

Oilmeal Weekly Research Report

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Executive Summary

Soybean Oct contract at NCDEX traded in a very tight range as the market lacks strong fundamentals. CBOT Soybean traded weak on the anticipations of record production and which was proven in the Sep WASDE report with an all-time high yield of 52.8 bushels per acre against 51.6 bushels in last report. This has catapulted the US stocks to all-time high as well as global stock estimate have also ballooned up.

In the domestic market, according to ministry the sowing has been carried out in 112.5 lakh hectares. There is intermittent rainfall across soybean growing regions. There have been reports of sporadic crop damage in MP but SOPA cleared that there is no widespread damage reported. Further these losses will be offset by above average yield in most of areas. There is forecast of another round of rains in the third week of Sep which remain crucial for yield in either way. Much will depend of the extent of rains. Agriwatch has kept its production figure to be around 104-105 lakh tons.

CBOT Soy meal has been trading south taking cues from bearish WASDE report closing below \$310 per short ton. This has limited the potential for steep fall of Indian soymeal for the time being but still the gate is open to fall towards 22000. Argentinean meal also has recovered to \$340 per ton after gaining towards \$353 per ton.

Rapeseed stocks offloading have been very sluggish by NAFED and thus prices rallied. As mustard stocks have been very tight in the market the spread with bean is expected to widen further at NCDEX futures towards INR 1000 to 1100. NAFED has been hesitant in offloading stocks at lower level and thus Mustard upward trend is expected to remain.

Overall market is expected to remain mixed.

Reports releasing this week

1. USDA Crop Progress Report: 17th Sep
2. USDA Weekly Export Sales Report: 21st Sep
3. USDA Weekly Export Inspection Report: 17th Sep
4. India Sowing Progress: 21st September
5. NOPA Monthly Crush Report : 17th Sep

NCDEX Holidays

1. Moharram: 20th Sep 2018

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 also has potential to fall further 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): Meal 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. Much will depend on export pace and the quantum of exports disposed as compared to exportable surplus at the end of OND quarter.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The tighter stock position amidst traders and crushers is expected to help prices to inch further high. With crush demand remaining high the prices. Spot price is also expected to inch further high.

Sowing Status – Kharif Oilseeds 2018-19 as on 14th Sep, India

Sowing Progress as on 14th September 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	40.97	41.31	40.12	-3%	98%	96%
Soybean	112.5	114.18	105.76	112.50	6%	94%	100%
Sunflower	2.1	1.74	1.37	1.11	-19%	65%	53%
Sesame	14.5	15.28	13.77	13.84	0%	95%	95%
Niger	2.6	1.69	1.86	1.37	-26%	72%	53%
Castor	10.5	9.17	7.91	8.35	6%	75%	80%
Total	184.2	183.02	171.98	177.29	3%	93%	96%
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 177.29 lakh hectares against 171.98 lakh hectares last year. Groundnut sowing has been done in 96% of the normal area whereas soybean has been in 100%. At this moment we can freeze soybean acreages at 112.5 lakh hectares. There is still space for sowing in groundnut. Sesame sowing is expected to be down by .7 lakh hectares against normal.

