

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean noticed positive tone during the week amid improving crush demand and expected tightening of stocks in coming months. However weakness in the CBOT Soybean with improvement in the soybean planting restricted aggressive gains. In the last of trade in CBOT report of stringer weekly soybean exports sales against market anticipations has helped the CBOT market to recover strongly after near month contract touching 9 years low. The weekly exports has reported to be high has created doubt in the mind of investors in the mind of investors as there are chances that the US Soybean get directed towards EU, Brazil and SE Asian nations and from there can be re-exported to China to bypass the 25% import duty in US Soybean. The weekly export sales of soybean released by the USDA were much above market expectation this week.

In the domestic market, there is lack of availability of soybean in the spot market and with June exports clocking more than one lakh tons there can be apprehensions building of even tighter stocks in coming months. Soybean acreages has improved much in the last week thus sowing related premium is slowly vanishing. However concerns still remained in Gujarat as the rainfall is still deficit by 60% and the sowing of groundnut is lagging behind.

In coming two weeks there is forecast of widespread rainfall in central west and southern peninsular region barring Gujarat and South Rajasthan. Thus weather related market sentiments are expected to remain mixed in coming week.

US crop progress report is sowing positive signs of an excellent crop for the coming marketing season and thus weather related premium in CBOT is not visible at immediate front. .

CBOT Soy meal noticed range –bound to firm tone during the week following demand in the domestic market as well as y-o-y higher export demand. Upside was limited amid weakness in soybean at CBOT. Indian soymeal gained over support from bean prices as well as robust exports in June month. Domestic demand has also fueled up with early monsoon arrivals and improvement in weekly chick replacements amidst rise poultry prices giving poultry farmer's better margins.

Rapeseed prices noticed firm tone during the week amid robust crushing by oil millers amidst strong buying by the stockiest from east.

Overall market is expected to gain some upward momentum after taking recent lows cross oilseeds market in domestic as well as internationally.

**Reports releasing this week**

1. USDA WASDE Report : 12<sup>th</sup> July
2. USDA Crop Progress Report: 9<sup>th</sup> July
3. USDA Weekly Export Sales Report: 13<sup>th</sup> July
4. USDA Weekly Export Inspection Report: 9<sup>th</sup> July
5. SEA Monthly Oil-Meal Exports Sales Data

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** The soybean witnessed positive tone during the week on sustained crush demand from oil millers. CBOT soybean and meal gained after the robust export sales reported by USDA. Moving forward weather premium is the key to give direction to the market and thus the prices is expected to remain range bound in coming week with market looking for seasonal rise in prices especially at the domestic front. The prices are expected to feature range bound movement with firm bias between the price band of 3400 – 3800 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed range –bound to firm tone during the week amid demand in the domestic market. However upside was limited following weakness in soy meal at CBOT. All depends on the strength in soybean and thus derived effect on soymeal prices. Higher soy oil has the potential to give cross discounts to soymeal keeping the margins in the comfortable zone. Soy meal, Indore is expected to be in the range of 28,500 – 31,500/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard noticed firm tone during the week amid robust crush demand from oil millers. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 4000 – 4200/Qtl; levels during the week post that the mustard prices is expected to inch towards 4500 as the mustard seed supplies tapers. Arrivals are already high as compared to last year.

## Sowing Status – Kharif Oilseeds 2018-19 as on 6th July, India

| Sowing Progress as on 6th July 2018 |             |                               |         |         |
|-------------------------------------|-------------|-------------------------------|---------|---------|
| Oilseeds                            | Normal Area | Normal For Corresponding Week | 2017-18 | 2018-19 |
| Groundnut                           | 42.01       | 17.95                         | 16.57   | 9.39    |
| Soybean                             | 112.51      | 51.48                         | 53.7    | 51.64   |
| Sunflower                           | 2.14        | 0.67                          | 0.74    | 0.57    |
| Sesamum                             | 14.46       | 2.49                          | 2.06    | 1.64    |
| Niger                               | 2.59        | 0.1                           | 0.07    | 0.05    |
| Castor                              | 10.47       | 0.47                          | 0.3     | 0.31    |
| Total Oilseeds                      | 184.18      | 73.16                         | 73.44   | 63.6    |
| All figures in Lakh Hectares        |             |                               |         |         |

Source: Agricoop

Overall oilseed sowing is done in 63.6 lakh hectares against 73.44 lakh hectares last year. Groundnut Sowing is the worst performing in terms of sowing with only 9.39 lakh hectares brought under against 16.57 lakh hectares last year.

