

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean witnessed range –bound to firm tone during the week amid good demand from the crushers and positive tone of soybean at CBOT. Lower arrivals in the mandis added to the positive tone of the market. Mandis remained closed for few days following local festivals and financial year end. Soybean at CBOT closed higher, following bullish planting intention report for soybean released by the USDA. For the first time, US soybean acreage will be higher than corn this season. Soybean acreage is forecast to be lower by 1 per cent this season. The market negated bearish quarterly stocks and weekly export sales of soybean released by the USDA. Dry weather in Argentina continues to support the market. In Brazil, harvesting is going on in full swing. Likely decline in demand from China for U.S. soybean, will be limiting factor for the market.

Arrivals are lower in the mandis as it remained closed for few days following local festivals and financial year – end. Good demand from the crushers added to the positive tone of the market.

In the latest planting intention report released by the USDA, soybean acreage is estimated to be lower by 1 per cent this year at 89.0 million acres compared to previous year. Quarterly stocks of soybean as on March 1, 2018 is estimated to be higher by 21 per cent at 2.11 billion bushels compared to same corresponding period previous year. Argentina's soybean output could be lower than 39.5 MMT if dry weather continues in the coming days. China's demand for U.S. soybean could decline amid ongoing trade rift between U.S. and China. Brazil is expected to export record soybean this season.

Soy meal prices noticed range –bound to firm tone during the week amid good demand in the domestic market and spillover support from soy meal at CBOT. Prices have to must remain competitive to gain share in the global market.

Rapeseed prices witnessed positive tone during the week on lower arrivals in the mandis and positive tone of palm oil at BMD. Procurement at MSP by the governments of Rajasthan and Madhya Pradesh will support the market in the coming days. Arrivals were lower at around 5.00 lakh bags per day during the week, as mandis remained closed for few days following local festivals and financial year end.

Record supply in the global market will continue to weigh on the market in the coming days.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed range –bound to weak tone amid lack –luster trading activities following financial year end. However, downside was limited amid positive tone of soybean at CBOT. Soybean at CBOT closed higher following bullish planting intention report released by the USDA. The market negated bearish quarterly stocks report and weekly export sales of soybean released by the USDA. Dry weather in Argentina continues to support the market. In Brazil, harvesting is going on in full swing. Likely decline in demand for U.S. soybean from China will be limiting factor for the market. The prices are expected to feature range bound movement with weak bias between the price band of 3600 – 4000 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal witnessed firm tone amid good demand in the domestic market and spillover support from soy meal at CBOT. Poultry prices have been declining in the domestic market since February following weaker consumer demand on late onset of summer and bird flu scare. This will limit upside movement of the market to certain extent. Prices have to must remain competitive to gain share in the global market. 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 noticed recovery on positive tone of palm oil at BMD and lower arrivals in the mandis. Procurement at MSP by the governments of Rajasthan and Madhya Pradesh will support the market in the coming days. Arrivals were lower as mandis remained closed for few days following local festivals and financial year –end. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3950 – 4150/Qt; levels during the week.

## International Highlights

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- ❖ According to consultancy, AgRural soybean harvest in Brazil has reached 71 per cent till date compared to 74 per cent during the same corresponding time previous year and above a five –year average of 69 per cent.
- ❖ In the event of mounting trade war between U.S. and China, Chinese buyers of U.S. soybean are devising contingency plans to ensure supplies of raw material. Some trading houses in China are purchasing more rapeseed meal, used for making animal protein while some are considering purchasing Brazilian soybean. Traders are looking for alternatives to U.S. soybean as exports of U.S. soybean to China might decline on trade rift between U.S. and soybean.
- ❖ According to the data released by the General Administration of Customs, China's import of soybean declined by 2.05% to 5.42 MMT in the month of February 2018 compared to same period previous year. In the first two months of the year 2018, total imports of soybean increased by 5.37% to 13.90 MMT compared to same that of corresponding period previous year.
- ❖ According to consultancy, Agroconsult Brazil's soybean crop has been revised up to 118.9 MMT in 2017-18 following favourable weather in the growing regions. According to Agroconsult, Mato Grosso's yields are estimated to reach an average of 56.7 60-kg bags per hectare compared with 55.5 bags in the previous season.
- ❖ Brazilian soybean farmers are likely to export record soybean this year following drought in Argentina according to consultancy, Agroconsult. Exports of soybean could touch around 72 MMT in 2018 compared to 68 MMT in the previous season.
- ❖ According to the planting intention report released by the USDA, soybean planted area for 2018 is estimated at 89.0 million acres, lower 1 per cent compared to previous year. It is below average trade estimates of 91.056 million acres.
- ❖ In the latest USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on March 1, 2018 totaled 2.11 billion bushels, up 21 percent from March 1, 2017. It is higher than average trade estimate of 2.030 billion bushels. On -farm stocks are estimated at 855 million bushels, up 28 percent from a year ago. Off-farm stocks, at 1.25 billion bushels, are up 17 percent from last March. Indicated

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

- ❖ Net sales of 317,500 MT for 2017/2018 were down 58 percent from the previous week and 77 percent from the prior 4-week average. Increases were reported for the Netherlands (113,600 MT, including 66,000 MT switched from unknown destinations and decreases of 9,000 MT), Indonesia (106,500 MT, including 75,000 MT switched from unknown destinations and decreases of 1,100 MT), Pakistan (57,200 MT, including 55,000 MT switched from unknown destinations), South Korea (51,400 MT, including 50,000 MT switched from unknown destinations), and Egypt (42,800 MT, including 36,900 MT switched from unknown destinations and decreases of 400 MT) during the week March 16 -22, 2018. Reductions were reported for unknown destinations (244,000 MT). For 2018/2019, net sales of 69,700 MT were reported for China (60,000 MT), Thailand (6,000 MT), Japan (2,900 MT), and South Korea (800 MT). Exports of 782,900 MT were up 43 percent from the previous week, but down 7 percent from the prior 4-week average. The primary destinations were China (139,600 MT), the Netherlands (113,600 MT), Indonesia (111,800 MT), Mexico (101,700 MT), and Egypt (92,800 MT). The current week's net sales are lower compared to net sales of 759,000 MT during the previous week.

## Soybean

Soybean noticed range –bound to firm tone during the week amid good demand from the crushers and positive tone of soybean at CBOT. Lower arrivals in the mandis added to the positive tone of the market. Soybean at CBOT closed higher following bullish planting intention report released by the USDA. For the first time in U.S, soybean acreage this season will be higher than corn. Soybean acreage is forecast to be lower by 1 per cent this season. The market negated bearish quarterly ending stocks report and weekly export sales of soybean released by the USDA. Dry weather in Argentina is likely to reduce soybean output further. In Brazil, soybean harvesting is going on in full swing. Likely decline in demand from China for U.S. soybean will be limiting factor for the market.

Arrivals are lower in the domestic market as mandis remained closed for few days during the week following local festivals and financial year end.

There is lower availability in the domestic market and traders are importing soybean. According to trade sources, India's soybean imports are likely to touch record level, following lower output in the domestic market this season. Traders have signed deal to sell up to 100,000 metric tonnes of soybean to India since December mainly from the African countries of Ethiopia and Benin, with whom South Asian nation has concessional import duty agreements. India's soybean imports have not touched 100,000 metric tonnes before.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 1,70,000 bags compared to 3,80,000 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, 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 | Kharif 2017 |
|-------|-------------------|-------------|-------------|
|-------|-------------------|-------------|-------------|

|   |                            | Production | 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 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 following lower availability in the domestic market and positive tone of soybean at CBOT.***

**International:**

The international benchmark, CBOT soybean closed higher amid bullish soybean planting intention report released by the USDA for this season

At CBOT, the soybean, in the most active May contract, ended higher at US \$ 10.45/bushel compared to US \$ 10.28/bushel last week.

Net sales of 317,500 MT of soybean for 2017/2018 were down 58 percent from the previous week and 77 percent from the prior 4-week average. Increases were reported for the Netherlands (113,600 MT, including 66,000 MT switched from unknown destinations and decreases of 9,000 MT), Indonesia (106,500 MT, including 75,000 MT switched from unknown destinations and decreases of 1,100 MT), Pakistan (57,200 MT, including 55,000 MT switched from unknown destinations), South Korea (51,400 MT, including 50,000 MT switched from unknown destinations), and Egypt (42,800 MT, including 36,900 MT switched from unknown destinations and decreases of 400 MT) during the week March 16 -22, 2018. Reductions were reported for unknown destinations (244,000 MT). For 2018/2019, net sales of 69,700 MT were reported for China (60,000 MT), Thailand (6,000 MT), Japan (2,900 MT), and South Korea (800 MT). Exports of 782,900 MT were up 43 percent from the previous week, but down 7 percent from the prior 4-week average. The primary destinations were China (139,600 MT), the Netherlands (113,600 MT), Indonesia (111,800 MT), Mexico (101,700 MT), and Egypt (92,800 MT). The current week's net sales are lower compared to net sales of 759,000 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 Safras & Mercado, Brazil is expected to export a record 70 MMT of soybean in 2018-19. This is 12 per cent higher compared to previous year. Record harvest of soybean in Brazil this season and lower output in Argentina are cited as the reasons for record exports of soybean.

According to consultancy, AgRural soybean harvest in Brazil has reached 58 per cent till date, compared to 62 per cent during the same corresponding time previous year and 55 per cent of five year average.

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



According to consultancy, Agroconsult, farmers in Brazil are putting emphasis focusing on maximizing soybean yields. Brazil is expected to harvest record soybean crop this season amid favourable weather. Agroconsult has estimated soybean crop to be around 117.5 MMT this season compared to 114 MMT previous season. Increasing yields will make Brazil more competitive in the global market.

According to the latest monthly report released by Rabobank soybean output in Argentina is estimated at 40 MMT compared to previous month's estimates of 46 MMT.

According to industry sources, China is likely to import more than 100 MMT of soybean in 2017-18 amid strong demand for animal feed.

There is no improvement in drought conditions in the soybean growing regions of Argentina. According to trade sources, China's soy meal exports are likely to double to 2 MMT on lower output of soybean in Argentina and strong crush margin. Exports of soy meal were reported at 1.1 MMT during previous year. This will also help Chinese crushers to utilize their excess crushing capacity.

According to the Rosario Grains Exchange, soybean output of Argentina in 2017 -18 could be around 40 MMT as prolonged drought is likely to affect yield compared to previous estimates of 46.5 MMT. Rains are reported in certain areas, however it is not sufficient for the crop.

According to National Oilseed Processors Association (NOPA), U.S. February soybean crush rose to a record level of 153.719 million bushels from 142.792 million bushels in February 2017 amid strong processing margins. Crush of soybean in January 2018 was 166.111 million bushels. Soy meal exports in February declined to 755,103 metric tonnes, from 860,416 metric tonnes the previous month and 735,825 metric tonnes in February 2017. Soy oil stocks as of Feb. 28 increased to 1.856 billion pounds, up from 1.728 billion pounds at the end of January 2018. This is the highest stock on record since June 2016.

According to Informa, soybean production in Argentina will decline to 44 MMT compared to previous estimate of 51 MMT. Brazilian soybean output has been increased to 114 MMT compared to previous estimate of 112.5 MMT.

The monthly supply and demand report of U.S. Department of Agriculture's monthly supply and demand report for the month of March, forecasts U.S. soybean stocks at 555 million bushels, up 25 million bushels from last month due to lower exports. U.S. soybean exports are forecast to decline by 35 million bushels to 2065 million bushels amid lagging sales and higher exports from Brazil. Soybean production is estimated at 4,392 million bushels, unchanged from previous month's estimates. Global oilseed production is forecast at 574.5 MMT, down 4.1 MMT mostly reflecting lower soybean production. Global soybean ending stocks for 2017/18 are forecast at 94.4 MMT down 3.7 MMT from previous month's, mostly reflecting decreases in soybean stocks for Argentina, Bolivia, Paraguay and India.

According to the latest report, Buenos Aires Exchange has reduced soybean output to 42 MMT compared to previous estimates of 44 MMT. Drought in the country's central grain belt has affected production.

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.

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.

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 that of samecorresponding 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 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.

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.

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 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 international soybean prices are likely to notice range –bound to firm tone amid lower soybean planting intention expected this season.*

## Soy meal

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Soy meal witnessed range –bound to firm tone during the week amid good demand in the domestic market and spillover support from soy meal at CBOT. Decline in poultry prices will limit upside movement in the coming days.

Soy meal ready for delivery in PP bags at Dhule was quoted at 32700+GST by MOEPL. This is with 46.5% protein content. However, it was quoted at 32000+GST at Latur by ADM for ready delivery in PP bags under resale.

In the domestic market, poultry prices have declined by around 21 percent since the beginning of February amid less demand from the consumers following bird flu scare and late onset of summer. This will weigh on the market to certain extent in the coming days.

***On a financial year basis, India's export of oil meals during April 2017 to February 2018 stands at 2,677,536 metric tonnes as compared to 1,714,984 metric tonnes in the same corresponding period of previous year showing an increase of 56% according to data released by the Solvent Extractor's Association of India.***

***In the month of February 2018, export of oil meals declined by 47% to 161,969 metric tonnes compared to the same corresponding period previous year. Soy meal exports during the period April 2017 to February 2018 was reported up at 1,117,340 metric tonnes compared to 809,247 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 \$ 384.00 per short ton compared to US \$ 377.90 per short ton last week.

Net sales of 184,100 MT for 2017/2018 were down 5 percent from the previous week, but up 4 percent from the prior 4-week average. Increases were reported for Vietnam (50,000 MT), Morocco (43,500 MT, including 15,000 MT switched from unknown destinations), Indonesia (33,200 MT, including 27,100 MT switched from unknown destinations), Thailand (21,400 MT, switched from unknown destinations), and Canada (12,300 MT) during the week March 16 -22, 2018. Reductions were primarily reported for Egypt (9,000 MT), Israel (8,000 MT), and Guatemala (6,900 MT). Exports of 286,600 MT were up 94 percent from the previous week and 15 percent from the prior 4-week average. The primary destinations were Colombia (69,900 MT), the Philippines (49,400 MT), Indonesia (32,500 MT), Vietnam (19,500 MT), and Canada (19,000 MT). The current week's net sales for 2017/18 are lower compared to net sales of 194,600 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 30,500 – 31,000/MT compared to Rs. 29,800/MT - 30,200/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed mixed tone and were quoted at Rs 32,500/MT and 32,200/MT respectively compared to Rs 30,500/MT in Indore and Rs 31,600/MT in Kota.

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**Previous Updates**

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India has registered gains in the soy meal exports in the current season. Recovery in INR against dollar will eventually make India's soy meal export prices unattractive and help South American soy meal to gain market share.

India is expected to produce 7-7.5 million metric tonnes of soy meal this season. Out of which 5 million metric tonnes will be consumed domestically but another 2 -2.5 million metric tonnes must be shipped overseas, failing which, the disparity on crushing soybean will increase.

We expect India's soy meal exports to decline slightly in the new season with lower 2017/18 soybean production, leading to lower crushing, eventually decreasing the meal supplies.

*Indian meal prices need to 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 30,500 – 31,000/MT during the week compared to Rs 24,000 – 24,300/MT during the corresponding period last year.

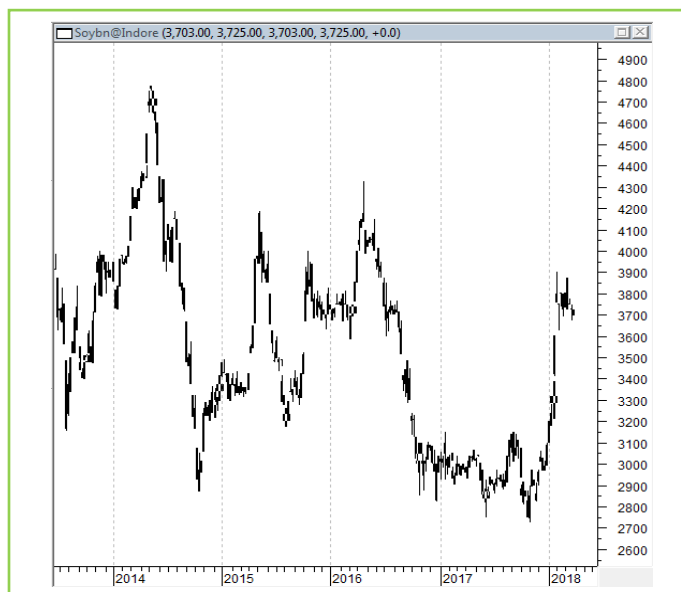
*The soy meal prices are likely to witness range –bound to firm tone amid lower availability in the domestic market.*

## **Technical Analysis:**

### **NCDEX Soybean Futures**



### **Soybean Spot, Indore**



**\*Note: Daily Chart**

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

| <b>S1</b>   | <b>S2</b>   | <b>PCP</b>  | <b>R1</b>   | <b>R2</b>   |
|-------------|-------------|-------------|-------------|-------------|
| <b>3600</b> | <b>3550</b> | <b>3756</b> | <b>3900</b> | <b>4000</b> |

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

## Rapeseed - Mustard Seed

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The domestic rapeseed-mustard noticed recovery during the week on lower arrivals in the mandis and positive tone of palm oil at BMD. Procurement at MSP by the governments of Rajasthan and Madhya Pradesh will support the market in the coming days. All India average arrival of rapeseed declined to around 5.00 lakh bags per day during the week, compared to 7.00-7.50 lakh bags during previous week.

Madhya Pradesh government has decided to procure Rabi crop of mustard at MSP instead of using Bhavantar Bhugtan Yojana (BBY). This will reduce the flow of mustard in open market thereby providing some support to domestic prices. The government is likely to procure 4 lakh tonnes of mustard and has announced a bonus of Rs.100/Qtl over MSP.

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 1.25 – 6.25 lakh bags in a day compared to around 6.15 – 8.00 bags a day, previous week. The supplies were 5.10 -6.05 lakh bags a day during the corresponding period last year.**

The seed prices are lower at spot market and are quoted at around Rs 3,965 – 4,055 a quintal compared to Rs 4,035 – 4,105 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at April contract ended higher at 4011/Qtl compared to 3953/Qtl previous week.

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

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

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

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

According to the data released by the General Administration of Customs, China's import of rapeseed declined by 35.26% to 362,718 metric tonnes in February 2018 compared to same period previous year. In the first two months of the year 2018, imports of rapeseed declined by 22.9% to 735,410 metric tonnes compared to same corresponding period previous year. Imports of rapeseed meal declined by 1.7% to 63,732 metric tonnes in February 2018 compared to same corresponding period previous year. In the first two months of the current year, imports of rapeseed meal increased by 29.62% to 188,053 metric tonnes compared to same corresponding period previous year.

## 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 February edible oil imports fell 8.85 percent y-o-y to 11.25 lakh tons from 12.34 lakh tons in February 2017. Palm oil imports in February rose 3.26 percent y-o-y to 5.46 lakh tons from 4.98 lakh tons in February 2017. CPO Imports rose 9.64 percent y-o-y to 6.73 lakh tons from 4.12 lakh tons in February 2017. RBD palmolein imports fell 13.24 percent y-o-y to 2.02 lakh tons from 2.33 lakh tons in February 2017. Soy oil imports fell 46.83 percent in February y-o-y to 1.34 lakh tons from 2.52 lakh tons in February 2017. Sunflower oil imports rose 1.9 percent in February percent y-o-y to 2.13 lakh tons from 2.09 lakh tons in February 2017. Rapeseed (canola) oil imports in February fell 51 percent to 0.17 lakh tons compared 0.18 lakh tons in February 2017.

According to Solvent Extractors Association (SEA), India's February edible oil stocks at ports and pipelines rose marginally m-o-m to 21.97 lakh tons from 21.95 lakh tons in January 2018. Stocks of edible oil at ports fell to 757,000 tons (CPO 280,000 tons, RBD Palmolein 120,000 tons, Degummed Soybean Oil 170,000 tons, Crude Sunflower Oil 180,000 tons and 7,000 tons of Rapeseed (Canola) Oil) and about 1,440,000 tons in pipelines (stocks at ports were 855,000 tons in January 2018). India is presently holding 36 days of edible oil requirement on 1st March, 2018 at 21.97 lakh tons compared to 36 days of requirements last month at 21.95 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 February palm oil imports rose 9.93 percent to 3.73 lakh tons compared to February 2017. Year to date imports of palm oil fell 3.78 percent to 8.41 lakh tons. Imports from Indonesia in February rose 21.68 percent to 2.58 lakh tons compared to February 2017. Year to date imports of palm oil from Indonesia fell 1.32 percent to 5.78 lakh tons. Imports from Malaysia in February fell 9.7 percent to 1.15 lakh tons compared to February 2017. Year to date imports of palm oil from Malaysia fell 3.85 percent to 2.63 lakh tons.

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.



According to cargo surveyor AmSpec Agri, Malaysia's March 1-25 palm oil exports rose 9.3 percent to 1,165,833 tons compared to 1,064,823 tons in corresponding period last month.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's March 1-25 palm oil exports rose 10.6 percent to 1,190,261 tons compared to 1,076,563 tons in corresponding period last month. Top buyers are India at 313,233 tons (221,115 tons), European Union at 234,268 tons (305,721 tons), China at 106,864 tons (66,670 tons), Pakistan at 58,395 tons (27,000 tons) and United States at 42,575 tons (72,290 tons). Values in brackets are figures of corresponding period last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's February palm oil stocks fell 2.85 percent to 24.78 lakh tons compared to 25.50 lakh tons in January. Production of palm oil in February fell 15.37 percent to 13.43 lakh tons compared to 15.87 lakh tons in January. Exports of palm oil in February fell 13.33 percent to 13.12 lakh tons compared to 15.14 lakh tons in January. Imports of palm oil in February rose 92.86 percent to 0.67 lakh tons compared to 0.35 lakh tons in January. Fall in palm oil end stocks in February 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 imposed export duty on palm oil for April at 5 percent, after three-month suspension of export duty. Export duty of palm oil is calculated at reference price of 2,474.63 ringgit (\$633.38) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

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

According to Indonesia Palm Oil Association (GAPKI), Indonesia's January palm and palm kernel oil exports rose 4.58 percent m-o-m to 2.74 MMT compared to 2.62 MMT in December. On y-o-y basis exports rose 0.74 percent. Exports were 2.72 MMT in January 2017.

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

According to 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.

According to the latest monthly estimates from Strategie Grains, rapeseed production estimates have been increased to 22.60 MMT in European Union for 2017/18 compared to previous estimates of 21.86 MMT and 20.34 MMT in 2016/17.

*Outlook: The rapeseed-mustard is likely to witness range –bound to firm tone amid government backed procurement and positive tone of palm oil at BMD.*



## 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 | 4011 | 4150 | 4200 |

- Upward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI is steady in the neutral zone and stochastic is increasing in the oversold 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: **BUY** Above 3950. Levels: Target – 4050; T2- 4100, SL –3890.

## Annexure

### Oil Meal Prices at Key Spot Markets:

#### Soy DOC Rates at Different Centers

| Centres        | Ex-factory rates (Rs/ton) |           |   |
|----------------|---------------------------|-----------|---|
|                | 30-Mar-18                 | 23-Mar-18 | Parity To   |
| Indore (MP)    | 30500                     | 30000     | Gujarat, MP   |
| Kota           | 31600                     | 31300     | Rajasthan, Del, Punjab, Haryana                     |
| Dhulia/Jalna   | 33000                     | 32700     | Mumbai, Maharashtra                                 |
| Nagpur (42/46) | 32000                     | 31800     | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Nanded         | 32200                     | 32000     | Andhra, AP, Kar ,TN                                 |
| Latur          | 32500                     | 32800     | -   |
| Sangli         | 33300                     | 32300     | Local and South                                     |
| Sholapur       | 32200                     | 32500     | Local and South                                     |
| Akola          | 31500                     | 30700     | Andhra, Chattisgarh, Orrisa,Jharkhand, WB           |
| Hingoli        | 32500                     | 32600     | Andhra, Chattisgarh, Orrisa,Jharkhand, WB           |
| Bundi          | 31000                     | 31000     | -   |

#### Soy DOC at Port

| Centers               | Port Price |           |
|-----------------------|------------|-----------|
|                       | 29-Mar-18  | 22-Mar-18 |
| Kandla (FOR) (INR/MT) | 32800      | 32500     |
| Kandla (FAS) (USD/MT) | 506        | 500       |

| International Soy DOC |           |           |        |
|-----------------------|-----------|-----------|--------|
| Argentina FOB USD/MT  | 29-Mar-18 | 22-Mar-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               | 30-Mar-18                 | 23-Mar-18 | Change |
| Adoni                 | 19000                     | 19000     | Unch   |
| Khamgaon              | 16000                     | NA        | -      |
| Parli                 | 16400                     | NA        | -      |
| Latur                 | 18800                     | 18800     | Unch   |

| Groundnut Meal (Rs/MT) | 30-Mar-18 | 23-Mar-18 | Change |
|------------------------|-----------|-----------|--------|
| Basis 45%, Saurashtra  | Closed    | 23000     | -      |
| Basis 40%, Saurashtra  | Closed    | 20500     | -      |
| GN Cake, Gondal        | Closed    | 22500     | -      |

| Mustard DOC/Meal        | 30-Mar-18 | 23-Mar-18 | Change |
|-------------------------|-----------|-----------|--------|
| Jaipur (Plant delivery) | 15600     | 15400     | 200    |
| Kandla (FOR Rs/MT)      | 16100     | 15900     | 200    |
| Sri Ganganagar          | 1895      | 1885      | 10     |

## 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

- Soybean – 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 Government of India, the total coverage area under Rabi oilseeds is reported at 80.87 lakh hectares, down 5.27% from 84.85 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported down by 5.27% at 66.88 lha compared to 70.60 lha during the corresponding period of last year. Groundnut at 6.39 lha vs 6.36 lha, safflower at 0.81 lha vs 1.05 lha, sunflower at 1.74 lha vs 1.71 lha, sesamum 0.68 vs 0.70 and Linseed at 4.01 lha vs 3.84 lha during the corresponding period last year.

| Area in Lakh Hectares |              |              |                 |
|-----------------------|--------------|--------------|-----------------|
| <b>Crop</b>           | <b>2018</b>  | <b>2017</b>  | <b>% Change</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            |
| Others                | 0.36         | 0.58         | -37.93          |
| <b>Total Oilseeds</b> | <b>80.87</b> | <b>84.85</b> | <b>-5.27</b>    |

Source: GOI

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