Weather Forecast and Current Status

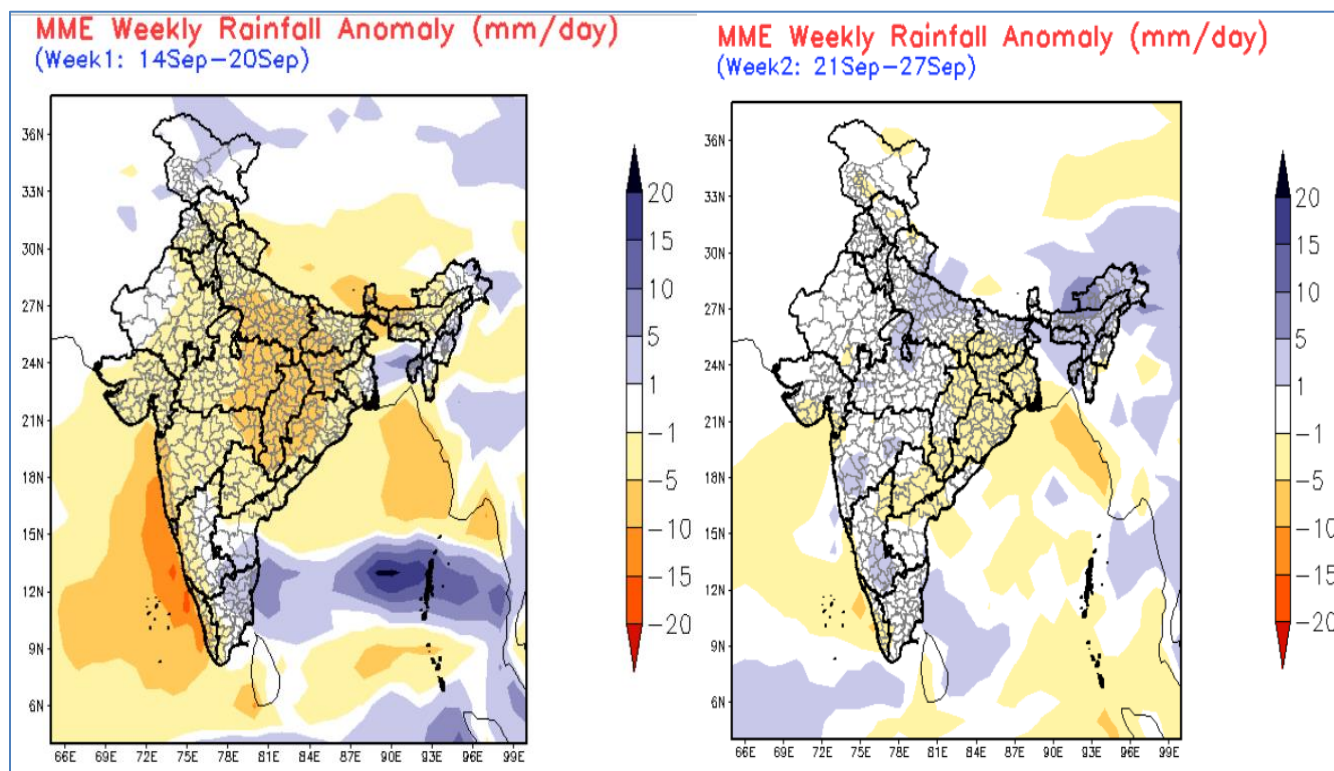
Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- 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 realized 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 favorable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favorable for agricultural operations.

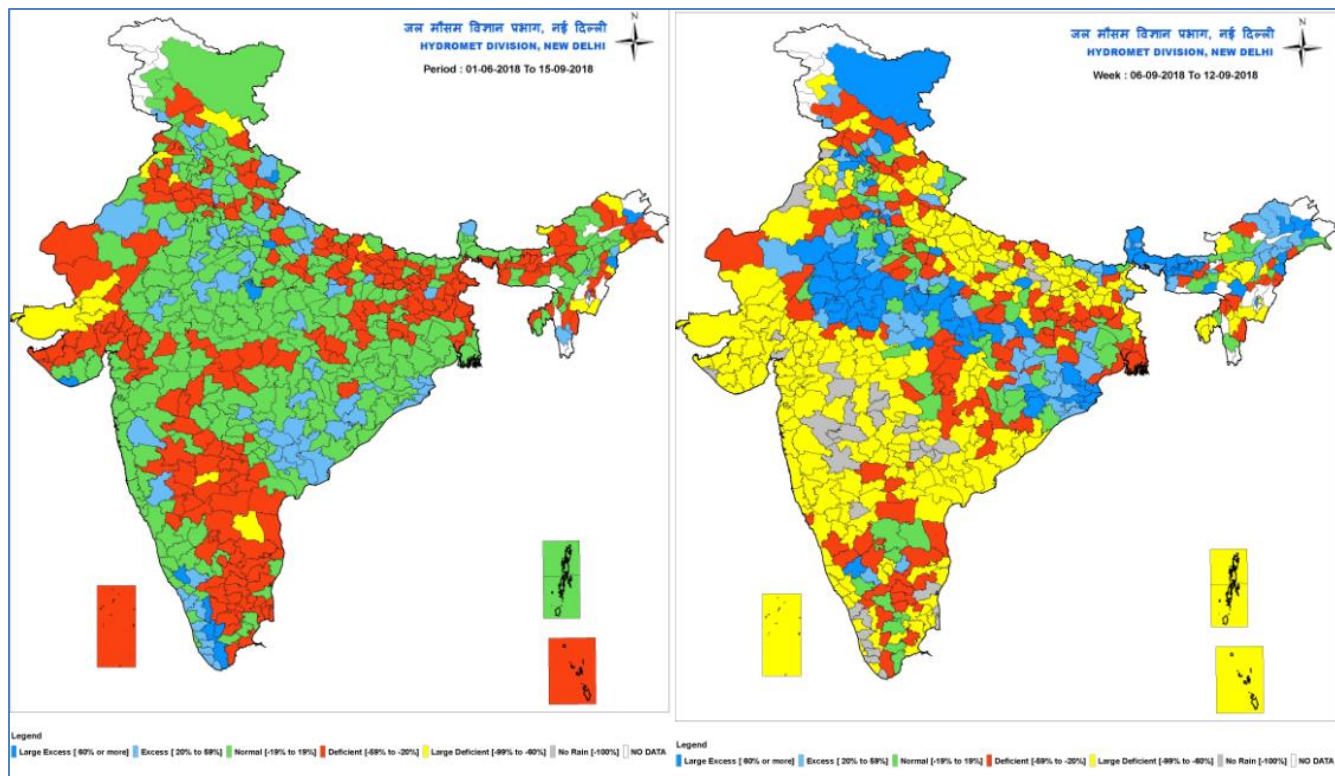
Medium Range Forecast



A drier 3rd week of Sep is forecasted with rains in TN and Rayalseema. Rainfall is going to get concentrated in the Central, North west and East India, in second week. Some rains is also forecasted for TN, Rayalseems and Karnataka.

Cumulative Rainfall

Monsoon rainfall deficit is at 8% as on 16th Sep. Cumulative rainfall has improved in Maharashtra after continuous rains. However the current lull period in the state again is helping to increase the deficit. 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 Bundelkhand and Malwa region with Orissa.



Soybean

Domestic Market

In terms of crush demand in coming months bean crushers is expected to crush large volume in the OND quarter to meet the expected higher exports demand and excellent crush margin that crushers is enjoying after the hike in import duties of soy oil.

For soybean crucial is the quantum of correction that soymeal has to undergo to find exports parity in the peak months of exports. All depends on how much CBOT meal is going to weaken as the Argentinean basis is already tight.

Tracking the weather, the US model forecasts indicted that the 'low' in the Bay could intensify into depression strength and cross the Odisha and North Andhra Pradesh coast after September 20. The IMD more or less agreed, but indicated that the 'low' would be driven South over land towards Central India.

This movement would be overseen by the opposing northerly flows from an advancing anticyclone from Rajasthan, signaling the delayed withdrawal of the South-West monsoon from the region.

Arrival of the disturbance is another signal of the weakening of the monsoon, with winds likely turning gradually anti-cyclonic (which consolidates dry weather) over the Rajasthan region into next week.

An extended outlook valid from September 19 to 21 indicating scattered to fairly widespread over the northern parts of Peninsular India and adjoining Central India.

For Soybean if the rains are limited then it will help in embolden of seeds. For mustard last leg of rains always help in containing the temperatures in Oct which is the sowing season of Mustard and also help in enough residual moisture for proper early growth. Prevailing mustard prices is going to help record sowing in the coming rabi season.

The standing crop of soybean reportedly, in a few places has been hit white stem fly with a few farmer saying attacks have been seen in several districts of the state. Industry officials however, discount any large-scale impact of white stem fly on the final harvest,

According to SOPA "" In some isolated fields there have been reports of pest attack, but the problem isn't big enough to cause large scale damage and we are hopeful of harvesting a bumper soy crop this year."

SOPA will finalize the MP production figures in the next few weeks after the Association completes field surveys.

As the Sep WASDE report has been a bearish one the potential for Indian soybean to fall further has become even more inevitable. The fall is waiting for season arrivals, which is expected to start from first week of Sep. Arrivals in MP is expected to be delayed by a week as compared to last year due to late sowing. However farmers has taken more of short duration crop this year so on time arrivals is also a good possibility.

Exporters are also eating for any cues from China on potential demand. China has potential to take away the entire exportable surplus either in form of bean or meal.

Chief Minister of Maharashtra, Devendra Fadnavis held a meeting with the Consul General of China Tang Guocai to discuss the requirement of de-oiled soya cake in the country. They also discussed to what extent Maharashtra can meet the demands, both in terms of quantity and price that have to be internationally competitive.

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

International Market

Early soybean planting is expected to begin after September 15th in Mato Grosso and other states in central Brazil as the South American Soybean sowing campaign begins. Expectations are high for record acreages.

China imported 9.15 million tonnes of soybeans in August, up 14 per cent from July, customs data showed on Saturday as compared to 8.44 million ton last year in the same time frame, as buyers in the world's top importer continued to buy from Brazil after Beijing imposed tariffs on US shipments.

In July, the buying spree ebbed after China's national soybean and soymeal stocks climbed to a record. China's national soymeal stocks were at 1.18 million tonnes this week, slightly down from the record high level in July at 1.27 million tonnes.

For the first eight months of the year, China brought in 62 million tonnes of soybeans, down 2.1 per cent on the same period a year earlier, according to official data released by the General Administration of Customs on Saturday. Imports in the coming months before November should be over 7 million tonnes per month, but supplies might tighten afterwards, as Brazil's soybean season neared its end. In such event if China do not buy from US, may run out of soybean by start of 2019.

U.S. President Donald Trump threatened to escalate the trade war between Washington and Beijing, potentially affecting global oilseed trading. U.S. President Donald Trump has tariffs ready to go on \$267 billion worth of Chinese imports in addition to the \$200 billion of its goods already facing the risk of duties.

The U.S. Agriculture Department on reported weekly export sales of wheat were 379,800 tonnes, in line with market forecasts but down from a week ago. The, soymeal export sales reported in current mktg yr-net 34,900 tonnes, new crop at 43,700 t. Weekly soymeal export sales in next mktg year net 188,200 tonnes, new 193,800 T. Soybean export sales totaled 693,400 tonnes, in line with forecasts of 500,000 to 1 million tonnes

There has been report of crop damages due to early frost in NE provinces of China and has helped the Dalian exchange to gain in the early trading days of last week.

According to the USDA crop progress report, the Soybean crop in the Good and Excellent conditions reported to be at 68%, a rise by 2% from previous week report and 3% high from the market anticipations.

According to report published by USDA China wing, China will import 94 MMT of soybean in 2018-19 and total oilseeds import will be at 100.2 MMT. Oilseed consumption will continue to rise on the y-o-y basis on rise in demand of protein meal by the livestock industry. The total oilseed consumption is forecasted at 159.83 MMT. Demand growth will continue to drive both China's imports of oilseeds and government support to expand oilseed production.

According to Brazilian Agriculture Ministry, Brazil exported 50.9 million tonnes of soybeans to China from January to August, as compared to 44.1 million tonnes of soybeans in the same period last year. Brazil's higher than usual soybean exports are driving down stocks, indicating the country likely will not have much more to offer China until it begins harvesting its next crop in January.

Brazil's government raised by 2 million tonnes in its projection for soybean exports in the 2017/18 crop to 76 million tonnes amid strong Chinese demand, reducing the crop's end-stocks to the lowest on record.

United States has proposed a new round of trade talks with China. The Trump administration has invited Chinese officials to restart trade talks. The White House's top economic adviser informed media, as Washington prepares to further escalate the U.S.-China trade war with tariffs on \$200 billion worth of Chinese goods..

However late U.S. President Donald Trump cleared that "United States was under no pressure to make a trade deal with China, even as Chinese officials welcomed an invitation from Washington for a new round of talks with more U.S. tariffs looming"

Further, the administration is readying a final list of \$200 billion in Chinese imports on which it plans to levy tariffs of 10-25 percent in coming days, greatly expanding the trade war between the world's two largest economies.

According to the Sep WASDE report, the U.S. soybean yield for the 2018 harvest at 52.8 bushels per acre, higher than both the trade guess and last month's 51.6 bpa. This resulted in record estimate of this year's ending stocks to 845 million bushels from the August projection of 785 million.

U.S. soybean stocks-to-use, which is a measure of both supply and demand, sits at 19.8 percent for the 2018/19 year, up sharply from the latest 2017/18 projection of 9.1 percent.

According to China's Agriculture Ministry, soybean imports for 2018/19 will fall to 83.65 million tonnes from the previous year's 93.9 million. This was down sharply from last month's forecast of 93.85 million tonnes on expectations of low soy content in animal feed and a fall in pig farm profits, increasing the government's supply deficit estimate.

According to business Monitor Online, 2018/19 soybean production in Argentina, for which planting begins in December, will increase, despite the recent suspension of soy export tax reductions and the introduction of a floating export tax on agricultural goods.

According to Rosario Board of Exchange, Argentina's soy harvest is expected to reach 50 million tonnes during the 2018-19 season.

China sold 59,740 tonnes of 2013 soybean at auction of state reserves at an average price of 3,080 yuan (\$447.75) per tonne, as reported by the National Grain Trade Centre.

Snap shot of USDA WASDE report:

- o Argentina 2018/19 Soybean Crop 57.00 Mln Tonnes
- o Brazil 2018/19 Soybean Crop 120.50 Mln Tonnes
- o 2018/19 U.S. soybean crop 4.693 bln bu (prev 4.586 bln bu), yield 52.8 bu/ac (prev 51.6 bu/ac), harvest acres 88.9 mln (prev 88.9 mln)
- o 2018/19 World End Stocks-Soybeans 108.26 Mln

Soy meal

CBOT Soymeal lost \$6.6 per short ton on Last day of week losing all its gains after WASDE report. This has given a bearish pulse across the meal market. Indian physical meal prices also witnessed weakness. Soybean crushers are expected to keep offering meal in the range of 27000 to 28000 before the new crop crushing starts. New crop arrival is expected to pick form the last week of this month. Already there have been some sporadic arrivals reported in Maharashtra which has seen early sowing due to on time rainfall, when new crop processing starts.

Soymeal prices is expected to sustain the current levels as the spreads with Argentinean meal is fair enough for exports and the rest will depend on the exports pace and how quickly India disposes its exportable surplus. Failure of which will leads to the bean under the ballooning stocks falling further at the start of 2019 almost a repeat of 2017 when off season bottom was placed.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Oct. Contract

S1	S2	PCP	R1	R2
3180	3220	3251	3280	3310

- New crop soybean contract for Oct month testing the resistance level of 3280 and has failed to breach convincingly and pulled back strongly each time.
 - Prices continued to trade in the descending channel below the resistance level if 3280
 - 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 8.7 lakh bags as compared to 3.3 lakh bags in the previous week. The supplies were 7.7 lakh bags in the same time frame last year.

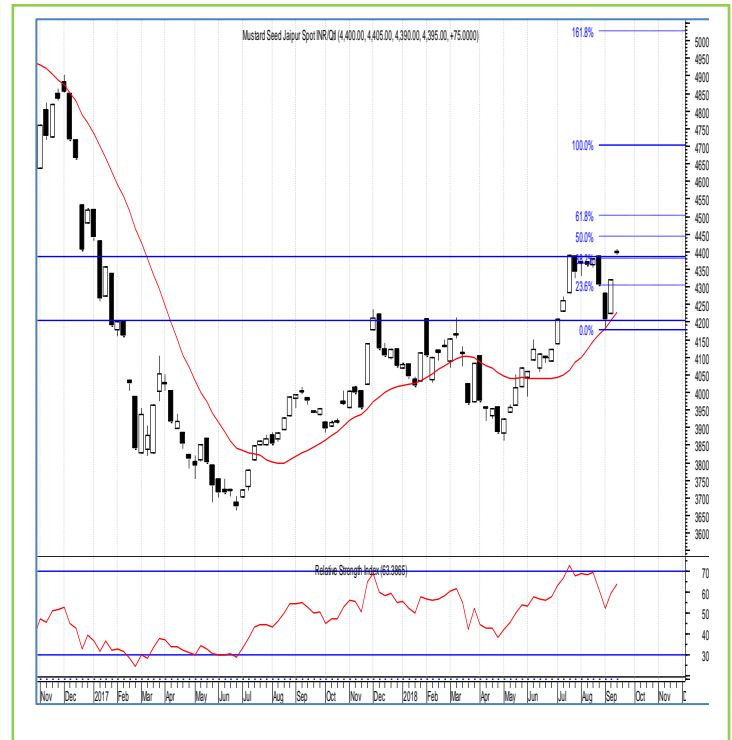
The spot prices have edged high w-o-w on NAFED inability to offload the stocks at brisk pace on auction being calling off on the lower ask prices by buyers. This has kept the supplies in market tight as nearly 8.5 lakh tons of Mustard is locked and crushers demand is heavy ahead of festival season. NAFED is instrumental in altering Mustard Supply and Demand as it wants to sell Mustard at least MSP the agency is waiting for prices to inch further up by holding the stock and creating artificial scarcity. At the end of week mustard closed at 4390 per quintal as against INR 3985 per quintal during the corresponding period last year at the benchmark, Jaipur. Mustard has gained 85 rupees in the week at spot market to reach 4405 and then corrected to 3985.

At NCDEX futures, the seed prices at Oct contract ended low at INR 4240 Qtl compared to INR 4152/Qtl previous week.

On 7th of Sep NAFED auctioned 4180 tons of Mustard with prices in the range of INR 3925 to 3851 per quintal. Stocks as on 10th of Sep stand at 8.61 lakh tons. As Mustard prices are inching high in the open market over robust crush demand tapering supplies in coming days participation in auction may improve.

On the same day just 1000 tons of in shell groundnut was auctioned at INR 3812 per quintal. Falling groundnut price kept the traders and crushers away from auction.

At physical market arrivals are slowly picking up after market disruption due to Strike by Rajasthan traders followed by Bharat Bandh. The arrivals have been significantly down and thus the physical market has gained in such situations. Further as the prices have shot up in physical market, there might be renewed interest in NAFED auction and may see some good trade in coming days. Last auction was prices in between INR 3800 to 3900.

Technical Analysis:

Support & Resistance NCDEX RM Seed – Oct contract

S1	S2	PCP	R1	R2
4177	4216	4240	4250	4270

- Mustard continued to gain towards higher highs breaking the resistance level of 4200, 4250 and tested 4270.
- Going ahead, the price is expected to find resistance and retrace towards 4220 and 4180.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Oct)

Weekly trade call: **Sell** 4250-4270: Target – 4220; T2- 4180, SL – Below 4300.

Oil Meal Prices at Key Spot Markets:

Centres	Ex-factory rates (Rs/ton)		
	13-Sep-18	06-Sep-18	Parity To
Indore (MP)	27500	27000	Gujarat, MP
Kota	28600	28200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	29200	28800	Mumbai, Maharashtra
Nagpur (42/46)	29300	29500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30100	29500	Andhra, AP, Kar, TN
Latur	30000	29300	-
Sangli	29300	29000	Local and South
Sholapur	29200	29200	Local and South
Akola	28500	28000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	30500	29000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Bundi	28400	27800	-

Soy DOC at Port

Centers	Port Price	
	14-Sep-18	05-Sep-18
Kandla (FOR) (INR/MT)	28500	27700
Kandla (FAS) (USD/MT)	367	368

Rapeseed Meal	12-Sep-18	06-Sep-18	Change
FAS Kandla (USD/MT)	Unq	222	-
FOR Kandla (Rs/MT)	Unq	15100	-
FOR Mundra (Rs/MT)	Unq	15400	-
CNF Indonesia (USD/MT)	Unq	230	-

International Soy DOC			
Argentina FOB USD/MT	12-Sep-18	06-Sep-18	Change
Soybean Pellets	352	343	9
Soybean Cake Flour	352	343	9
Soya Meal	354	340	14
Soy Expellers	354	340	14

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	13-Sep-18	06-Sep-18	Change
Adoni	21700	21700	Unch
Khamgaon	Unq	0	-
Parli	Unq	0	-
Latur	Unq	0	-

Groundnut Meal (Rs/MT)	13-Sep-18	06-Sep-18	Change
Basis 45%, Saurashtra	22250	22000	250
Basis 40%, Saurashtra	19500	19000	500
GN Cake, Gondal	22500	21000	1500

Mustard DOC	13-Sep-18	06-Sep-18	Change
Jaipur (Plant delivery)	16000	14200	1800
Kandla (FOR Rs/MT)	16700	15000	1700

Mumbai Oil Meal Quotes:			
Rs/M.T.	13-Sep-18	06-Sep-18	Change
G.N. Extr (45%)	Unq	0	-
Kardi Extr	Unq	0	-
Undec Cottonseed Exp	21000	21000	Unch
Rice Bran Extr.	Unq	0	-
Sunflower Extr.	20500	20500	Unch
Rapeseed Extr.	Unq	0	-
Soymeal 48%	28695	29217	-522
Castor Extr.	6100	6150	-50

Annexure

India's Kharif Oilseeds Production Seen at 313.1 Lakh Tons in 4th Adv Est. - GOI

The 4th Advance Estimates of production of major crops for 2017-18 have been released on 28th August, 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 oilseeds production in the current year compared to previous year.

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

Oilseeds – 313.1 Lakh tonnes

- Soyabean – 109.34 Lakh Tons
- Groundnut – 91.8 Lakh Tons
- Rapeseed – 83.2 Lakh Tons
- Castorseed – 14.9 Lakh Tons
- Sesame/Sesamum/Gingelly/Til – 7.44 Lakh Tons
- Nigerseed – .75 Lakh Tons
- Sunflower – 1.9 Lakh tons
- