

# 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 noticed range –bound movement during the week amid profit –taking at higher levels and lower arrivals in the mandis. Prices are likely to recover in the coming days amid lower availability in the market. The Solvent Extractor's Association of India has reduced soybean production estimates to 8 MMT this season compared to previous estimates of 9 MMT. SOPA has revised supply and demand for soybean following lower availability in the market. Soybean at CBOT noticed positive tone after early weakness following dry weather in Argentina and higher weekly export sales of soybean released by the USDA. The monthly supply and demand report released by the USDA for the month of February, is bearish for U.S. amid higher soybean ending stocks and lower exports. However, it is slightly positive for global market amid lower ending stocks.

There is lower availability in the domestic market and prices are likely to recover in the coming days. All India average arrival of soybean per day was reported to be around 1.25 -1.75 lakh bags during the week.

The U.S. Department of Agriculture's monthly supply and demand report for the month of February forecasts U.S. soybean stocks at 530 million bushels, up 60 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 60 million bushels to 2100 million bushels amid lagging sales and increased competition from Brazil. The weekly export sales of soybean are higher compared to previous week. Dry weather is expected to return to Argentina next week after some rains during the weekend. Argentina's soybean production estimates could decline further amid dry weather in the soybean growing regions.

Soy meal prices witnessed sideways movement during the week following soybean and some spillover support from soy meal at CBOT. Good demand in the domestic market will continue to support prices coupled with lower availability.

Rapeseed prices witnessed easy tone during the week amid lack –luster demand in the domestic market and early weakness in palm oil at BMD. Overall weakness in edible oils in the domestic market added to the weak tone of the market. Rabi mustard seed acreage is lower till date, compared to previous year.

There are comfortable stocks in the global market and will weigh on the overall market sentiment in the coming days.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed weakness after moving towards 4000 levels. Profit-taking at higher levels weighed on the market. However, it is expected to recover in the coming days amid lower availability in the domestic market. The Solvent Extractor's Association of India has reduced soybean production estimates to 8 MMT this season compared to previous estimates of 9 MMT. SOPA has also revised its supply and demand following lower production. Soybean at CBOT noticed firm tone amid dry weather in Argentina and higher weekly export sales of soybean released by the USDA. The monthly supply and demand report released for the month of February forecast lower global oilseeds ending stocks. The prices are expected to feature range bound movement with firm bias between the price band of 3600 – 4000 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed some recovery during the week amid good demand in the domestic market and spillover support from soy meal at CBOT. Lower production of soybean this season will translate into lower soy meal production. According to industry sources, in the current year 2017 -18, soy meal exports are likely to decline by one-fifth due to higher prices ruling in the domestic market currently. Soy meal, Indore is expected to be in the range of 30,000 – 33,000/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard witnessed easy tone during the week on lack –luster demand in the domestic market and early weakness in palm oil at BMD. Overall weak tone in edible oils added to the weak tone of the market. Rabi sowing of rapeseed, till date, 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 weak bias and witness the levels between 3950 – 4150/Qtl; levels during the week.

