

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean witnessed sideways movement during the week amid lack –luster trading ahead of the festival of ‘Holi’ and lower availability in the domestic market. Soybean at CBOT continued positive tone thereby supporting the market to certain extent. Dry weather continues in Argentina and output could be further affected under the current scenario. Harvesting has picked up in Brazil, however it is lagging, behind compared to previous year. At the annual outlook forum, this year, USDA has reduced soybean output and ending stocks this season. The weekly export sales of soybean and soy meal released by the USDA are above previous week’s level.

In the domestic market, the arrival of soybean is declining in the mandis. There is lower availability at the plants for crushing. This coupled with positive tone of soybean at CBOT continue to support the market. Profit –booking at higher levels weighed on the market to certain extent.

Considering the current drought situation in Argentina, soybean output has been reduced to 47 MMT seeing the current drought situation from the previous estimates of 51 MMT. Output could decline further if there are no rains in the coming days. In Parana, Brazil’s second largest grain producing state, harvesting has picked up compared to previous week. At the annual outlook forum, USDA has reduced soybean production estimate at 4.320 billion bushels, is estimated 2 per cent lower in 2017 -18. at 4.320 billion bushels.

Soy meal prices noticed mostly firm tone recovering the recent losses to certain extent. Lower availability in the domestic and some forward booking in the export market, lent support to the market. Upside movement of soy meal at CBOT, added to the positive tone of the market.

Rapeseed prices witnessed easy tone amid increasing pace of new crop arrival in the domestic market. All India average arrival of rapeseed during the week was around 2.50 lakh bags. Lack of demand from the retailers weighed on the market.

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

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed sideways movement during the week on lack of cluster trading activities ahead of the festival of 'Holi'. Profit booking at higher levels weighed on the market. Upside movement of soybean at CBOT lent some support to the market. Dry weather is continuing in Argentina and is likely to further affect the crop output further. In Brazil, harvesting has picked up compared to previous week. The USDA has reduced soybean production and ending stocks in 2017 -18 at the annual outlook forum held previous week. The weekly export sales of soybean released by the USDA are above previous week's level. The prices are expected to feature range bound movement with firm bias between the price band of 3700 – 4100 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed firm tone recovering the recent losses to certain extent. Lower availability in the domestic market and some forward booking in the export market lent support to the market. Upside movement of soy meal at CBOT added to the positive tone of the market. Lower production of soybean this season will translate into lower soy meal production. According to industry sources, soy meal exports 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 amid increasing pace of new crop arrival in the mandis. Lack of demand from the retailers weighed on prices. Positive tone of palm oil at BMD limited downside movement. Rabi sowing of rapeseed is lower by around 5.0% this season compared to previous year. The seed prices are likely to feature range-bound movement with firm bias and witness the levels between 3950 – 4150/Qtl; levels during the week.

## International Highlights

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- ❖ According to the latest forecast by the consultancy, Agroconsult Brazilian soybean output in 2017 -18 is estimated at 117.5 MMT compared to previous month's forecast of 114.1 MMT.
- ❖ At the recent annual outlook forum, USDA estimated the soybean crop at 4.320 billion bushels, 2 percent lower than the record-large 2017 harvest. Soybean yield has been put at 48.5 bpa, down 0.6 bushels from a year earlier and down 3.5 bushels from the all-time high of 52.0 bpa set in 2016. U.S. soybean acreage has been expanding in recent years as rising demand makes the oilseed more profitable to grow. The USDA has forecast that U.S. farmers will plant the same area with soybeans as with corn this year and this would be the first time in 35 years that corn was not the top crop.
- ❖ Soybean ending stocks for 2018/19 were estimated to decline by 70 million bushels, to 460 million bushels, well below the average estimate of analysts at Reuters poll for 564 million bushels. Stocks will decline amid robust demand in the global market and lower soybean output estimated in Argentina.
- ❖ According to the data released by the General Administration of Customs, China's import of soybean increased by 10.76% to 8.48 MMT in the month of January 2018 compared to previous month.
- ❖ Brazil exported 2.07 MMT of soybean in January 2018 compared to 2.36 MMT in December 2017 and up by 720 per cent compared to same corresponding period previous year. Brazil's share of soybean exports to China recorded the highest increased largest on record in 2017 and is expected to increase in 2018. Competitive price and higher protein content of soybean is helping Brazil to gain share in the global market.
- ❖ According to the consultancy, AgRural Brazilian soybean farmers have harvested 25 per cent of the soybean area compared to the five-year average of 27 per cent and 36 per cent during previous year.
- ❖ Soy harvesting has gained pace in Parana, the second largest grain producing state in Brazil, following a break from rains. Harvesting has reached 27 per cent of the planted area compared to 9 per cent previous week, according to a weekly report by Deral, Parana's agricultural research body.
- ❖ According to consultancy, AgRural Brazilian soybean farmers have sold 3.5 MMT of soybean last week following higher prices relating to drought in Argentina. It is the highest weekly volume sold so far in the 2017-18 season. Total crop sales till date is 40.6 percent of the expected crop output at 116.2 MMT.

