (76,400 MT), South Korea (58,500 MT), and Turkey (53,300 MT). The current week's net sales are lower compared to net sales of 616,300 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 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 corresponding period a year earlier.

According to IMEA, an agricultural research body in Brazil, harvesting in the main producing state of Mato Grosso has reached 3.29 per cent of the planted area as on 19 January, 2018 compared to 11.49 per cent during the corresponding period, previous year during the same time and below five year average of 7.17 per cent. Mato Grosso is normally the first state to start harvesting in Brazil. It is expected to produce 30.6 MMT of soybeans in the current season, or more than a quarter of the country's total output. According to farmers bumper crop is expected this season amid good yields.

In Mato Grosso, one of the major soybean producing regions in Brazil, soybean yield is expected to be higher this season though drought delayed plantings and rains affected harvesting in some areas. The average yields are expected to rise to 53 -60 kg bags per hectare from 51.5 bags previous year according to cultivators in the area.

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.



According to the General Administration of Customs, China imported 329,725 metric tonnes of rapeseed in December 2017, an increase of 36.75 per cent compared to previous month. Imports were 33 per cent higher compared to the same corresponding period year to date previous year. It imported 1,708 metric tonnes of soy meal in December 2017, a decline of 48.39 per cent compared to previous month. Imports were 328 per cent higher compared to the same corresponding period year to date previous year. Imports of rapeseed meal were recorded lower at 55,924 metric tonnes compared to same corresponding period previous year.

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 National Oilseed Processors Association (NOPA), U.S. December soybean crush rose 3.87 percent to a record level of 166.382 million bushels from 160.176 million bushels in December 2016 amid record –large stockpiles of soybean. Crush of soybean in November 2017 was 163.546 million bushels. Soy oil stocks in U.S. at the end of December increased to 1.538 billion lbs compared to 1.326 billion lbs in end November 2017. Soy meal exports during the month increased to 926,174 metric tonnes, up from 896,145 metric tonnes in November and 896,145 metric tonnes during the same period previous year.

According to the Buenos Aires Exchange, soybean acreage in Argentina could decline further amid planting delays on dry weather in the growing regions. Last week, the exchange had estimated soybean acreage at 18 million acres in 2017/18. According to the exchange, Argentine farmers had planted 96.7 percent of the total area planned for 2017/18 soybeans nationwide.

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.

Though the consumption of meat, poultry and dairy products are increasing, U.S. soybean farmers are unable to compete losing share to with Brazil, to in supplying animal feed. these animals. Following unfavourable weather in U.S. Midwest previous year, the protein content in the soybean has declined, a key ingredient that helps to build muscle in animals. The protein content in U.S. soybean was reported at 34.1 per cent per bushel, seen in 2008 and the lowest since it was measured in 1986 according to government data. Brazilian soybean has higher protein content of 37 per cent. This will reduce demand for U.S. soybean in the coming days.

According to the data released by the General Administration of Customs, China's imports of soybean increased by 10 per cent to 9.55 MMT in December 2017 compared to previous month and it increased by 6 per cent compared to December 2016. It is the second highest imports on record in a month. Imports of soybean in 2017 totaled at 95.54 MMT compared to 83.91 MMT in 2016.

The monthly supply and demand report of U.S. Department of Agriculture,'s monthly supply and demand report for the month of January, forecasts U.S. soybean stocks at 470 million bushels, up 25 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 65 million bushels to 2160 million

bushels amid lagging sales and increased competition from Brazil. Total U.S. oilseed production for 2017/18 is projected at 131.3 MMT, down 0.9 MMT from previous month amid lower soybean, peanut and cottonseed production. Soybean production is estimated at 4,392 million bushels, down 33 million on lower yields. Global oilseed production is forecast at 580.1 MMT, up 0.5 MMT mostly reflecting higher rapeseed, peanut, and palm kernel production. Global oilseed ending stocks for 2017/18 are forecast at 111.2 MMT up 0.4 MMT from that of the previous month's, mostly reflecting increases in soybean stocks for Brazil, United States and higher rapeseed stocks for Australia.