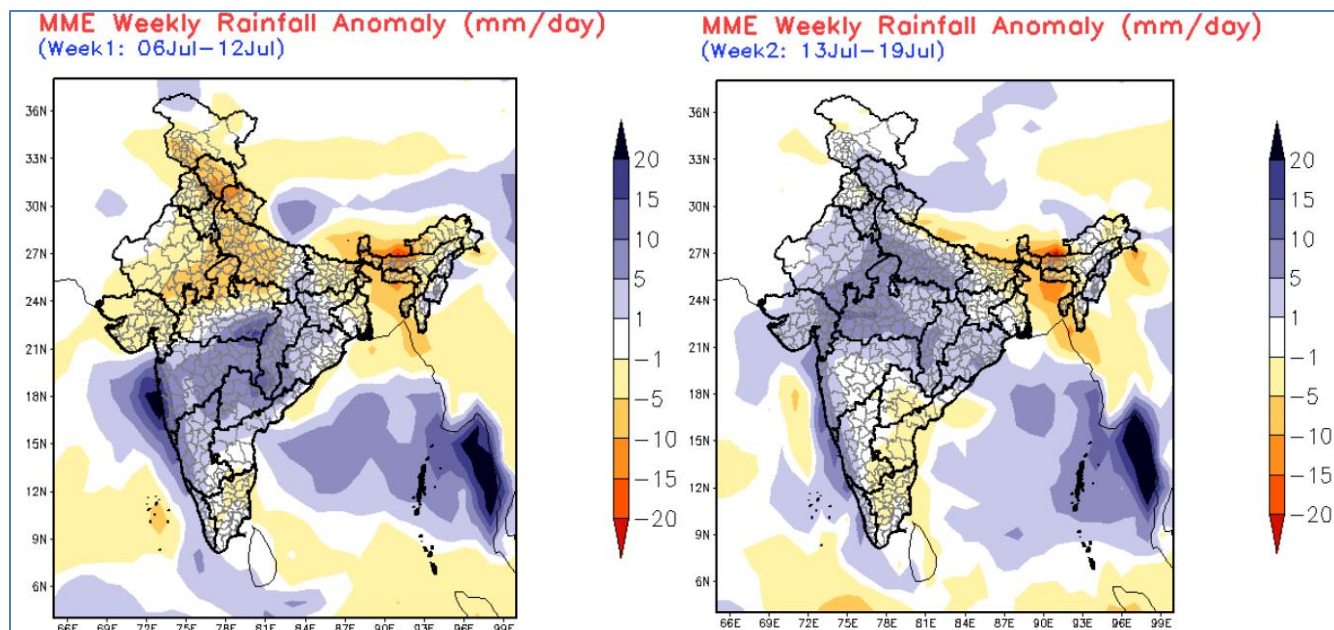
## Weather Forecast and Current Status

In the IMD's Operational 2<sup>nd</sup> stage Long Range forecast for the 2018:

- Rainfall over the country as a whole for the 2018 southwest monsoon season (June to September) is most likely to be NORMAL (96% to 104% of long period average (LPA)).
- Quantitatively, monsoon season (June to September) rainfall for the country as a whole is likely to be 97% of the LPA with a model error of  $\pm 4\%$ .
- Region wise, the season rainfall is likely to be 100% of LPA over North-West India, 99% of LPA over Central India, 95% of LPA over South Peninsula and 93% of LPA over North-East India all with a model error of  $\pm 8\%$ .
- The monthly rainfall over the country as whole is likely to be 101% of its LPA during July and 94% of LPA during August both with a model error of  $\pm 9\%$ .

The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.