- ❖ Oilseed output in Ukraine is likely to increase by 3.4 per cent in 2018 to 20.5 MMT amid higher output of sunflower and rapeseed according to Ukraine's Agroconsult. Output of sunflower is expected to increase by 5 per cent to 14.25 MMT and output of rapeseed is expected to increase by 10 per cent to 2.54 MMT.
- ❖ Soy meal exports in Brazil are expected to increase to 16.2 MMT in 2018 compared to 15 MMT in 2017 following B10 blending mandate and lower availability from Argentina. Around 40% of the domestic soy crush goes towards biodiesel production and this will increase by a quarter this year as the blending mandate has been made 10% in March compared to 8% previously.
- ❖ Net sales of 857,900 MT for 2017/2018 were up noticeably from the previous week and from the prior previous 4-week average. Increases were reported for Mexico (334,500 MT, including decreases of 5,000 MT), China (215,600 MT, including decreases of 1,300 MT), Egypt (170,100 MT, including 106,900 MT switched from unknown destinations and decreases of 1,100 MT), South Korea (63,400 MT, including 56,000 MT switched from unknown destinations), and Indonesia (39,900 MT, including decreases of 100 MT) during the period February 22 -28, 2018. Reductions were reported for unknown destinations (22,000 MT) and Vietnam (3,900 MT). For 2018/2019, net sales of 122,100 MT were reported for unknown destinations (121,000 MT) and Japan (1,100 MT). Exports of 902,000 MT were up 1 percent from the previous week, but down 26 percent from the prior 4-week average. The primary destinations were China (539,200 MT), Egypt (110,100 MT), South Korea (59,200 MT), Japan (49,600 MT), and Mexico (38,900 MT). The current week's net sales are higher compared to net sales of 109,100 MT during the previous week.

## Soybean

Soybean noticed sideways movement during the week on lack –luster trading ahead of the festival of ‘Holi’ and lower availability in the domestic market. Soybean at CBOT continued positive tone thereby lending some support to the market. Dry weather is continuing in Argentina and this could affect output further. Harvesting has picked up compared to previous week, however it is lagging compared to previous year. The USDA has reduced soybean output and ending stocks estimates in 2017 -18 at the annual outlook forum. The weekly export sales of soybean released by the USDA are higher compared to previous week.

In the domestic market, the arrival of soybean is declining in the mandis. There is lower availability with the plants for crushing. This coupled with positive tone of soybean at CBOT, lent support to the market. Profit – taking at higher levels weighed on prices to certain extent.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 2,45,000 bags compared to 3,00,500 bags reported in the previous week.

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

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

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

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

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

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

S.No.	Division/District	Kharif 2016 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh & 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
	Grand Total	109.71	83.50

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

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

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

#### Previous Update

We expect India's soy meal exports to pick up in coming months. Seasonally India's soy meal exports are at high volume, during October thru February due to higher pace in of bean crushing. the bean.

Huge South American soy supplies continue to influence the market as the Indian soy meal price has been out-priced in the international market in recent weeks.

Lower soybean supplies this season, mean decline in crushing and eventually, availability of less soy meal, eventually leading to lower exports.

India's domestic soy meal consumption is around 5 million tonnes and the production is expected to be 7-7.5 million tonnes, the surplus 2.5 million needs to be exported for the good crush market during the season.

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

***The domestic soybean prices are likely to notice range –bound to firm tone on lower availability in the domestic market and upside movement of soybean at CBOT.***

**International:**

The international benchmark, CBOT soybean closed higher amid likely reduction in soybean output in Argentina and slow pace of harvesting in Brazil.

At CBOT, the soybean, in the most active May contract, ended higher at US \$ 10.71/bushel compared to US \$ 10.48/bushel last week.