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 USDA, China will reduce the amount of foreign material allowed in shipments of U.S. soybeans as on January 01, 2018. Shipments of U.S. soybeans arriving at Chinese ports and containing 1 per cent of foreign material will be expedited. Shipments with more than 1 per cent foreign material would be held back for testing. According to traders, this will make it difficult for U.S. shipments to compete with South American exports.

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.

According to the Buenos Aires Grains Exchange, Argentine 2017/18 soybean crop is expected at 54 million tonnes compared to 57.5 million tonnes in 2016 -17 as farmers have shifted to wheat and corn. Soy planting area in the 2017/18 season is seen at 18.1 million hectares, down from 19.2 million in 2016/17.

*The international soybean prices are expected to witness range –bound to firm tone on dry weather in the soybean growing regions of Argentina.*

## Soy meal

Soy meal noticed range –bound to firm tone during the week amid firm tone in soybean and good demand in the domestic market.

Soy meal ready for delivery in PP bags at Indore was quoted at RS.30,000+GST by Prakash. However it was quoted at Rs.31000+GST at Indore by Divya in PP bags.

During the last three months, soybean prices in the domestic market have increased from Rs.2700/Qtl to Rs.3800/Qtl levels amid lower availability in the domestic market. This in turn has increased the prices for soya meal. According to industry sources, India's soya meal exports are likely to decline in the coming months on higher price in the domestic market.

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 December 2017 stands at 2,090,468 metric tonnes as compared to 1,169,914 metric tonnes in the same corresponding period of previous year, showing an increase of 79%, according to data released by the Solvent Extractor's Association of India.***

***In the month of December 2017, export of oil meals declined by 22% to 236,000 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 937,846 metric tonnes compared to 446,110 metric tonnes during the same period previous year.***

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

Soy meal declined in international market, during the week.

CBOT soy meal March contract settled at US \$ 331.40 per short ton compared to US \$ 335.70 per short ton last week.

Net sales of 474,800 MT of soybean cake and meal --a marketing-year high--for 2017/2018 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for the Philippines (227,900 MT, including 400 MT switched from unknown destinations and decreases of 900 MT), Mexico (40,900 MT), Colombia (34,700 MT, including 10,300 MT switched from unknown destinations and decreases of 3,100 MT), Libya (33,300 MT), El Salvador (31,200 MT, including 1,700 MT switched from Guatemala), and Peru

(30,000 MT) during the week January 19 -25, 2018. Reductions were reported for Guatemala (2,800 MT) and Morocco (100 MT). For 2018/2019, net sale reductions of 7,100 MT resulted as increases for Canada (100 MT), were more than offset by reductions for Mexico (6,900 MT) and Colombia (400 MT). Exports of 260,500 MT were up 32 percent from the previous week and 41 percent from the prior 4-week average. The primary destinations were Mexico (53,600 MT), the Philippines (52,700 MT), Colombia (47,900 MT), Libya (33,300 MT), and Canada (16,000 MT). The current week's net sales for 2017/18 are higher compared to net sales of 223,100 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 30,000 – 32,800/MT compared to Rs. 26,500/MT - 30,500/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed firm tone and were quoted at Rs 33,500/MT and 33,400/MT respectively compared to Rs 30,000/MT in Indore and Rs 32,000/MT in Kota.

### **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 slightly higher. Soy meal Indore was quoted higher between Rs 30,000 – 32,800/MT during the week compared to Rs 23,056 – 23,500/MT during the corresponding period last year.

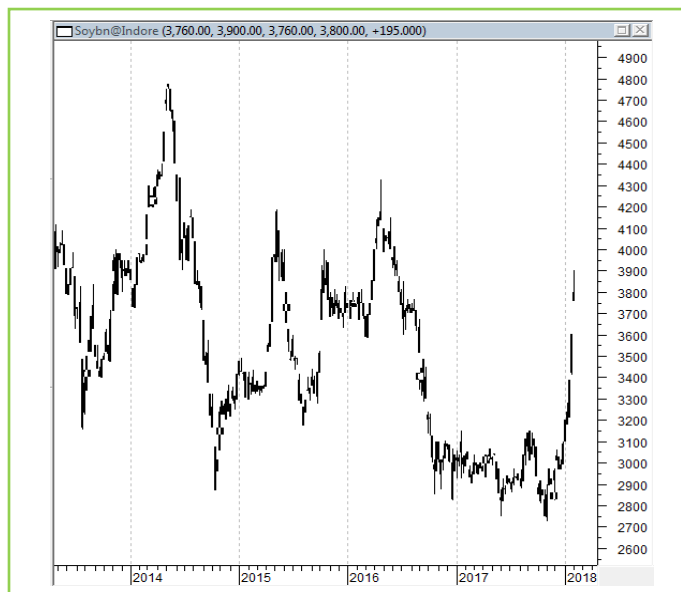
*The soy meal prices are likely to notice range-bound movement with firm bias amid good demand in the domestic market.*

