

Oilmeal Weekly Research Report

Contents

- ❖ Executive Summary
- ❖ Outlook – Cash Market
- ❖ Sowing Status – Kharif Oilseeds 2018-19
- ❖ Weather Forecast and Current Status
- ❖ Soybean – Domestic & International
- ❖ Soy meal- – Domestic & International
- ❖ Technical Analysis - Soybean
- ❖ Rapeseed - Mustard
- ❖ Technical Analysis – RM Seed
- ❖ Annexure – Prices etc.

Executive Summary

Soybean Oct contract at NCDEX continues to witness aggressive selling and thus pulling down the price below 3200 lowest since 7th Jan 2017. CBOT Soybean underwent sharp fall as the harvest nears in and talks of record harvest. There has been bearish fundamentals in international as well as domestic market and thus .

In the domestic market, according to ministry the sowing has been carried out in 111.76 lakh hectares. There is intermittent rainfall across soybean growing regions and there is report of very limited crop damages. Thus Agriwatch has kept its production figure to be around 104-105 lakh tons.

CBOT Soy meal recorded new lows after getting bearish cues from the soybean and has come close to \$300 per short tons. This has opened the gate for Indian soymeal to fall towards 22000 as Argentinean meal has been trading at \$325 per to gain exports parity.

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 in the range of INR 840 to 720 per quintal at NCDEX futures. At spot a spread of INR 1000 is good enough. Thus Mustard prices after correction is expected to remain under the consolidative phase unless there is aggressive bearishness in Soybean. However, NCDEX Mustard is expected to find it difficult breach 3918 level.

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

Reports releasing this week

1. USDA Crop Progress Report: 03rd Sep
 2. USDA Weekly Export Sales Report: 6th Sep
 3. USDA Weekly Export Inspection Report: 03rd Sep
 4. India Sowing Progress: 7th September
 5. SEA Oilmeal Exports for August: After 6th Sep
 6. SOPA Soymeal SnD for August: After 6th Sep
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Outlook – Cash Market

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 8.5 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 30th Aug, India

Sowing Progress as on 30th 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	39.52	39.82	39.14	-2%	95%	93%
Soybean	112.5	113.26	105.2	111.76	6%	94%	99%
Sunflower	2.1	1.55	1.34	1.08	-19%	64%	51%
Sesame	14.5	14.64	13.47	13.58	1%	93%	94%
Niger	2.6	1.31	1.43	0.68	-52%	55%	26%
Castor	10.5	7.62	5.85	5.07	-13%	56%	48%
Total	184.2	177.9	167.11	171.31	3%	91%	93%
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 171.31 lakh hectares against 167.11 lakh hectares last year. Groundnut sowing has been done in 93% of the normal area whereas soybean has been in 99%. At this moment we can freeze soybean acreages at 111.8 lakh hectares. There is still space for sowing in groundnut. Sesame sowing is expected to be down by nearly a lakh hectares against normal.