Net sales of 857,900 MT for 2017/2018 were up noticeably from the previous week and from the prior 4-week average. Increases were reported for Mexico (334,500 MT, including decreases of 5,000 MT), China (215,600 MT, including decreases of 1,300 MT), Egypt (170,100 MT, including 106,900 MT switched from unknown destinations and decreases of 1,100 MT), South Korea (63,400 MT, including 56,000 MT switched from unknown destinations), and Indonesia (39,900 MT, including decreases of 100 MT) during the period February 22 -28, 2018. Reductions were reported for unknown destinations (22,000 MT) and Vietnam (3,900 MT). For 2018/2019, net sales of 122,100 MT were reported for unknown destinations (121,000 MT) and Japan (1,100 MT). Exports of 902,000 MT were up 1 percent from the previous week, but down 26 percent from the prior 4-week average. The primary destinations were China (539,200 MT), Egypt (110,100 MT), South Korea (59,200 MT), Japan (49,600 MT), and Mexico (38,900 MT). The current week's net sales are higher compared to net sales of 109,100 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 period a year earlier.

According to consultancy, AgRural farmers in Brazil have harvested 17 per cent of the soybean area in 2017 -18 season as on 16, February 2018. Harvesting is mainly slow in the state of Parana, where only 5 per cent of the area had been harvested compared to 20 per cent previous year.

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

According to sources, Brazilian soybean has started germination in the field due to recent heavy rain. This will lead to low oil percentage and less protein content.

According to consultancy, Safras & Mercado, soybean output in 2017 -18 is estimated at a record 115.6 MMT due to better than expected yield in Southeast and Midwest states. In the previous forecast in December, output was estimated at 114.56 MMT.



Dry weather in Argentina since November is likely to reduce soybean yield further. Initially production was estimated at 57 MMT for 2017 -18. Recent estimates were around 50 MMT. Currently analysts and farmers feel that the crop could be around 45 -47MMT. Crop size will depend on further progress of weather in the coming days.

In Parana, the second largest grain producing state of Brazil, soybean harvesting reached 9 per cent of the planted area as on 22 February, 2018 compared to 31 per cent in the previous year.

At ongoing annual outlook forum, USDA has projected soybean acreage in 2018-19 at 90.0 million acres compared to 90.1 million acres in the previous year. Analyst's average estimates of soybean acreage was at 90.60 million acres.

According to the latest weekly report of Buenos Aires Exchange, soybean crop in Argentina is estimated at 47 MMT compared to previous estimates of 50 MMT. Drought in the soybean growing regions is affecting soybean crop.

The IGC has reduced the global soybean output in 2017/18 by 2 MMT to 347 MMT from its previous estimates following lower production in Argentina. Global soybean production in 2017/18 is still below the 2016/17 record crop of 351 MMT. The global harvested area for soybean in 2018-19 is expected to increase by 2 per cent. Soybean consumption is likely to increase to 353 MMT compared to 338 MMT in 2016/17.

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

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

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

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

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

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

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

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

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

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

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

According to 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 reduced the global soybean output in 2017/18 by 2 MMT to 347 MMT from its previous estimates following lower production in Argentina. Global soybean production in 2017/18 is still below the 2016/17 record crop of 351 MMT. The global harvested area for soybean in 2018-19 is expected to increase by 2 per cent. Soybean consumption is likely to increase to 353 MMT compared to 338 MMT in 2016/17.

*The international soybean prices are likely to notice range-bound to firm tone amid dry weather in Argentina and expected good demand in the coming days.*

## Soy meal

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Soy meal noticed firm tone recovering the recent losses to certain extent. Lower availability in the domestic market and some forward booking in the export market lend support to the market. Upside movement of soy meal at CBOT added to the positive tone of the market.

Soy meal ready for delivery in PP bags at Dhule was quoted at 33500+GST by MOEPL. This is with 46.5% protein content. However, it was quoted at 34000+GST at Latur by Octagon for delivery in the next 10 days. This is with 46% protein content and it was quoted at 34700+GST for 47% protein content.

The hurdles on the imports of frozen chicken legs have been cleared and according to industry sources in the poultry industry, domestic business could be hit by around 25%. This in turn will weigh on soy meal prices in the coming days.

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

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

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

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

Soy meal increased in international market, during the week.

CBOT soy meal March contract settled at US \$ 392.90 per short ton compared to US \$ 378.30 per short ton last week.

