

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean Oct contract at NCDEX has witnessed aggressive selling and thus pulling down the price below 3310 lowest since Jan 2017. CBOT Soybean underwent sharp fall as the harvest nears in and talks of record harvest. No further development came on the US-China trade talk and thus evaporated the bullish sentiments in the market.

In the domestic market, with sowing window closed and govt has released its latest sowing progress and according to ministry the sowing has been carried out in 111.29 lakh hectares close to SOPA estimates. Earlier, SOPA estimated acreages to be at 111.3 lakh hectares which is close to our estimates and also with Govt data. With current spell of rains across key soybean growing regions Agriwatch is expecting production to be around 104-105 lakh tons. Rains across central India further helped in evaporating weather premium in Soybean.

CBOT Soy meal recorded new lows after getting bearish cues from the soybean and broke the long consolidation phase started in June this year. As India is eyeing exports of bean to China Indian soymeal should hold back the INR 26000 levels and with Argentinean basis remaining tight scope of fall of Indian soymeal towards 22000 remains difficult at this point of time. .

Rapeseed stocks offloading have been very sluggish by NAFED and thus a round of price rally is expected in coming week. Current fall is attributed to the bearishness in soybean prices. . A mustard price is also underpinned over the spread with bean which can sustain at INR 1000 per quintal. Thus Mustard prices remain under the consolidative phase.

Overall market is expected to remain mixed with extended period of consolidation.

### **Reports releasing this week**

1. USDA Crop Progress Report: 27<sup>th</sup> August
  2. USDA Weekly Export Sales Report: 30<sup>th</sup> August
  3. USDA Weekly Export Inspection Report: 27<sup>th</sup> August
  4. India Sowing Progress: 31st August
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## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade range in between the range of 3200 to 3400. With the current situation of higher y-o-y acreages and forecast of favorable weather the old crop is expected to fall further as market is betting on new crop rather on old crop. As the CBOT bean has also started falling under the influence of upcoming expected record harvest Indian bean is also finding its way to place seasonal bottom. New crop futures and forwards is expected to start falling in coming weeks with further development in weather is the key for price direction.

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed bearish price action across ex-mill price during the week. Soymeal prices are expected to weaken as the seasonal rise in crush and higher disposable stocks. Indian meal might not see much interest in forward bookings except its regular buyers as the net importers of bean and meal is shifting towards the bargain prices offered by US.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** Mustard is getting weaker sentiments from Soybean. However the downside potential is limited given that the NAFED has locked 8.7 lakh tons of stocks out of the market. With crush demand remaining high the prices is expected to turn around in futures market. Spot prices is expected to remain steady.

## Sowing Status – Kharif Oilseeds 2018-19 as on 23<sup>rd</sup> Aug, India

Sowing Progress as on 23rd August 2018							
Oilseeds	Normal Area	Normal For Corresponding Week	2017-18	2018-19	% Change from Last Year	% of Normal Area 2017-18	% of Normal Area 2018-19
Groundnut	42	38.84	38.8	37.18	-4%	92%	89%
Soybean	112.5	112.55	104.87	111.29	6%	93%	99%
Sunflower	2.1	1.48	1.26	0.98	-22%	60%	47%
Sesame	14.5	14.4	13.33	13.34	0%	92%	92%
Niger	2.6	1.04	1.27	0.61	-52%	49%	23%
Castor	10.5	6.64	4.7	3.59	-24%	45%	34%
<b>Total</b>	<b>184.2</b>	<b>174.95</b>	<b>164.23</b>	<b>166.99</b>	<b>2%</b>	<b>89%</b>	<b>91%</b>
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 166.99 lakh hectares against 164.323 lakh hectares last year. Groundnut sowing has been done in 89% of the normal area whereas soybean has been in 99%. At this moment we can freeze soybean acreages at 111.3 lakh hectares. There is still space for sowing in groundnut. Sesame sowing is expected to be down by a lakh hectares against normal.