Weather Forecast and Current Status

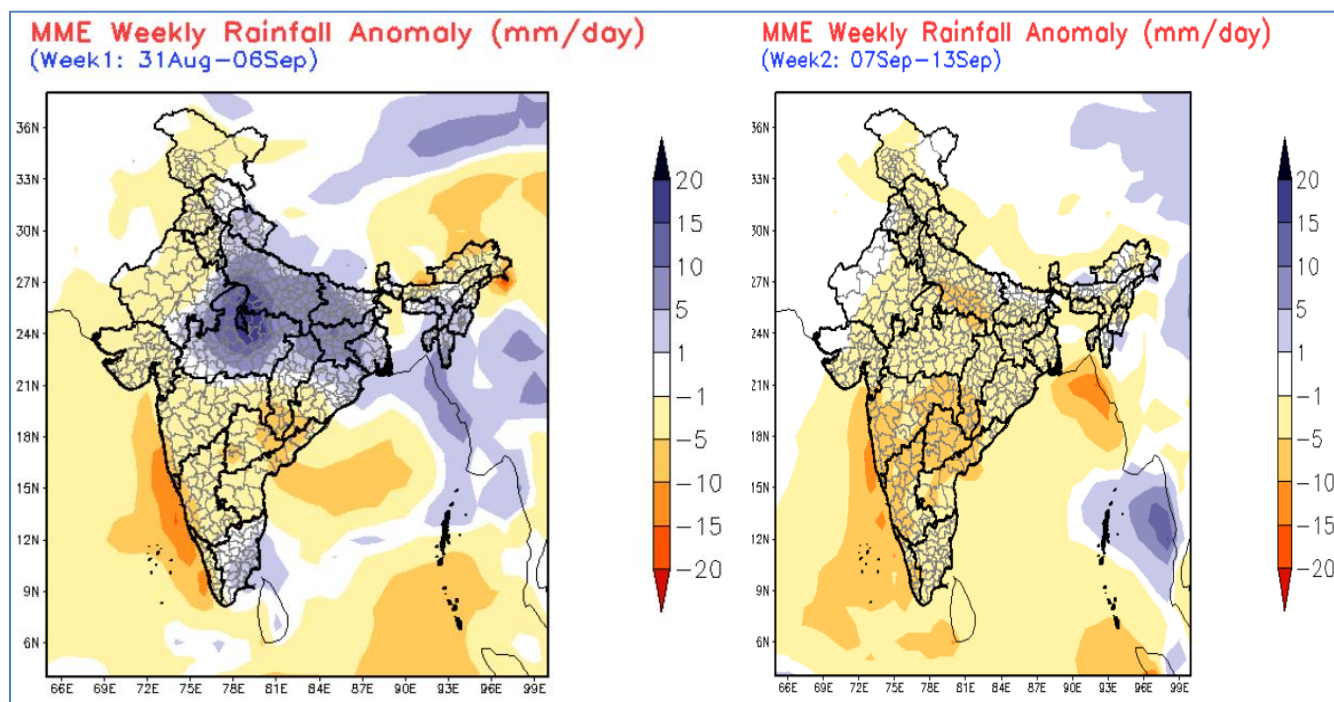
Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- 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.

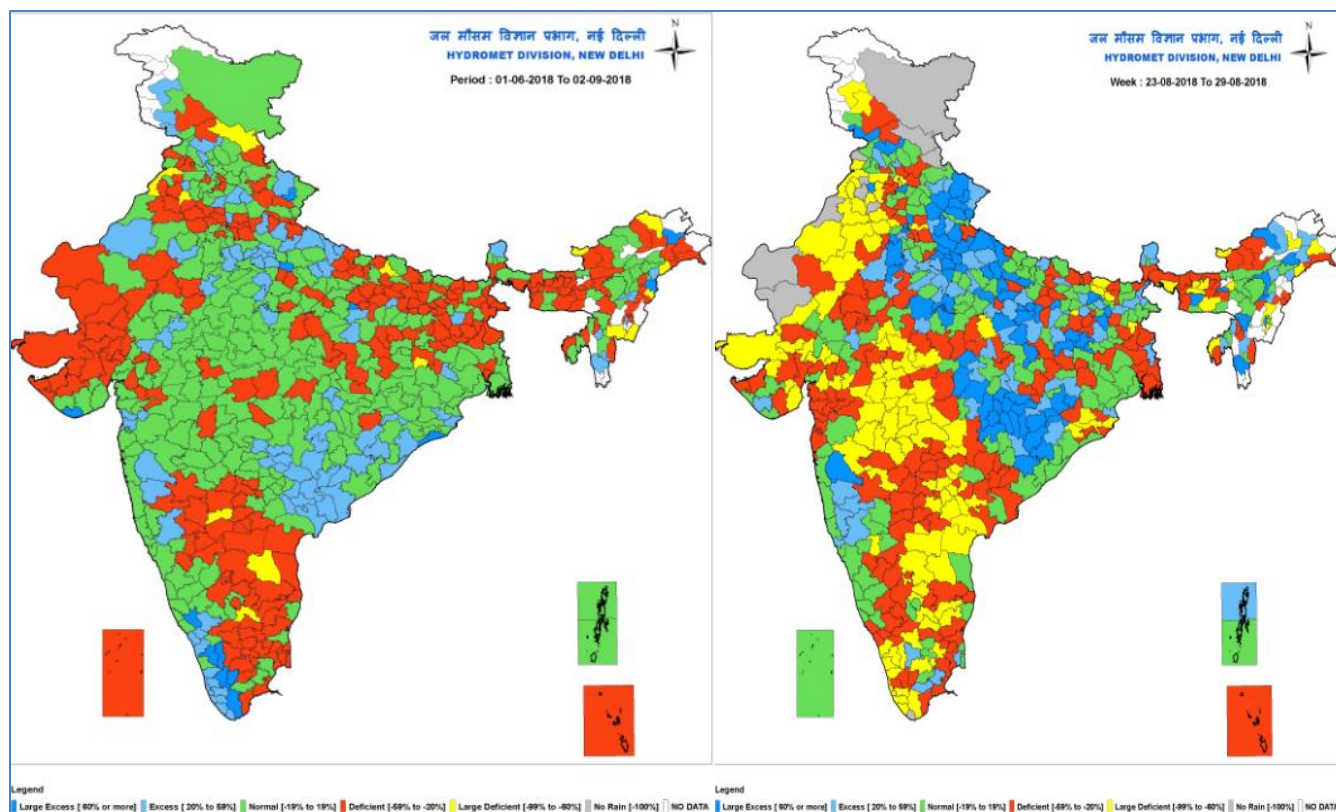
Medium Range Forecast



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. In the week starting 7th Sep there is a forecast of overall very limited rains and is also expected to continue in the last two weeks of Sep and hence there are good chances that the SW Monsoon is going to underperform. The low Sep rains is expected to rapid maturity of standing crop and the late sown crop might dry up prematurely. Rabi Mustard sowing doesn't seems good at this point of time as low rains in Sep in North West India results in unusual higher temperatures in Oct..

Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 6% as on 2nd Sep. 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 30th August Soybean was sown in 111.76 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 is also waiting for green signal from China for soybean exports to the nation and if prices plunges towards 3000 or below India might find exports parity to China against US soybean at Chines ports.

As we slip in to Sep month the key fundamental that will take the center stage is the daily arrivals. A daily arrivals to the tune of 8.5 to 9.5 lakh bags indicates the production around 100 lakh tons on an average. Cumulative monthly arrivals and quarterly arrivals will help is assessing the production further.

Further as there are fair chances of prices to fall below MSP of INR 3450 it will be interesting to see how center and State is going to intervene to give the MSO prices to farmers. Last year MP implemented BBY (Bhavantar Bhugtan Yojana) and there are good chances that the center will also intervene and ask NAFED to procure soybean under PSS.

Maharashtra state government has said there will not be any action taken if the traders and stockiest buy produce below MSP. Earlier there was notification that if any stockiest is found to procure produce below MSP, will result in 1 year of imprisonment and rupees 50 thousand as penalty/fine will be collected.

From the crop progress for the first two week of Sep there has been sporadic rainfall forecast with intermittent sunny spells in all key soybean growing regions which is going to help soybean grains to get bolder and also will not going to result in damages at the time of crop maturity.

For soybean aggressive falls can only be restricted by higher prices of soy oil which may offer cross discounts to meal and help in bean to remain relatively higher over meal.

As far as bean exports parity is concerned, all will depend when China is going to allow Indian bean and meal imports. Further whether India will push for bean or meal.

Government of India has released the 4th Advanced estimate of the 2017-18 crop in which groundnut production is kept at 91.79 lakh tons and soybean at 109.81 lakh tons of soybean.

SEA is projecting the production of 2018-19 soybean above 100 lakh tons on higher acreages. We have pegged the production at 104 lakh tons.

Maharashtra Stockiest and traders are saying that they will go for strike and also not buy agricultural produce if the govt stick to the policy of punitive action if the purchases are not done at MSP.

New crop arrival has started in Sangli but is late as compared to last year. The moisture content is high and thus prices offered wherein the range of 2500 to 3000 per quintal. An arrival is expected to start in last week of Sep to first week of Jan in Rajasthan, MP and Vidarbha.

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

International Market

According to the latest U.S. Drought Monitor updates, out Thursday morning, the nation's drought footprint eased slightly, now covering 55.9% of the country versus 57.3% the week prior. In the Midwest, eastern Kansas, southern Iowa and Missouri continue to represent the "problem areas" with the greatest incidence and severity of drought moving into September. Large portions of the Southwest and West are also affected.

Soybean exports found 4.1 million bushels in old crop sales and other 21.7 million bushels in new crop sales for a total of 25.8 million bushels. That was moderately below trade estimates of 32.2 million bushels but bested the prior week's total of 23.0 million bushels.

In US under government subsidy, Soybean growers will get \$1.65 per bushel in government assistance, but only half that amount is guaranteed. USDA will pay for half of the bushels farmers grow this fall and then evaluate the payment level for the other half after the end of the year. This will translate into \$80 per acre which will help in recovering some profit out of soybean.

China sold 1.5 million bushels of its state reserves of 2013 soybeans at auction Wednesday, which was 13.4% of the total available for sale. China also sold 24,730 metric tons of its state reserves of 2011 soyoil, which was 45.8% of the total available for sale.

There has been little progress from last week's midlevel talks on trade tariffs between the U.S. and China and thus has evaporated all the bullish sentiments associated with it.

Crop survey by various brokers and agencies are reporting huge soybean crop and thus further boosting the prospect of record production.

The crop rating of soybean in good to excellent conditions has been raised by 1% w-o-w and is at 66%. The leaf dropping has been reported in 7% of the crop against 5 year average. Pod setting has been reported in 95% of the crop against 90% last year.

According to analysts and private farm surveyors the average yield is coming to be at 51 bushels per acre which is low against the Aug WASDE estimate of 51.6 bushels. Sep WASDE becomes tricky in this regard.

Weekly exports inspection ending for the week 23rd Aug. 2018, reported to be at 901.62 thd tons against 650.02 thd tons last week and 738 thd tons last year in the same time frame.

Netherland and Mexico happens to be the key buyer for the week.

Soybean farmers will receive the majority of the initial payments set aside for assistance to agriculture due to trade disruption as announced by Trump earlier of the \$12 billion package, which includes programs for market facilitation, food purchase and distribution and agricultural trade promotion.

Soy meal

CBOT Soymeal achieved the lowest value since Sep 2017 as US move towards new crushing season. The present prices are close to the WASDE forecast of \$295 cents per short tons.

The fall is early this year and bean and meal might place their seasonal bottoms early, on the anticipation of early harvest on rapid growth of season crop.

The Argentinean meal has also crashed to \$327 per ton and thus paving the way for Indian meal to fall to INR 22000 per ton.

The Argentinean meal is at premium over CBOT meal due to lower production in Argentina and hence Indian meal find some respite or otherwise it has potential to fall below 22000.

For India to exports meal a premium of \$15-25 per ton over Argentinean meal will be enough to find parity to Chinese ports given that India Indian meal Import duty at Chinese ports is 0% against 5% of meal other than South East Asian nations meal. Earlier China removed Import duty from animal feeds and animal feed ingredients from SE Asian nations.

There is a small window in which the soymeal demand in increases to meet the rise in demand of poultry products in between Sawan and Karthik month of Hindu Calender. Thus soymeal prices is expected to remain stable for another 1 to 2 week before seasonal fall.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Oct. Contract				
S1	S2	PCP	R1	R2
3180	3220	3222	3280	3310

- New crop soybean contract for Oct month could not able to sustain its bearish momentum and recovered strongly after breaching 3200.
- The next crucial support happens to be at 3210 followed by 3180.
- On the upside, INR 3280 shall act as immediate resistance followed by INR 3310
- 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- 3180, SL –above 3310.

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 6.25 lakh bags as compared to 5.65 lakh bags in the previous week. The supplies were 7.6 lakh bags in the same time frame last year.

The spot prices have edged low w-o-w over the bearishness in soybean on one hand and NAFED announcement of auction of Mustard at market price. At the end of week mustard closed at 3983 per quintal as against INR 4205 per quintal during the corresponding period last year at the benchmark, Jaipur. Mustard has shed 205 rupees in the week at spot market to reach 4175 before recovering to 4205.

At NCDEX futures, the seed prices at Aug contract ended low at 3990/Qtl compared to 4078/Qtl previous week.

Mustard is currently helping itself to find bearishness from Soybean and currently hesitating to go above the difference of INR 830 to 840 on upside and correcting the spreads thereafter towards 720 to 740. In present scenario any bearish move in soybean will also help mustard to fall, unseasonal.

As the soybean fundamentals are indicating towards aggressive fall in the event of soybean falling towards previous low to find exports parity in international market the, mustard is also expected to find its low towards 3900 honoring spreads of 830-850 per quintal with soybean.

Market is hoping for good queries in the NAFED Auction process as there is news floating that the agency has removed the condition of floor price of Mustard at MSP. As NAFED is going to sell the Mustard seed at Market rate, crush demand from physical market is going to directed towards the NAFED warehouses and thus this will keep the downside potential intact.

The arrivals pace is very similar to last year and thus there is no tightness in supplies y-o-y. Moving forward for the coming rabi season Sep rains in NW India is very important for sowing. Moreover early sowing in NW India will also allow early harvest and thus wider window for sowing.

Higher season price and NAFED procurement at MSP and potential rise in MSP for the coming rabi season is expected to keep the sowing prospects bright as of now.

According to market and trade source NAFED has decided to auction Mustard at market prices which have helped the mustard prices to nosedive along with the bearishness in NCDEX Soybean.

The 42% Mustard however is still trading above 4200 and since the stocks at NAFED warehouses are below this the auction prices should remain below 4000 per quintal. Traders are saying that the mustard at NAFED warehouses has 35% of oil content. Earlier NAFED said that they won't sell Mustard below MSP.

In such cases with high crush demand the mill owner may look for procuring mustard seed from the NAFED ware house rather than from market and under the influence of which the market is expected to remain under pressure

Technical Analysis:



- Mustard formed a double doji candlestick indicating of a potential reversal from current levels.
- Going ahead, the price is expected to extend its weakness towards 3950 and thereafter 3920 which is a key support levels.
- Overall it is expected to remain in the long consolidation between the 3920 and 4000.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Sep)

Sell on rise target of 3950 and then 3930

Weekly trade call: **Sell** 4000 and Above: Target – 3950; T2- 4930, SL – above 4050.

Oil Meal Prices at Key Spot Markets:

Centres	Ex-factory rates (Rs/ton)		
	30-Aug-18	23-Aug-18	Parity To
Indore (MP)	27000	27500	Gujarat, MP
Kota	26600	27800	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	28300	29500	Mumbai, Maharashtra
Nagpur (42/46)	27500	28700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	29000	30500	Andhra, AP, Kar ,TN
Latur	27500	29800	-
Sangli	28800	29800	Local and South
Sholapur	28000	29000	Local and South
Akola	26800	27600	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	28000	30500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	28300	27500	-

Soy DOC at Port

Centers	Port Price	
	30-Aug-18	23-Aug-18
Kandla (FOR) (INR/MT)	27200	29000
Kandla (FAS) (USD/MT)	365	400

Rapeseed Meal	30-Aug-18	23-Aug-18	Change
FAS Kandla (USD/MT)	NR	210	-
FOR Kandla (Rs/MT)	NR	14600	-
FOR Mundra (Rs/MT)	NR	15000	-
CNF Indonesia (USD/MT)	NR	229	-

International Soy DOC			
Argentina FOB USD/MT	30-Aug-18	23-Aug-18	Change
Soybean Pellets	326	340	-14
Soybean Cake Flour	326	340	-14
Soya Meal	325	340	-15
Soy Expellers	325	340	-15

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	30-Aug-18	23-Aug-18	Change
Adoni	21300	21200	100
Khamgaon	Unq	0	-
Parli	Unq	0	-
Latur	Unq	0	-

Groundnut Meal (Rs/MT)	30-Aug-18	23-Aug-18	Change
Basis 45%, Saurashtra	21000	21200	-200
Basis 40%, Saurashtra	18500	18800	-300
GN Cake, Gondal	21000	21500	-500

Mustard DOC	30-Aug-18	23-Aug-18	Change
Jaipur (Plant delivery)	13600	13800	-200
Kandla (FOR Rs/MT)	14400	14600	-200

Mumbai Oil Meal Quotes:			
Rs/M.T.	30-Aug-18	23-Aug-18	Change
G.N. Extr (45%)	Unq	0	-
Kardi Extr	Unq	0	-
Undec Cottonseed Exp	21300	21800	-500
Rice Bran Extr.	Unq	0	-
Sunflower Extr.	21500	21500	Unch
Rapeseed Extr.	Unq	0	-
Soymeal 48%	27652	28695	-1043
Castor Extr.	6200	6200	Unch

Annexure

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

The 2nd 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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