Net sales of 131,900 MT for 2017/2018 were down 37 percent from the previous week and 51 percent from the prior 4-week average. Increases were reported for the Philippines (61,200 MT), Colombia (18,200 MT, including 10,000 MT switched from unknown destinations), Vietnam (12,000 MT), Canada (6,900 MT), and Peru (6,300 MT, including 7,000 MT switched from unknown destinations and decreases of 700 MT) during the week February 09 -15, 2018. Reductions were reported for El Salvador (2,300 MT) and Nicaragua (500 MT). Exports of 329,200 MT--a marketing-year high--were up 30 percent from the previous week and 32 percent from the prior 4-week average. The primary destinations were the Philippines (144,900 MT), Thailand (53,000 MT), Mexico (34,200 MT), Canada (15,900 MT), and Peru (15,100 MT). The current week's net sales for 2017/18 are lower compared to net sales of 210,000 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 31,000 – 32,500/MT compared to Rs. 30,500/MT - 32,000/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed steady to weak tone and were quoted at Rs 34,500/MT and 33,400/MT respectively compared to Rs 32,500/MT in Indore and Rs 33,000/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 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 31,000 – 32,500/MT during the week compared to Rs 22,600 – 23,500/MT during the corresponding period last year.

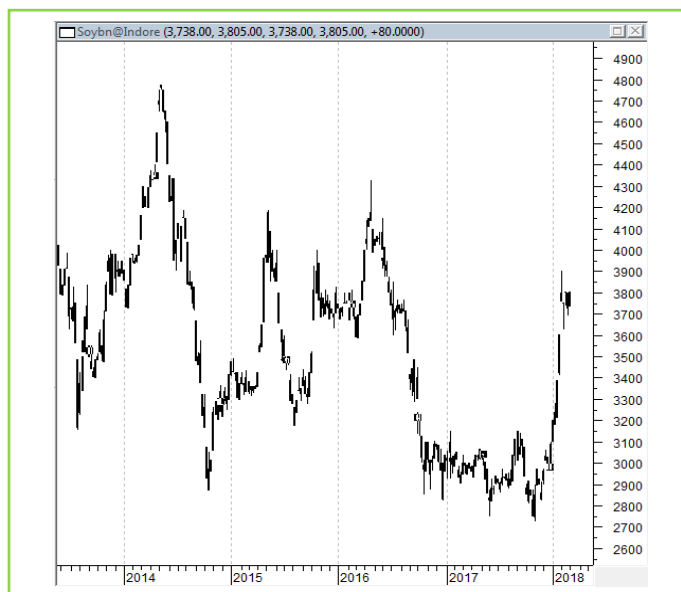
*The soy meal prices are likely to notice range-bound movement with firm bias amid lower availability in the domestic market.*

### **Technical Analysis:**

#### **NCDEX Soybean Futures**



#### **Soybean Spot, Indore**



**\*Note: Daily Chart**

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

<b>S1</b>	<b>S2</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
<b>3650</b>	<b>3600</b>	<b>3781</b>	<b>3900</b>	<b>4000</b>

- Soybean noticed range –bound to firm tone, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are declining in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature gain in the coming week.
- Trade Recommendation (NCDEX Soybean – Mar.): **BUY** Above 3700. Levels: T1 – 3800; T2- 3850, SL - 3640.

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard noticed weak tone amid increasing pace of new crop arrival in the domestic market. All India average arrival of rapeseed per day was around 2.50 lakh bags. Lack of demand from the retailers weighed on the market.

According to industry sources, India's rapeseed and mustard output in 2017/18 is likely to be around 63 -64 lakh tonnes. Farmers have reduced the area in Rajasthan amid higher temperatures and lack of moisture at the time of sowing. According to Solvent Extractor's Association of India, India produced a record 6.73 MMT rapeseed in the 2016/17 marketing year.

**The all India seed supplies were reported between 1.50 – 2.65 lakh bags in a day compared to around 0.60 – 1.50 bags a day, previous week. The supplies were 1.85 -3.85 lakh bags a day during the corresponding period last year.**

The seed prices are higher at spot market and are quoted at around Rs 4,065 – 4,130 a quintal compared to Rs 3,825 – 3,950 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at April contract ended lower at 4108/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.

According to the data released by the General Administration of Customs, China's import of rapeseed declined by 5.3% to 372,692 metric tonnes in January 2018 compared to previous month. Imports of rapeseed meal increased by 54.91% to 124,321 metric tonnes in January 2018 compared to previous month.