## Weather Forecast and Current Status

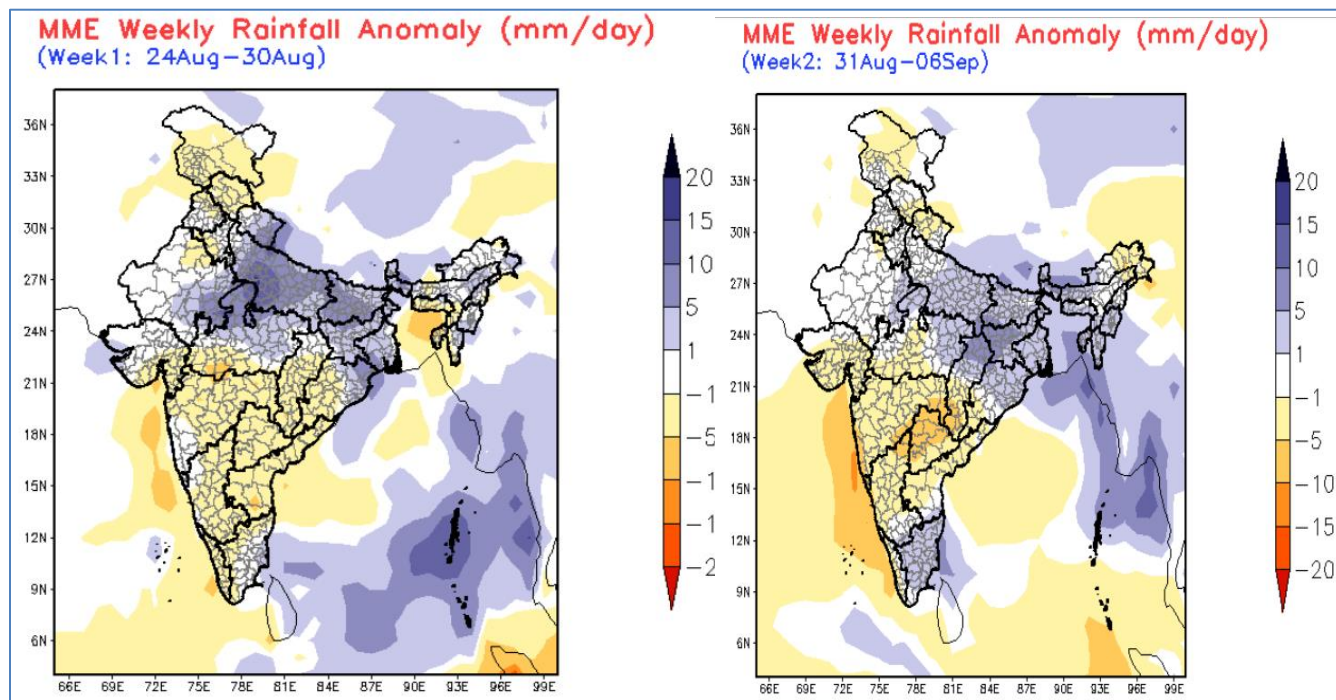
### Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- The rainfall during August 2018 is likely to be  $96 \pm 9\%$  of LPA and expected to be higher than predicted in June.
- Quantitatively, the rainfall for the country as a whole during the second half of the season (August and September) is likely to be 95% of LPA with a model error of  $\pm 8\%$ .
- The tercile probability forecasts for the rainfall over the country as a whole during the 2018 second half of the monsoon season are given in the table below.

Category	Rainfall Range (% of LPA)	Forecast Probability (%)
Below Normal	<94	47
Normal	94 -106	41
Above Normal	>106	12

- Mid-season rainfall scenario realised over the country till the end of July 2018 suggests that distribution of rainfall is very good over all parts of the country except Bihar, Jharkhand and NE States. Such a scenario of favourable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favourable for agricultural operations.