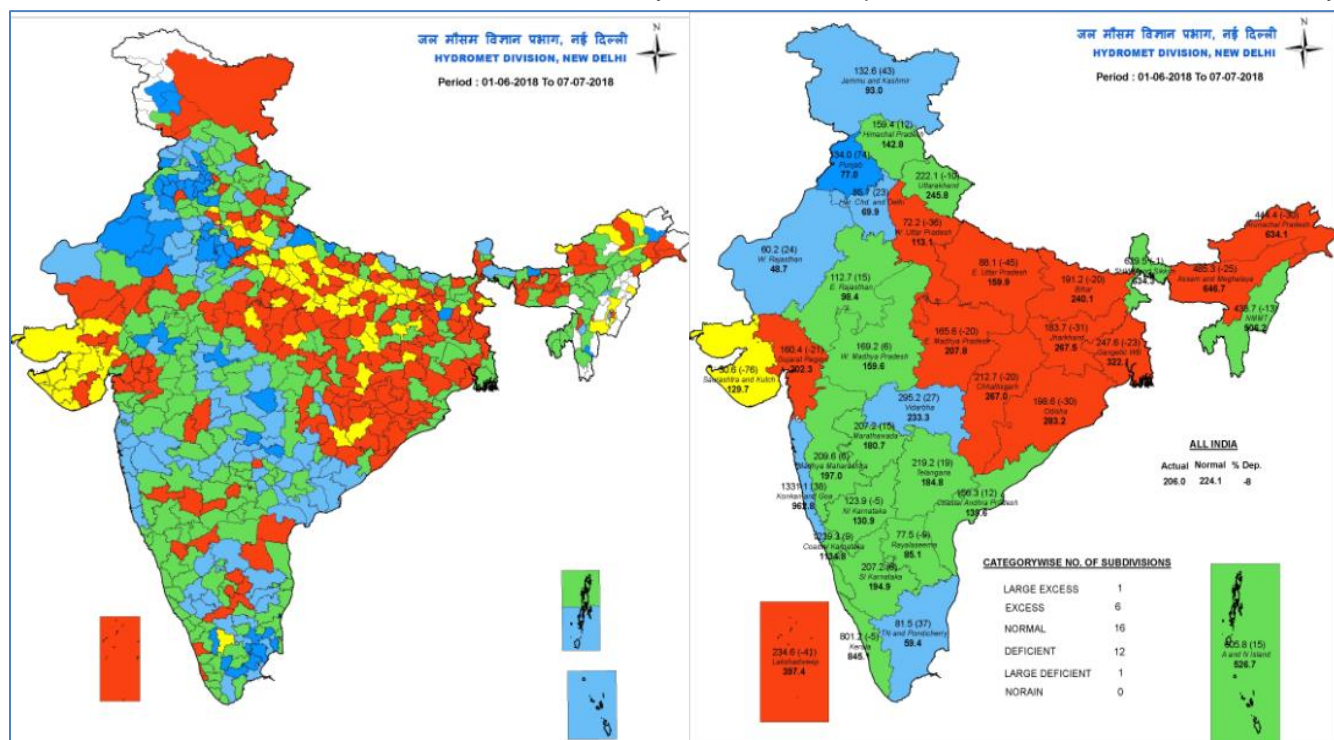
### Medium Range Forecast



The monsoon activity is forecasted to resume in the west and North in the second half of the month based on the Medium range weather forecast issued by IMD. This will provide much necessary rains to the west where the rainfall deficit is significant.

### Cumulative Rainfall as on 6<sup>th</sup> July

India SW monsoon rainfall deficit is at 8% as on 6<sup>th</sup> July. Some of worst performance of SW monsoon till 6<sup>th</sup> July



has been in Gujarat, Odisha, East MP, Jharkhand, Chhatisgarh, UP and Bihar. NE States also didn't perform well this season. Sowing of oilseeds in Gujarat is lagging well behind in the last 5-6 years.

## Soybean

### Domestic Market

Kharif Soybean MSP for 2018-19 has been increased from Rs.3050/Qtl to Rs.3325/Qtl. According to industry sources earlier, acreage under soybean is expected to increase by around 10 -15% this season. Farmers are likely to shift from cotton and pulses towards soybean. Higher soybean production will translate into higher soy meal production. This is likely to increase soy meal exports in the coming season. In 2017, soybean acreage was reported at 105.92 lakh hectares according to the Ministry Of Agriculture.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 210,000 bags compared to 165,000 bags reported in the previous week.

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 April. For the period October -April 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 80.00 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 1.00 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<br>Production | Kharif 2017<br>Production |
|-------|-------------------------------|---------------------------|---------------------------|
| 1     | Madhya Pradesh                | 54.01                     | 42.00                     |
| 2     | Maharashtra                   | 35.81                     | 29.00                     |
| 3     | Rajasthan                     | 9.81                      | 7.50                      |
| 4     | Andhra Pradesh<br>& 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>            | <b>109.71</b>             | <b>83.50</b>              |



## 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.

Higher soybean supplies this season, mean increase in crushing and eventually, availability of more soy meal, eventually leading to higher exports. Prices need to be competitive to gain global share.