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

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

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

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

According to China's General Administration of Customs (CNGOIC), China's January palm oil imports fell 12.49 percent to 4.68 lakh tons compared to January 2017. Imports from Indonesia in January fell 14.37 percent to 3.20 lakh tons compared to January 2017. Imports from Malaysia in January fell 8.17 percent to 1.48 lakh tons compared to January 2017.

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

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's February 1-20 palm oil exports rose 9.5 percent to 815,183 tons compared to 744,706 tons in corresponding period last month. Top buyers are European Union at 237,281 tons (130,925 tons), India at 189,605 tons (107,928 tons), United States at 52,450 tons (83,019 tons), China at 46,570 tons (74,200 tons) and Pakistan at 15,000 tons (33,500 tons). Values in brackets are figures of corresponding period last month.



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

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

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

According to Indonesia Palm Oil Association, Indonesia's 2017 crude palm oil production is estimated to rise 12.7 percent to 35.5 MMT compared to 31.1 MMT in 2016. Heavy rains in 2016 will support palm oil production and growth in plantation in 2013 will bear fruit in 2017.

According to Indonesia Palm Oil Association (GAPKI), Indonesia's October palm oil (excluding biodiesel and oleo chemicals) exports fell 5.6 percent to 2.6 MMT from 2.79 MMT in September and 2.41 MMT in October 2016.

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

According to Indonesia trade ministry, Indonesia kept palm oil export duty for March unchanged at zero, below threshold prices of USD 750 per ton. This is 11th straight month of zero export duty, as palm oil is expected to miss certain thresholds.

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.

*Outlook: The rapeseed-mustard is likely to notice range –bound to weak tone amid increasing arrival of the new crop in the domestic 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
4000	3950	4108	4250	4300

- Downward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI is increasing and stochastic is declining in the neutral zone.
- MACD is declining in the negative territory.
- The prices are expected to feature range-bound movement with weak bias, during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr) Week: **SELL** Below 4175. Levels: Target – 4075; T2- 4025, SL –4235.

## Annexure

### Oil Meal Prices at Key Spot Markets:

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

Centres	Ex-factory rates (Rs/ton)		
	1-Mar-18	23-Feb-18	Parity To
Indore (MP)	32500	30500	Gujarat, MP
Kota	33000	31500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	33500	33300	Mumbai, Maharashtra
Nagpur (42/46)	32500	32500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	33400	33400	Andhra, AP, Kar, TN
Latur	34500	35000	-
Sangli	34000	34500	Local and South
Sholapur	33700	33300	Local and South
Akola	32500	31800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	34000	33500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Bundi	32000	31800	-

### Soy DOC at Port

Centers	Port Price	
	28-Feb-18	21-Feb-18
Kandla (FOR) (INR/MT)	34000	33000
Kandla (FAS) (USD/MT)	522	507

### **International Soy DOC**

Argentina FOB USD/MT	27-Feb-18	20-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	1-Mar-18	23-Feb-18	Change
Adoni	19200	19200	Unch
Khamgaon	NA	NA	-
Parli	NA	NA	-
Latur	19000	19000	Unch

Groundnut Meal (Rs/MT)	1-Mar-18	23-Feb-18	Change
Basis 45%, Saurashtra	24000	23500	500
Basis 40%, Saurashtra	22000	23000	-1000
GN Cake, Gondal	23500	23000	500

Mustard DOC/Meal	1-Mar-18	23-Feb-18	Change
Jaipur (Plant delivery)	14900	14800	100
Kandla (FOR Rs/MT)	14900	15500	-600
Sri Ganganagar	1870	1830	40

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

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The 2<sup>nd</sup> Advance Estimates of production of major crops for 2017-18 have been released on 27 February, 2018 by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of floods and erratic rainfall during monsoon 2017, the country has witnessed lower food grain production in the current year compared to previous year.

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

Oilseeds – 20.36 million tonnes

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

With a decline of 1.15 million tonnes over the previous year, total kharif Oilseeds production in the country is estimated at a level of 20.36 million tonnes. It is lower by 2.25 million tonnes than the all time record production of 22.61 million tonnes achieved during 2013-14.

The production of Oilseeds during 2017-18 is higher by 0.204 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 21.51 million tonnes during 2016-17.

## MSP for 2017/18 Kharif Oilseeds

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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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