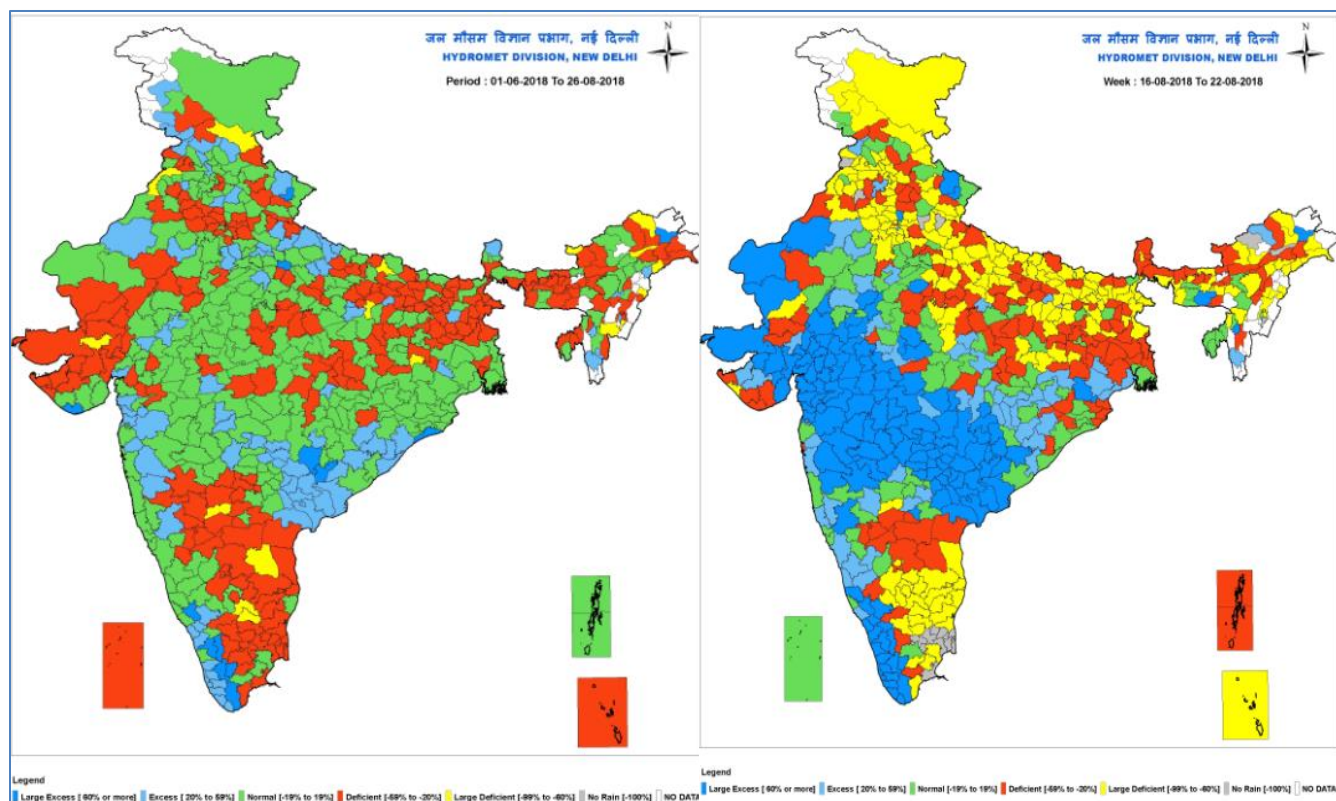
## Medium Range Forecast



Rainfall is going to get concentrated in the North and West in both the forecasted weeks. South India will receive limited rains in the period. The Southern Indian to remain rain deficit even after the end of SW Monsoon.

## Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 7% as on 26th August. Cumulative rainfall has improved in Maharashtra after continuous rains. Rayalseema and NI Karnataka have received below normal rains. Similarly Bihar and Jharkhand has also has not received its full quota. Last week the rains was mainly concentrated towards Central and West.



## Soybean

### Domestic Market

As on 23rd August Soybean was sown in 111.295 lakh hectares which is the normal sowing of the season and is in line with our's expectations. Sowing window is closed and thus there can be only marginal adjustments from the govt. SOPA has also given the acreages to be at 111.3 lakh hectares.

India might see booking of soybean to China if the price falls below 2900 per quintal and there is limited fall of US Soybean FOB from current levels. Indian bean at Chinese ports in that event will become cheaper over the US soybean. Thus with production remaining crucial Indian bean is expected to continue to trade in the range bound manner.

Further as the domestic demand of soymeal is itself increasing and thus prices is expected to hesitate to fall below the 3000 per quintal mark.

As the central India is observing good rains the weather premium if any has faded away and now all eyes will be on final production numbers. Market is saying production in between 90-100 lakh tons whereas AW has kept in between 103-105 lakh tons.

SOPA survey is indicating lower pod setting in 5-10% of crop in MP and Maharashtra due to moisture stress and this may result in the lower pod settings and we can expected below average production these areas but which



can be easily offset by many areas where the weather conditions remained on time and above average yield can easily offset the lower yield in these areas.

SOPA is aiming to capture at least 2-3 per cent of the Chinese bean/meal market which could translates into export 30-35 lakh tonnes of the meal. All depends on now the Chinese demand as China can single handedly can take all exportable surplus of India.

***The domestic soybean prices are likely to notice weak trend in the domestic market.***

### **International Market**

The latest U.S. Drought Monitor updates, out Thursday morning, has the country's drought footprint retreating fractionally, from covering 57.9% of the country the prior week down to 57.3%. Missouri, eastern Kansas and southern Iowa continue to struggle with the largest and most intense areas of drought currently in the Midwest

The visit of trade delegations from China, India, Italy and Spain in September, have been canceled amid trade tensions which has not helped in brightening any exports prospects of US Agriculture produce.

USDA's weekly export report is to release today, where, analysts expect the agency to report between 18.4 million and 34.9 million bushels in soybean sales for the week ending August 16.

Analysts also expect USDA to report another 150,000 to 500,000 metric tons of soymeal sales, plus another 20,000 to 25,000 MT of soyoil sales last week.

China sold 2.7 million bushels of its state reserves of 2013 soybeans at auction Wednesday, which was 25.5% of the total available for sale.

Soybean export inspections reached 23.5 million bushels last week – slightly beating the prior week's total of 21.4 million bushels but landing on the low end of the average trade guess, which ranged between 22 million and 29 million bushels. Indonesia led the pack last week, accounting for 5.3 million bushels.

European Union soybean imports so far for its 2018/19 marketing year (which began July 1) have reached 62.5 million bushels as of August 19, down 13% year-over-year. EU soymeal imports are also down 16% from a year ago.

In the latest US Soybean Crop status report, the week ending 19th August reported Soybean crop under good to excellent conditions to be at 65%, down by 1% as against 66% last week. 91% of the crop are in pod setting phase as against 5 year average of 83%.

According to market sources, by the end of September, the country's imported soybean stocks will be 3 million tons more compared to the same period last year, and domestic soybean processing companies will have sufficient raw materials even by January 2019.

That is because due to the increase in domestic soybean meal prices and processing profits from March to April, Chinese companies have already imported large amounts of soybeans from South America.

According to the Chinese Official statistics showed that from May to August, more than 36 million tons of soybeans have been shipped to Chinese ports from South America, while domestic soybean meal demand is more than 400,000 tons short from expectations per month since May, influenced by the decline in pig prices.

According to Industry Sources, Chinese companies are confident in securing overseas supplies of soybeans and soybean meal substitutes to counter the fall in imports of U.S. soybeans. State-owned grains trader COFCO has made inquiries on canola, cottonseed and sunflower seed meals with countries including India, Canada, and Ukraine to fill in the gap left by reduced U.S. imports. Canadian canola meal set to arrive in December is priced at about 2,300 yuan (about 334 U.S. dollars) per tonne.

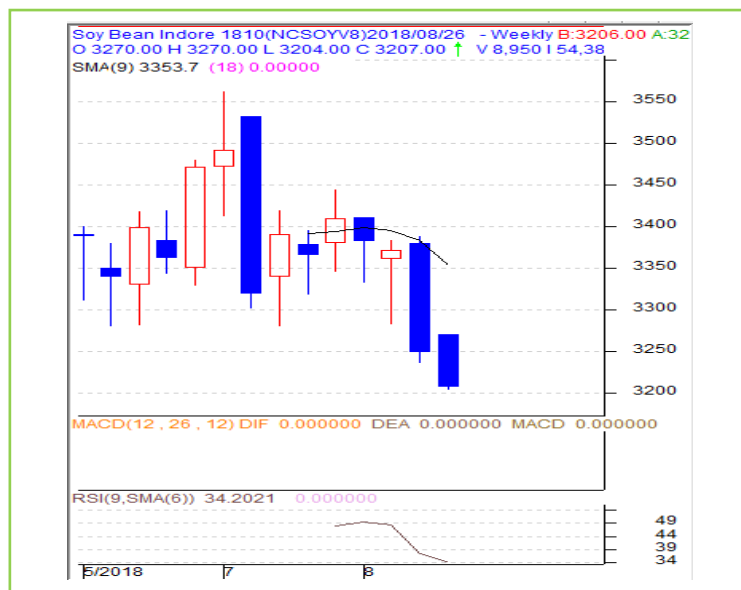
According to Chinese news agency Xinhua, China bought over 36 million tonnes of soybeans from South American countries during the May-August period this year.

## Soy meal

The Argentinean meal is at premium over CBOT meal due to lower production in Argentina and hence Indian meal need not to fall below 26000-25000 per ton to gain parity. Overall there is little potential for the bean prices to fall aggressively if India manages to export beans to China.

### Technical Analysis:

#### NCDEX Soybean Futures



#### Soybean Spot, Indore



\*Note: Weekly Chart



### Support & Resistance NCDEX Soybean – Oct. Contract

S1	S2	PCP	R1	R2
3014	3220	3249	3310	3410

- New crop soybean contract for Oct month formed a bearish engulfing candlestick in the last week and also breached 3310 convincingly to close at 3249, which is the lowest since Jan.
- The next crucial support happens to be at 3210 followed by 3014.
- On the upside, INR 3310 shall act as immediate resistance followed by INR 3410
- On the downside, INR 3220 shall act as immediate support.
- Trade Recommendation (NCDEX-Soybean – Oct) Sell on any rise above 3250  
Weekly trade call: **Sell** Above 3250 Target – 3220; T2- 3014, SL –3310.

## Rapeseed - Mustard Seed

**The all India weekly seed supplies were reported 5.65 lakh bags as compared to 7.55 lakh bags in the previous week. The supplies were 8.1 lakh bags in the same time frame last year.**

The spot prices have remained flat w-o-w over the strong crush demand on one hand and NAFED initiation of auction of its stocks. At the end of week mustard closed at 3983 per quintal as against INR 3865 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Aug contract ended low at 4078/Qtl compared to 4108/Qtl previous week.

India is expected to restart rapeseed meal export to China as the country sought towards other sources of protein meal. The Commerce Ministry had organised a video-link with Chinese officials last week to explain to them that their fear of contamination in rapeseed meal is unfounded as all pests are destroyed when rapeseed meal is processed at extreme heat.

Earlier, China had been importing 4-5 lakh tonnes of the material till 2012, when it banned Indian shipments over issues of contamination especially the presence of Malachite Green which is used in labeling the sacks.

NAFED Haryana sold only 400 tons of Mustard till now and the response continues to remain very poor in the auction process.

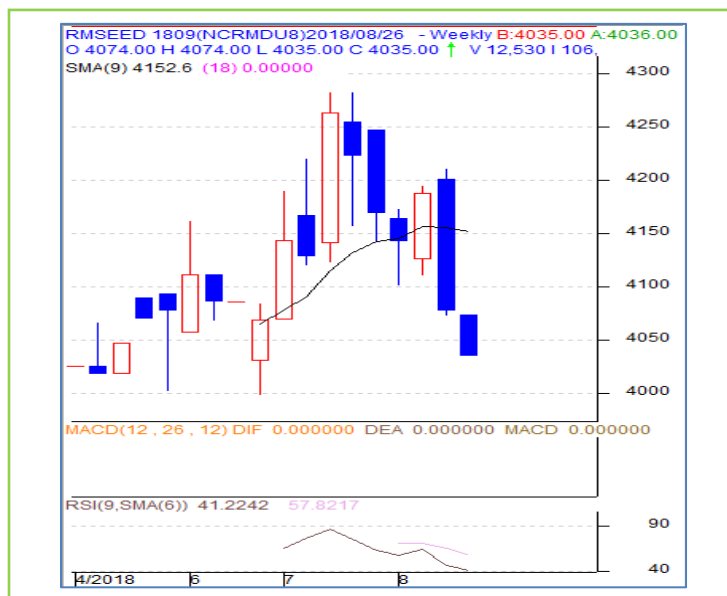
Although NAFED initiated the auction of the Mustard at the end of June, the body has not been successful in offloading huge quantity. Till now only 200 tons of mustard has been from NAFED Haryana. Such situation has kept the traders guessing as huge amount of Mustard has been not available for crush. Moreover NAFED is trying to sell Mustard at MSP of 4050 to 4100 and the prevailing prices of equivalent quality in the market is 3900-4100 and is the reason NAFED is not getting buyers.