## International Highlights

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- ❖ In southern Brazil, lack of sun in the soybean growing regions is likely to affect the yield. In Parana, which produced 18 MMT of soybean previous year, heavy rains and overcast skies have set in since the beginning of the year. According to researchers, lack of favourable climate is likely to reduce yields by around 17% to 26% this season.
- ❖ Weather is expected to be dry in Argentina till Thursday. Rains are expected during the weekend, thereby weighing on the market.
- ❖ In Ukraine, soybean area likely to decline by 14 -17% to around 1.6 million hectares in 2018. Acreage has declined following lower realization and cancellation of a VAT refund for exports of oilseeds from September 01, 2018 by parliament.
- ❖ According to the Buenos Aires Exchange, nearly 34.6% of the fields in Argentina have bad condition, 53% are under in dry prospects and around 31.5% of the surface is at the stage that defines yields. The early planted crops are in the growth stage awaiting the beginning of the harvest in the coming weeks.
- ❖ In Argentina, truck operators are protesting for higher freight rates, which in turn have slowed transport of grains in the country. This is likely to affect soybean availability for exporters and crushers.
- ❖ The monthly supply and demand report of U.S. Department of Agriculture's monthly supply and demand report for the month of February, forecasts U.S. soybean stocks at 530 million bushels, up 60 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 60 million bushels to 2100 million bushels amid lagging sales and increased competition from Brazil. Total U.S. oilseed production for 2017/18 is projected at 131.3 MMT, unchanged from previous month's estimates. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Global oilseed production is forecast at 578.6 MMT, down 1.5 MMT mostly reflecting lower soybean production. Global oilseed ending stocks for 2017/18 are forecast at 110.4 MMT down 0.75 MMT from previous month's, mostly reflecting decreases in soybean stocks for Argentina, Bolivia, Paraguay and India.
- ❖ Net sales of 743,200 MT for 2017/2018 were up noticeably from the previous week and up 11 percent from the prior 4-week average. Increases were reported for Mexico (194,200 MT, including decreases of 100 MT), China (164,400 MT, including 63,000 MT switched from unknown destinations and decreases of 66,900 MT),

the Netherlands (154,900 MT, including 134,500 MT switched from unknown destinations), Indonesia (83,100 MT, including 25,000 MT switched from unknown destinations and decreases of 1,800 MT), and Germany (76,400 MT) during the week January 26 –February 01, 2018. Reductions were reported for unknown destinations (205,700 MT). For 2018/2019, net sales of 8,400 MT were reported for Japan. Exports of 1,537,100 MT were up 34 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were China (808,700 MT), the Netherlands (154,900 MT), Japan (94,200 MT), Germany (76,400 MT), and Thailand (73,700 MT). The current week's net sales are higher compared to net sales of 359,000 MT during the previous week.

## Soybean

Soybean noticed range –bound movement during the week amid profit –taking at higher levels and lower arrivals in the mandis. Prices are likely to recover in the coming days amid lower availability in the domestic market. The Solvent Extractor's Association of India has reduced soybean production estimates to 8 MMT compared to previous estimates of 9 MMT. SOPA has revised supply and demand estimates of soybean following lower production. Soybean at CBOT noticed firm tone amid dry weather in Argentina and higher weekly export sales of soybean released by the USDA. The monthly supply and demand report released by the USDA for the month of February is bearish for U.S. amid higher ending stocks and lower exports. However, it is slightly positive for global market amid lower ending stocks.

There is lower availability in the domestic market and prices are likely to recover in the coming days. All India average arrival of soybean per day was reported to be around 1.25 -1.75 lakh bags per day.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 2,85,000 bags compared to 4,55,000 bags reported in the previous week.

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

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

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

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

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

S.No.	Division/District	Kharif 2016 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh & 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 was estimated to be 98 lakh metric tonnes compared to 115 lakh metric tonnes in the previous season. Lower soybean production will lend some support to the market. However comfortable carry-in stocks and record soybean crop in U.S. Midwest will continue to be the limiting factor.*

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

***The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Kalapipal, Agrawal Neemuch, Adani Shujalpur, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, DivyaJyoti, G. Ambuja, Itarsi, Indian Soya (3-2-10 specification), Khandwa, Khyati, Kriti, K.P. Newari, Mahakali, M.S. Neemuch, Prakash, Oyster Exim, Prestige, Ruchi, Rama, RH Solvex, SSA Mandideep, Shanti Overseas, Sawariya, Itarsi, Sitashri, Vippy for Dewas and Mandsaur delivery during the week.***

#### **Previous Update**

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

***The domestic soybean prices are likely to witness range –bound to firm tone amid lower soybean production this season and good demand in the domestic market.***

**International:**

The international benchmark, CBOT soybean closed higher amid dry weather in the soybean growing regions of Argentina.

At CBOT, the soybean, in the most active March contract, ended higher at US \$ 9.83/bushel compared to US \$ 9.873/bushel last week.