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

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

## International Market

CBOT Soybean featured gains after near month contract falling to 9 years low majorly driven by the robust export sales reported in USDA weekly sales report released on Friday.

U.S. soybean export demand has been solid, despite the trade fight. The USDA reported export sales of U.S. soybeans in the latest week at 1,020,300 tonnes (old and new crop years combined), above a range of trade expectations for 400,000 to 900,000 tonnes.

According to data released by the Trade Ministry, Brazil's exports of soybean decreased to 10.42 MMT in June 2018 compared to 12.35 MMT in May 2018 and 9.18 MMT in June 2017. Exports of soy meal fell to 1.56 MMT in June 2018 compared to 1.65 MMT in May 2018 and 1.39 MMT in June 2017.

In the latest report released by Buenos Aires Grain Exchange (Bolsa DeCereals) Argentina's 2017/18 soy harvest ended at 36 million tonnes, much below the 54 million tonnes estimated at the beginning of the season due to a severe drought. This is the smallest crop of the past nine years, according to the exchange.

The trade dispute between US and China has boosted prices in Brazil, the top shipper, forcing EU processors to look elsewhere for supplies. However US will not able to replace the GM Soybean market in EU. It is noted that US is 100% GM soybean producer whereas with Government encouragement Brazil GM Soybean is at 70% only. EU is the top buyer of Non GM soybean and many nations are 100% Non GM soybean importer.

According to Rabo bank, China could replace around 4 million metric tons of U.S. soybeans with Brazilian supplies in the fourth quarter if tariffs are implemented. Those losses would be partially offset by 2 million tons of non-China demand moving from Brazil to the U.S., driven largely by the EU.

All eyes will be on the WASDE report where market is expecting downward revision in the Argentinean crop. Upward revision in Brazilian Crop, Upward revision in US ends stock, Downwards revision in China exports number and overall upwards revision in Global end stock.

In the weekly USDA crop progress report released on 1st July; Soybeans blooming are reported at 27% which is up from 10% from the corresponding period last year and higher compared to the 5 year average of 14%. About 73% of the soybean planted crop is under good to excellent condition which is up from 64% during the corresponding period last year.

### **Previous updates**

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According to Brazilian consultancy, Datagro, Brazil's soybean area will increase to 35.9 million hectares in 2018-19 and output is estimated at 120.5 MMT.

According to Datagro, South American soybean output in 2018-19 is expected at 189.5 MMT compared to 170.3 MMT this year following expected increase in acreage in Brazil and Paraguay.

According to latest USDA attache report, China's oilseed consumption continues to grow, driving demand for increased oilseed imports and government support to expand oilseed production. Total oilseed consumption to reach 164.3 MMT in MY18/19 based on the continued growth of the animal husbandry industry's demand for protein meal. In order to meet this demand, soybean imports are likely to increase to 100.5 MMT in MY18/19. The Government of China is also pushing for additional domestic soybean production and post forecasts that MY18/19 soybean production will exceed 15.2 MMT.

In the latest USDA quarterly stock report, it has been reported that the U.S. soybeans stored in all positions on June 1, 2018 totaled 1.221 billion bushels, up 26 percent from June 1, 2017. It is lower than average trade estimates of 1.225 billion bushels. On-farm stocks totaled 377 million bushels, up 13 percent from a year ago. Off-farm stocks, at 845 million bushels, are up 33 percent from a year ago. Indicated disappearance for the March - May 2018 quarter totaled 888 million bushels, up 15 percent from the same period a year earlier.

The USDA estimated 89.6 million acres of soybeans planted in the United States for 2018, down 1 percent from last year, according to the latest acreage report.

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 period a year earlier.

According to National Oilseed Processors Association (NOPA), U.S. May soybean crush rose to 163.572 million bushels from 149.246 million bushels in May 2017 amid strong processing margins. Crush of soybean in April 2018 was 163.016 million bushels. Soy meal exports in May declined to 909,241 metric tonnes, from 946,291 metric tonnes the previous month and higher than 592,924 metric tonnes in May 2017. Soy oil stocks as of May. 31 declined to 1.856 billion pounds, down from 2.092 billion pounds at the end of April 2018.



According to Informa, U.S. soybean acreage has been increased to 89.902 million acres in 2018 compared to previous estimates of 89.40 million acres. The government is scheduled to release updated figures on June 29, 2018. In March 2018, USDA had forecast soybean acreage at 88.982 million acres.