On the other hand NAFED is not willing to sell below MSP which happens to be the procurement price and is waiting for the prices to inch higher and in such condition if the stocks is not offloaded soon the prices is expected to inch high but NAFED has the dilemma of clearing the godowns to clear the space for Kharif procurements.

Haryana Govt has decided to distribute fortified mustard oil under PDS scheme. The allocation will be two litres per month per family from September 1, 2018.

## Technical Analysis:

### NCDEX RM Seed Futures



### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed - Sep. contract

S1	S2	PCP	R1	R2
4000	4050	4078	4120	4150

- Mustard made a engulfing bearish candlestick in the weekly chart.
- Going ahead, the price is expected to extend its weakness towards 4050 and thereafter 4030 which is a key support levels. Any doji candlestick formation in the chart after consecutive lower low brings a potential reversal.
- Overall it is expected to remain in the long consolidation between the 4050 and 4220. Any breakout of 4220 will extend its gains towards 4370.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug)

Buy on dips target of 4100 and then 4150

Weekly trade call: **Buy** 4050 and below 4050 or Above: Target – 4120; T2- 4150, SL –Below 4000.

### Oil Meal Prices at Key Spot Markets:

Centres	Ex-factory rates (Rs/ton)		
	23-Aug-18	17-Aug-18	Parity To

Indore (MP)	27500	28000	Gujarat, MP
Kota	27800	28200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	29500	29800	Mumbai, Maharashtra
Nagpur (42/46)	28700	29000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30500	30700	Andhra, AP, Kar ,TN
Latur	29800	29300	-
Sangli	29800	30300	Local and South
Sholapur	29000	30500	Local and South
Akola	27600	28200	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	30500	29700	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	27500	28000	-

**Soy DOC at Port**

Centers	Port Price	
	22-Aug-18	14-Aug-18
Kandla (FOR) (INR/MT)	29000	29200
Kandla (FAS) (USD/MT)	400	405

Rapeseed Meal	22-Aug-18	14-Aug-18	Change
FAS Kandla (USD/MT)	214	215	-1
FOR Kandla (Rs/MT)	14600	14300	300
FOR Mundra (Rs/MT)	15000	14650	350
CNF Indonesia (USD/MT)	232	227	5

International Soy DOC			
Argentina FOB USD/MT	22-Aug-18	14-Aug-18	Change
Soybean Pellets	350	364	-14
Soybean Cake Flour	350	364	-14
Soya Meal	348	376.21	-28.21
Soy Expellers	348	376.21	-28.21

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	23-Aug-18	16-Aug-18	Change
Adoni	21200	21500	-300

Khamgaon	0	0	Unch
Parli	0	0	Unch
Latur	0	0	Unch

Groundnut Meal (Rs/MT)	23-Aug-18	16-Aug-18	Change
Basis 45%, Saurashtra	21200	21800	-600
Basis 40%, Saurashtra	18800	19300	-500
GN Cake, Gondal	21500	22000	-500

Mustard DOC	23-Aug-18	16-Aug-18	Change
Jaipur (Plant delivery)	13800	#N/A	-
Kandla (FOR Rs/MT)	14600	#N/A	-
Sriganganagar	14600	#N/A	-

Mumbai Oil Meal Quotes:			
Rs/M.T.	23-Aug-18	16-Aug-18	Change
G.N. Extr (45%)	0	0	Unch
Kardi Extr	0	0	Unch
Undec Cottonseed Exp	21800	20000	1800
Rice Bran Extr.	0	0	Unch
Sunflower Extr.	21500	21000	500
Rapeseed Extr.	0	0	Unch
Soymeal 48%	28695	29008	-313
Castor Extr.	6200	6265	-65

## Annexure

### 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).

Source: GOI

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