## **Technical Analysis:**

### **NCDEX Soybean Futures**



### **Soybean Spot, Indore**



**\*Note: Daily Chart**

### **Support & Resistance NCDEX Soybean – Mar. contract**

S1	S2	PCP	R1	R2
3550	3450	3670	3800	4000

- Soybean noticed range –bound to weak tone, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are declining in the neutral zone.
- MACD is increasing in the positive territory.
- The prices are expected to feature gain in the coming week.
- Trade Recommendation (NCDEX Soybean – Mar.): **BUY** Above 3620. Levels: T1 – 3720; T2- 3770, SL - 3560.

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard continued positive tone amid good demand from the retailers and the stockists and recovery in edible oils in the domestic market. Weakness in palm oil at BMD limited upside movement. Rabi mustard seed acreage is lower till date 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 65.25 lakh hectares as on 05 January 2018 compared to 69.53 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 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.

**The all India seed supplies were reported between 1.05 – 1.15 lakh bags in a day compared to around 1.25 – 1.45 bags a day, previous week. The supplies were 0.60 -0.75 lakh bags a day during the corresponding period last year.**

The seed prices are still lower at spot market and are quoted at around Rs 4,100 – 4,210 a quintal compared to Rs 4,155 – 4,205 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at April contract ended higher at 4150/Qtl compared to 4123/Qtl previous week.

The area coverage under rapeseed, as on 02 February, is reported down 5.33% at 66.84 lakh hectares compared to 70.60 lakh hectares at the same period last year.

<b>Crop</b>	<b>As on 02 Feb. 2018</b>	<b>As on 02 Feb. 2018</b>	<b>% Chg.</b>
Rapeseed/Mustard	66.84	70.60	-5.33
Groundnut	6.04	6.03	0.17
Safflower	0.81	1.05	-22.86
Sunflower	1.70	1.69	0.59
Sesamum	0.53	0.65	-18.46
Linseed	4.01	3.84	4.43
<b>Total Oilseeds</b>	<b>80.29</b>	<b>84.44</b>	<b>-4.91</b>

Source: Government of India

The total sown area under *rabi* oilseeds, as on 02 February, is lower compared to the previous year's level which is down by 4.91% at 80.29 lakh hectares compared to 84.44 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.

### 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 December edible oil imports fell 9.88 percent y-o-y to 10.58 lakh tons from 11.74 lakh tons in December 2016. Palm oil imports in December fell marginally y-o-y to 7.22 lakh tons from 7.23 lakh tons in December 2016. CPO Imports rose 28.5 percent y-o-y to 6.08 lakh tons from 4.73 lakh tons in December 2016. RBD palmolein imports fell 40.2 percent y-o-y to 1.07 lakh tons from 2.46 lakh tons in December 2016. Soy oil imports fell 65 percent y-o-y to 0.79 lakh tons from 2.32 lakh tons in December 2016. Sunflower oil imports rose 27.4 percent y-o-y to 2.37 lakh tons from 1.86 lakh tons in December 2016. Rapeseed (canola) oil imports in December fell 39.4 percent to 0.20 lakh tons compared 0.33 lakh tons in December 2016.

According to Solvent Extractors Association (SEA), India's December edible oil stocks at ports and pipelines fell 4.18 percent m-o-m to 21.76 lakh tons from 22.67 lakh tons in November 2017. Stocks of edible oil at ports fell to 876,000 tons (CPO 345,000 tons, RBD Palmolein 130,000 tons, Degummed Soybean Oil 200,000 tons, Crude Sunflower Oil 185,000 tons and 16,000 tons of Rapeseed (Canola) Oil) and about 1,300,000 tons in pipelines (stocks at ports were 847,000 tons in November 2017). India is presently holding 36 days of edible oil requirement on 1st January, 2018 at 21.76 lakh tons compared to 38 days of requirements last month at 23.44 lakh tons. India's monthly edible oil requirement is 18.0 lakh tons.

India is presently holding 38 days of edible oil requirement on 1st December, 2017 at 22.67 lakh tons compared to 39 days of requirements last month at 23.44 lakh tons. India's monthly edible oil requirement is 18.0 lakh tons.

According to United States Department of Agriculture (USDA) in its January review, India's 2017/18 imports of palm oil is hiked 0.3 MMT to 10.2 MMT from 9.9 MMT in its earlier review. Consumption of palm oil in India in 2017/18 is increased to 10.3 MMT from 10.1 MMT in its earlier review. End stocks of palm oil in India in 2017/18 is increased 0.41 MMT to 0.90 MMT from 0.449 MMT.

According to United States Department of Agriculture (USDA) January estimate, U.S 2017/18 ending stock of soy oil is reduced to 1.536 million lbs compared to at 1,616 million lbs compared to its earlier estimate. Opening stocks are unchanged at 1,711 million lbs. Production of soy oil in 2017/18 is increased to 22,525 million lbs compared to 22,505 million lbs in its earlier estimate. Imports in 2017/18 were unchanged at 300 million. Biodiesel use estimate in 2017/18 is unchanged at 7,500 million lbs. Food, feed and other industrial use in 2017/18 is increased to 13,600 million lbs compared to 13,500 million lbs in its earlier estimate. Exports in 2017/18 estimate are kept unchanged at 1.900 million lbs compared to its earlier estimate. Average price range estimate is reduced to 32-35 cents/lbs in 2017/18 compared to 32.5-36.5 cents/lbs in its earlier estimate.



According to United States Department of Agriculture (USDA) in its January review, India's 2017/18 imports of palm oil is hiked 0.3 MMT to 10.2 MMT from 9.9 MMT in its earlier review. Consumption of palm oil in India in 2017/18 is increased to 10.3 MMT from 10.1 MMT in its earlier review. End stocks of palm oil in India in 2017/18 is increased 0.41 MMT to 0.90 MMT from 0.449 MMT.

According to United States Department of Agriculture (USDA) in its January review, India's 2017/18 imports of soy oil is reduced 0.3 MMT to 3.8 MMT from 4.1 MMT in its earlier review. Consumption of soy oil in India in 2017/18 is reduced to 5.4 MMT from 5.6 MMT in its earlier review. End stocks of soy oil in India in 2017/18, is decreased 0.10 MMT to 0.320 MMT from 0.420 MMT in its earlier estimate.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's January 1-25 palm oil exports fell 7.0 percent to 1,013,897 tons compared to 1,090,622 tons in corresponding period last month. Top buyers are European Union at 273,638 tons (302,297 tons), India & subcontinent at 193,210 tons (135,130 tons) and China at 158,550 tons (162,100 tons). Values in brackets are figures of corresponding period last month.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's January 1-25 palm oil exports fell 6.8 percent to 1,032,615 tons compared to 1,108,189 tons in corresponding period last month. Top buyers are European Union at 204,215 tons (284,807 tons), India at 172,428 tons (87,260 tons), China at 103,100 tons (154,428 tons), United States at 91,019 tons (88,705 tons) and Pakistan at 33,500 tons (42,000 tons). Values in brackets are figures of corresponding period last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's December palm oil stocks rose 6.97 percent to 27.32 lakh tons compared to 25.54 lakh tons in November. Production of palm oil in December fell 5.59 percent to 18.34 lakh tons compared to 19.43 lakh tons in November. Exports of palm oil in December rose 4.91 percent to 14.23 lakh tons compared to 13.57 lakh tons in November. Imports of palm oil in December fell 50.34 percent to 0.14 lakh tons compared to 0.30 lakh tons in November. Rise in palm oil end stocks in December 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 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.

Indonesia is expected to produce 32-33 MMT of palm oil in 2017 compared to estimated production of 28.5-30 MMT in 2016, higher by 16 percent y-o-y. Production in 2015 was 33 MMT. Wet condition in 2016 in Indonesia is primary reason for higher production in 2017. Exports are expected to grow to 23-25 MMT in 2017 compared to 23 MMT estimated in 2016. Palm oil prices rose in 2016 due to lower stocks of palm on El Nino, crude oil prices and biodiesel mandates in Indonesia and Malaysia, said Indonesia Palm Oil Association (GAPKI).

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.

According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in November rose 14.9 percent to 5.4 lakh tons compared to 4.7 lakh tons in October. Imports rose 5.9 percent compared to corresponding period last year which was reported at 5.1 lakh tons. Year to date imports of edible vegetable oil rose 8.5 percent to 51.7 lakh tons.

According to China's General Administration of Customs (CNGOIC), China's December palm oil imports fell 16.53 percent to 5.67 lakh tons compared to December 2016. Imports of palm oil in 2017 rose 13.42 percent to 50.79 lakh tons compared to 2016. Imports from Indonesia in December fell 23.03 percent to 3.65 lakh tons compared to December 2016. Imports of palm oil in 2017 from Indonesia rose 21.62 percent to 32.15 lakh tons compared 2016. Imports from Malaysia in December fell 1.62 percent to 2.02 lakh tons compared to December 2016. Imports of palm oil in 2017 from Malaysia rose 1.8 percent to 18.62 lakh tons compared to 2016.

*Outlook: The rapeseed-mustard is likely to witness range –bound to firm tone on good demand from the retailers and stockists in the market.*

## 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	3850	4150	4250	4300

- Upward movement witnessed in RM seed.
- Prices closed above 18-day EMA.
- RSI and stochastic are declining in the neutral zone.
- MACD is increasing in the positive territory.
- The prices are expected to feature range-bound movement with firm bias, during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr) Week: **BUY** Above 4100. Levels: Target – 4200; T2- 4250, SL –4040.

## Annexure

### Oil Meal Prices at Key Spot Markets:

#### Soy DOC Rates at Different Centers

Centres	Ex-factory rates (Rs/ton)		
	2-Feb-18	25-Jan-18	Parity To
Indore (MP)	30000	30500	Gujarat, MP
Kota	32000	31000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	33500	31300	Mumbai, Maharashtra
Nagpur (42/46)	33100	30500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	33400	29000	Andhra, AP, Kar, TN
Latur	33500	32000	-
Sangli	34500	30500	Local and South
Sholapur	32700	30800	Local and South
Akola	33200	31300	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	33400	31800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Bundi	31500	Closed	-

#### Soy DOC at Port

Centers	Port Price	
	1-Feb-18	24-Jan-18
Kandla (FOR) (INR/MT)	33500	31000
Kandla (FAS) (USD/MT)	527	486

#### International Soy DOC

Argentina FOB USD/MT	1-Feb-18	24-Jan-18	Change
Soybean Pellets	NR	NR	-
Soybean Cake Flour	NR	NR	-
Soya Meal	NR	NR	-
Soy Expellers	NR	NR	-

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	2-Feb-18	25-Jan-18	Change
Adoni	18500	16500	2000
Khamgaon	NA	NA	-
Parli	NA	NA	-
Latur	NA	15500	-

Groundnut Meal (Rs/MT)	2-Feb-18	25-Jan-18	Change
Basis 45%, Saurashtra	27500	24500	3000
Basis 40%, Saurashtra	27500	22000	5500
GN Cake, Gondal	32000	24500	7500

Mustard DOC/Meal	2-Feb-18	25-Jan-18	Change
Jaipur (Plant delivery)	15500	14000	1500
Kandla (FOR Rs/MT)	15500	14400	1100
Sri Ganganagar	1855	1805	50

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

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The 1<sup>st</sup> Advance Estimates of production of major crops for 2017-18 have been released on 22 September, 2017 by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of floods and erratic rainfall during monsoon 2017, the country has witnessed lower food grain production in the current year compared to previous year.

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

Oilseeds – 20.68 million tonnes

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

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

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

## MSP for 2017/18 Kharif Oilseeds

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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 2017/18 Rabi Oilseeds

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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 corresponding 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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