Net sales of 743,200 MT of soybean for 2017/2018 were up noticeably from the previous week and up 11 percent from the prior 4-week average. Increases were reported for Mexico (194,200 MT, including decreases of 100 MT), China (164,400 MT, including 63,000 MT switched from unknown destinations and decreases of 66,900 MT), the Netherlands (154,900 MT, including 134,500 MT switched from unknown destinations), Indonesia (83,100 MT, including 25,000 MT switched from unknown destinations and decreases of 1,800 MT), and Germany (76,400 MT) during the week January 26 –February 01, 2018. Reductions were reported for unknown destinations (205,700 MT). For 2018/2019, net sales of 8,400 MT were reported for Japan. Exports of 1,537,100 MT were up 34 percent from the previous week and 22 percent from the prior 4-week average. The primary destinations were China (808,700 MT), the Netherlands (154,900 MT), Japan (94,200 MT), Germany (76,400 MT), and Thailand (73,700 MT). The current week's net sales are higher compared to net sales of 359,000 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 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 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.

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 corresponding period previous year.

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 losing share unable to compete with to Brazil to in terms of 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 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 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.

*The international soybean prices are expected to notice range –bound to firm tone amid expected dry weather in Argentina in the coming week.*

## Soy meal

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Soy meal noticed sideways movement during the week following soybean and spillover support from soy meal at CBOT. Good demand in the domestic market will continue to support prices coupled with lower availability.

Soy meal ready for delivery in PP bags at Dhule was quoted at 33000+GST by MOEPL. However, it was quoted at 34000+GST at Latur by ADM for February delivery and at 34500+GST for March delivery. Advance deposit of 10% is required for forward contracts.

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

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

***On a financial year basis, India's export of oil meals during April 2017 to 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 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 March contract settled at US \$ 343.80 per short ton compared to US \$ 331.40 per short ton last week.

Net sales of 160,800 MT of soybean cake and meal for 2017/2018 were down 66 percent from the previous week and 46 percent from the prior 4-week average. Increases were reported for Vietnam (67,300 MT, including 59,500 MT switched from unknown destinations), Colombia (61,400 MT), Venezuela (25,000 MT), Morocco (21,500 MT), and Mexico (11,000 MT, including decreases of 100 MT). Reductions were reported for unknown destinations (64,300 MT) during the week January 26 –February 01, 2018. Exports of 290,900 MT were up 12 percent from the previous week and 48 percent from the prior 4-week average. The primary destinations were Vietnam (70,700 MT), the Philippines (52,500 MT), Mexico (38,600 MT), the Dominican Republic (22,200 MT), and Colombia (21,000 MT). The current week's net sales for 2017/18 are lower compared to net sales of 474,800 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 28,000 – 31,000/MT compared to Rs. 30,000/MT - 32,800/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed weak tone and were quoted at Rs 33,000/MT and 32,400/MT respectively compared to Rs 31,000/MT in Indore and Rs 31,500/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 must be highly competitive against the 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 28,000 – 31,000/MT during the week compared to Rs 23,200 – 23,700/MT during the corresponding period last year.

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

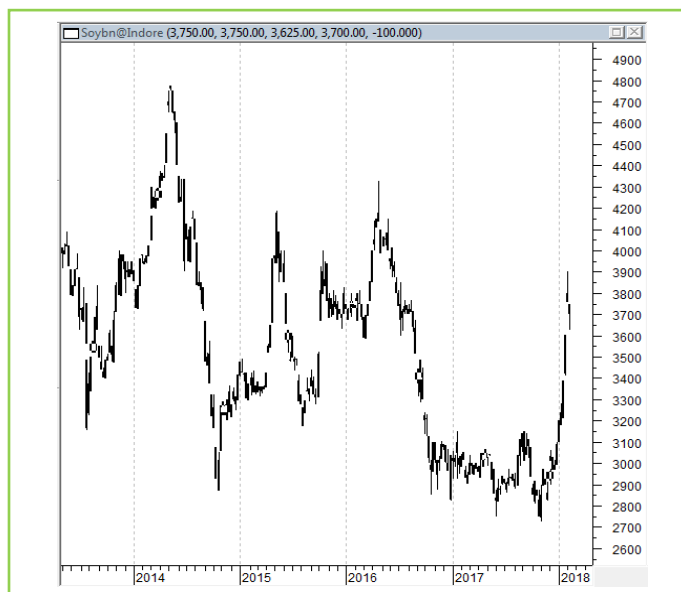
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## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

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

S1	S2	PCP	R1	R2
3650	3600	3790	3900	4000

- Soybean noticed range –bound to firm tone, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are increasing 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 3730. Levels: T1 – 3830; T2- 3880, SL - 3670.

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard witnessed easy tone on lack –luster demand in the domestic market and early weakness in palm oil at BMD. Overall weakness in edible oils in the domestic market added to the weak tone of the market. Rabi mustard acreage this season is lower compared to previous year.

According to industry sources, India's rapeseed and mustard output in 2017/18 is likely to decline by 10 per cent compared to previous season. According to Government of India figures, rapeseed and mustard seed has been sown in 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 1.00 – 1.25 lakh bags in a day compared to around 1.05 – 1.15 bags a day, previous week. The supplies were 0.30 -0.60 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 4,025 – 4,100 a quintal compared to Rs 4,160 – 4,200 a quintal during the corresponding period last year at the benchmark, Jaipur.

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

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

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

Source: Government of India

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

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

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

### **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 to 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	4123	4250	4300

- Downward movement witnessed in RM seed.
- Prices closed above 18-day EMA.
- RSI and stochastic are increasing 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 4075. Levels: Target – 4175; T2- 4225, SL –4015.

## Annexure

### Oil Meal Prices at Key Spot Markets:

#### Soy DOC Rates at Different Centers

Centres	Ex-factory rates (Rs/ton)		
	9-Feb-18	2-Feb-18	Parity To
Indore (MP)	31000	30000	Gujarat, MP
Kota	31500	32000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	32000	33500	Mumbai, Maharashtra
Nagpur (42/46)	31700	33100	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	32400	33400	Andhra, AP, Kar, TN
Latur	33000	33500	-
Sangli	33800	34500	Local and South
Sholapur	33000	32700	Local and South
Akola	31500	33200	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	32200	33400	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Bundi	31000	31500	-

#### Soy DOC at Port

Centers	Port Price	
	9-Feb-18	2-Feb-18
Kandla (FOR) (INR/MT)	32500	33500
Kandla (FAS) (USD/MT)	507	527

#### International Soy DOC

Argentina FOB USD/MT	8-Feb-18	1-Feb-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	9-Feb-18	2-Feb-18	Change
Adoni	18800	18500	300
Khamgaon	NA	NA	-
Parli	NA	NA	-
Latur	NA	NA	-

Groundnut Meal (Rs/MT)	9-Feb-18	2-Feb-18	Change
Basis 45%, Saurashtra	25500	27500	-2000
Basis 40%, Saurashtra	23000	27500	-4500
GN Cake, Gondal	23000	32000	-9000

Mustard DOC/Meal	9-Feb-18	2-Feb-18	Change
Jaipur (Plant delivery)	14600	15500	-900
Kandla (FOR Rs/MT)	15000	15500	-500
Sri Ganganagar	1825	1855	-30

## 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	<b>9.3</b>
Groundnut	6.16	5.96	<b>3.4</b>
Safflower	0.95	1.17	<b>-18.8</b>
Sunflower	1.69	3.21	<b>-47.4</b>
Sesamum	0.57	0.71	<b>-19.7</b>
Linseed	3.84	2.93	<b>31.1</b>
Others	0.58	0.91	<b>-36.3</b>
<b>Total Oilseeds</b>	<b>84.35</b>	<b>79.42</b>	<b>6.2</b>

Source: MoA, GOI

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