According to consultancy, Agroconsult soybean planted area in Brazil is expected to grow by 1 million hectares during the next season. New soybean planting is expected to grow in the areas, previously used for cattle ranching in Brazil.

The U.S. Department of Agriculture's monthly supply and demand report for the month of June forecasts U.S. soybean stocks at 505 million bushels in 2017-18, down 25 million bushels compared to previous month. Soybean exports are forecast unchanged at 2,290 million bushels in 2018 -19 compared to previous month. Soybean production is estimated at 4,280 million bushels in 2018-19, compared to 4296 million bushels previous year. Soybean production is up 0.7 MMT to 355.2 MMT mainly on higher production for Brazil. Global 2018/19 soybean ending stocks are increased 0.3 MMT to 87.0 MMT with higher stocks for Brazil partly offset by lower stocks for the United States and Argentina. Stocks for Argentina are lowered mainly on a 2.0 MMT reduction in the 2017/18 crop to 37 MMT.

According to data released by the Trade Ministry, Brazil's exports of soybean increased to 12.35 MMT in May 2018 compared to 10.26 MMT in April 2018 and 10.96 MMT during the same period previous year. Exports of soy meal increased to 1.65 MMT in May 2018 compared to 1.55 MMT in April 2018 and 1.63 MMT during the same period previous year.

According to latest USDA attache report, Argentina's 2018/19 soybean area of 19 million hectares is likely to produce 57.5 MMT after a 30 percent production drop in 2017/18 due to drought. Crush demands are forecast to double soybean imports to 4 MMT in 2017/18.

For the first time in last two decades, Argentina is importing soybean from U.S. in order to maintain soybean processing at normal levels. Local brokers estimate that total soybean imports in MY 2017/18 could range between 4-5.5 MMT, accounting for 10-12 percent of the total domestic crush. The local crush industry must import soybean resources to maintain operation following lower domestic production this season due to drought.

According to the latest estimates by Safras, Brazil's soybean exports in 2018-19 (Feb –Jan) is expected to be around 70.8 MMT compared to previous estimates of 70.5 MMT in April. Soybean production is estimated at 6.192 MMT in 2018 -19 compared to previous estimates of 6.50 MMT. Soy meal production is forecast at 32.875 MMT in 2018 -19 compared to previous estimates of 32.725 MMT.

According to China's General Administration of Customs, soybean imports in May 2018 increased by 40 per cent to 9.69 MMT compared to previous month. It increased by 1 per cent compared to 9.59 MMT in May 2017. During the period January –May 2018, China imported 36.17 MMT soybeans, lower by 2.6 per cent compared to previous year.

According to the latest estimates by the Rosario Grains Exchange, Argentina's soybean output in 2017 -18 is estimated at 35 MMT compared to previous month's forecast of 37 MMT. Drought during the initial growing stage and recent excessive rains have affected the crop output.

According to USDA, in 2017-18 Argentina's soybean ending stocks are estimated to decline by 40% to 10.9 MMT. In 2018-19, soybean beginning stocks are likely to draw down 7.6 MMT to fulfill export and crush commitments. This will represent the highest draw down of soybean stocks in Argentina's history.

According to the latest estimates by the Buenos Aires Exchange, Argentina's soybean output has been reduced to 36 MMT compared to previous estimates of 38 MMT. Drought during the growth period and recent heavy rains during harvesting has affected output.

According to China's Agriculture ministry, soybean imports in 2018-19 are expected to decline by 0.3 per cent to 95.65 MMT compared to previous ar. Imports are expected to decline for the first time in the last 15 years following trade rift between U.S. and China. Soybean output is expected to increase by 4.9 per cent to 15.27 MMT in 2018 -19 compared to previous year.

According to the planting intentions report released by Statistics Canada, the total area under canola will decline by 7 per cent to 21.4 million acres in 2018 compared to previous year. Soybean acreage in Canada is expected to decline 11.4 percent from the record planted in 2017, to a total 6.5 million acres.

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 witness range –bound to weak tone on favourable weather in U.S. Midwest in the coming days.*

## Soy meal

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Soy meal noticed firmed up in the week amid demand consistent demand in the domestic market as well as decent pace of exports of soy meal. India is looking for Chinese market after China removed the 5% import duty on south east Asian nations. As among the SE Asian Nations India is the largest producer of soybean and hence is looking forward towards exporting soymeal to China. According to market sources, India could export up to 5 lakh metric tonnes oil meals after the recent removal of import duty. This will lend some support to the market in the coming days especially over the booking conditions of the new crop.

Indian meal has gained advantages over Argentinean meal as international meal has crashed over trade spat between US and China.

The soymeal prices are getting support from the tighter stock position of bean amidst improving demand of meal from poultry farmers. The vertically integrated farms has already booked its requirements and bean crushers are thus in position to dictate the price once there is any scattered demand from large farms.

Demand from unorganized poultry farms also is expected to boost prices as the summer ends and farmer's tries to capitalize the demand in between sawan and festivals months.

During off season the bean/meal ratio narrows to 1.1 from 1.3 during the peak crushing season in OND quarter. Thus with current bean prices of 3500 to 3600 per quintal meal prices can easily inch towards 3200 per quintal within one-two weeks. However as soy oil prices are high there is cross discount available on the meal.

Internationally Argentinean meal has been under the pressure of aggressive fall in CBOT meal prices which have resulted in the meal to fall towards \$380 per month for 1 month forward deliveries. Indian meal has to fall back towards \$400-410 per ton in the new season in order gain parity for exports.

India is producing 15-20 lakh tons of surplus meal for the last two years. Exports to Bangladesh and Nepal has helped to dispose significant volume as Indonesian and Malaysian buyers majorly stayed away from Indian meal over quality issues faced in two-three years before.

Soybean crushers are enjoying excellent margins especially due to higher soy oil prices. Back to back duty hike has resulted in soy oil prices to trade well above INR 700 per 10 kg which has resulted in higher returns from the soy oil. Thus there is cross discounts available for soy meal which has resulted in high differential between the bean and meal prices.

According to SOPA the meal stocks at the end of June was at .84 lakh tons down by .45 lakh tons from the previous month. In June month the production was 4.86 lakh tons up by .81 lakh tons from previous month. Exports of meal were at 1.36 lakh tons against .45 lakh tons of May. And also high from previous year in June month which was 1.11 lakh tons.

According to SOPA estimates India would be able to export 15 lakh tons of soymeal through SEA and Land with food consumption of 5 lakh tons and 45 lakh tons of feed uses. Which results total disposals of 65 lakh tons of soymeal. The end stock at the end of 17-18 marketing year is projected at .88 lakh tons.

Some of the major importers of Indian meal has been Bangladesh, France and Germany. Bangladesh has been consistently importing soy meal in the range of 10-30 lakh tons as against last year when the same imported most of its requirements in the first four months of 2017-18 marketing year. Bangladesh has an appetite of soymeal nearly 3 lakh tons.

France too has been consistently buying Indian meal. Interestingly Germany imported 57.6 thd tons in June. In May June most of the countries has not shown interest in Indian meal to the premium over Argentinean counterpart.

India is also eyeing Iran for exports as US Threatened to impose sanctions again. Also US threatened other nations to follow him and thus as of now the exports to Iran doesn't seems to possible. However India will look opportunity once the matter cools off. In earlier sanction Iran imported heavily Indian meal after imposition.

Nepal has imported exceptionally well this marketing year and as of now has imported 1.4 lakh tons against on average import of 70 thd tons which is almost double. Growth in Nepal poultry Industry has helped in the increasing the import of Indian soymeal.

***India's export of oil meals during April to May 2018 stands at 321,179 metric tonnes as compared to 348,222 metric tonnes in the same period of previous year showing a decline of 8% according to data released by the Solvent Extractor's Association of India. The exports of rapeseed meal have increased by nearly 56% to 143,699 metric tonnes during the period.***

***In the month of May 2018, export of oil meals declined to 97,036 metric tonnes compared to 144,524 metric tonnes during the same period previous year. Soy meal exports during the period April –May 2018 was reported down at 109,716 metric tonnes compared to 173,274 metric tonnes during the same period previous year.***

***Earnings from oilmeal exports increased by 48 per cent to Rs.4758 crores in the financial year 2017 -18. The growth in export earnings in the financial year 2017-18 is attributed to higher export of rapeseed meal at 663,988 tonnes which more than double compared to previous year, ricebran extraction at 594,129 tonnes (up 77 per cent) and castorseed meal at 572,762 tonnes (up 39 per cent) compared to previous year.***

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

Soy meal declined in international market, during the week.

CBOT soy meal July contract settled at US \$ 332.80 per short ton compared to US \$ 339.10 per short ton last week.

Net sales of 146,300 MT of soybean cake and meal for 2017/2018 were up 27 percent from the previous week and from the prior 4-week average. Increases were reported for Mexico (37,200 MT, including decreases of 500 MT), the Philippines (29,600 MT, including decreases of 100 MT), Canada (26,600 MT), Colombia (14,000 MT), and Guatemala (12,000 MT, including 12,900 MT switched from unknown destinations, 2,000 MT switched from

Panama, 2,000 MT switched from El Salvador, and decreases of 100 MT) during the week June 15 -21, 2018. Reductions were reported for unknown destinations (13,100 MT). For 2018/2019, net sales of 75,500 MT were primarily for Panama (48,500 MT), El Salvador (12,000 MT), and Canada (4,200 MT). Exports of 273,400 MT were up 30 percent from the previous week and 19 percent from the prior 4-week average. The primary destinations were the Philippines (71,300 MT), Mexico (32,000 MT), Morocco (31,800 MT), Venezuela (22,000 MT), and Guatemala (21,100 MT). The current week's net sales for 2017/18 are higher compared to net sales of 115,100 MT during the previous week.

The domestic soy meal prices at Indore were quoted at Rs 28,000 – 28,500/MT compared to Rs. 28,300/MT - 28,800/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed firm tone and were quoted at Rs 31,200/MT and 31,500/MT respectively compared to Rs 28,400/MT in Indore and Rs 29,000/MT in Kota.

## Previous Updates

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.*

*The soy meal prices are likely to notice range –bound to firm tone amid good demand in the market.*

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

| Support & Resistance NCDEX Soybean – July. contract |      |      |      |      |
|---|------|------|------|------|
| S1  | S2   | PCP  | R1   | R2   |
| 3450  | 3400 | 3529 | 3700 | 3750 |

- Mustard gained in the week and traded above the previous weekly close towards the upward limit of the channel.
- Prices also closed above the 9-18 day moving averages indicating sustained firm trend in the market.
- Trade Recommendation (NCDEX Rapeseed-Mustard – July) Week: **BUY** Above 4050. Levels: Target – 4100; T2- 4150, SL –4000

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard noticed firm tone with support from soybean in the futures as well as spot market.

**The all India weekly seed supplies were reported 8.6 lakh bags as compared to 8.2 lakh bags in the previous week. The supplies were 7.55 lakh bags in the same time frame last year.**

The spot prices has gained w-o-w over the strong crush demand and at the end of week mustard closed at 4208 per quintal as against INR 3758 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at July contract ended higher at 4054/Qtl compared to 3981/Qtl previous week.

According to Marudhar Trading Agency in Rajasthan Mustard crop is estimated at 70 lakh tons with March-Jun arrivals at 47.65 lakh tons and crush of 32.5 lakh tons. Thus the meal availability is decent enough and all depends on exports pace in disposing this stock.

In the SEA Sponsored Mustard conclave held this weekend the production number according to SEA/COOIT has been at 65.8 lakh tons up by 63.5 lakh tons from the Feb estimate in Globoil conference. However Marudhar Trading Agency has kept the production number at 70 lakh tons unchanged from his previous estimate.

SEA has also downsized previous marketing year production to 66.5 lakh tons from the earlier estimate of 70.5 lakh tons.

### Previous Updates

The Association of German farm co-operatives have reduced Germany's 2018 winter rapeseed crop to 4.05 MMT, lower by 5 per cent compared to previous year.

According to the latest attaché report released by the USDA, sunflower and rapeseed planted areas are projected to increase for MY2018/19 in Ukraine. Soybean seed area is likely to reduce due to recent changes in domestic tax policy. Those changes will give soybean crushers an advantage for processing versus exporting unprocessed soybeans, which will result in more exports of soybean meal and oil. Soybean production is



expected to decline by 14% to 3.3 MMT in 2018-19. The USDA forecasts sunflower seed production in 2018-19 at 15.6 MMT, a 16% increase over the previous year. Rapeseed planted area is forecast to increase by 25% while production is projected to rise by 21% to 2.6 MMT.

According to the latest monthly report released by consultancy, Strategie Grains, rapeseed production estimates in European Union has been lowered to 22.2 MMT compared to previous month's estimates of 22.5 MMT. Lower production is following hampered crop development in the top producing countries of Germany, France, Britain and Poland.

*Outlook: The rapeseed-mustard is likely to notice upward trend in the coming week with support from soybean and aggressive crush demand from millers.*

## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



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

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3850 | 3800 | 4054 | 4100 | 4150 |

- Mustard gained in the week and traded above the previous weekly close towards the upward limit of the channel.
- Prices also closed above the 9-18 day moving averages indicating sustained firm trend in the market. Trade Recommendation (NCDEX Rapeseed-Mustard – July) Week: **BUY** Above 4050. Levels: Target – 4100; T2- 4150, SL –4000.

## Annexure

### Oil Meal Prices at Key Spot Markets:

| Centres        | Ex-factory rates (Rs/ton) |           |   |
|----------------|---------------------------|-----------|---|
|                | 6-Jul-18                  | 29-Jun-18 | Parity To   |
| Indore (MP)    | 29500                     | 28400     | Gujarat, MP   |
| Kota           | 29500                     | 29000     | Rajasthan, Del, Punjab, Haryana                     |
| Dhulia/Jalna   | 31700                     | 30000     | Mumbai, Maharashtra                                 |
| Nagpur (42/46) | 30500                     | 29500     | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Nanded         | 31500                     | 31500     | Andhra, AP, Kar, TN                                 |
| Latur          | 32000                     | 31200     | -   |
| Sangli         | 32300                     | 31000     | Local and South                                     |
| Sholapur       | 32000                     | 30300     | Local and South                                     |
| Akola          | 30200                     | 29000     | Andhra, Chattisgarh, Orissa, Jharkhand, WB          |
| Hingoli        | 31500                     | 30500     | Andhra, Chattisgarh, Orissa, Jharkhand, WB          |
| Bundi          | 29500                     | 29200     | -   |

### Soy DOC at Port

| Centers               | Port Price |           |
|-----------------------|------------|-----------|
|                       | 5-Jul-18   | 28-Jun-18 |
| Kandla (FOR) (INR/MT) | 31800      | 30300     |
| Kandla (FAS) (USD/MT) | 463        | 440       |

### International Soy DOC

| Argentina FOB USD/MT | 5-Jul-18 | 28-Jun-18 | Change |
|----------------------|----------|-----------|--------|
| Soybean Pellets      | 371      | 375       | -4     |
| Soybean Cake Flour   | 371      | 375       | -4     |
| Soya Meal            | Unq      | Unq       | -      |

|               |     |     |   |
|---------------|-----|-----|---|
| Soy Expellers | Unq | Unq | - |
|---------------|-----|-----|---|

| Sunflower (DOC) Rates | Ex-factory rates (Rs/ton) |           |        |
|-----------------------|---------------------------|-----------|--------|
| Centers               | 6-Jul-18                  | 29-Jun-18 | Change |
| Adoni                 | 20200                     | 20200     | Unch   |
| Khamgaon              | Unq                       | Unq       | -      |
| Parli                 | Unq                       | Unq       | -      |
| Latur                 | Unq                       | Unq       | -      |

| Groundnut Meal (Rs/MT) | 6-Jul-18 | 29-Jun-18 | Change |
|------------------------|----------|-----------|--------|
| Basis 45%, Saurashtra  | 20500    | 20000     | 500    |
| Basis 40%, Saurashtra  | 18000    | 17500     | 500    |
| GN Cake, Gondal        | 20000    | 19500     | 500    |

| Mustard DOC/Meal        | 6-Jul-18 | 29-Jun-18 | Change |
|-------------------------|----------|-----------|--------|
| Jaipur (Plant delivery) | 13300    | 13200     | 100    |
| Kandla (FOR Rs/MT)      | 14000    | 14000     | Unch   |
| Sri Ganganagar          | 1710     | 1705      | 5      |

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

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 2018/19 Kharif Oilseeds

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 2018-19 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.0% to Rs 3325/Qtl for 2018-19 season from Rs. 3050/Qtl (including Rs 100 bonus) in 2017-18, Groundnut -in- shell by 5.2% to Rs 4,680/Qtl from Rs 4,450Qtl (including Rs 100 bonus), Sunflower seed by 3.7% to Rs 4,250/Qtl from Rs 4,100/Qtl (including Rs 200 bonus), Nigerseed by 5.5% to 4,275/Qtl from Rs 4,050/Qtl (including Rs 100 bonus) and Sesamum by 5.7% to Rs 5,600/Qtl from Rs 5,300/Qtl (including Rs 200 bonus).

## MSP for 2017/18 Rabi Oilseeds

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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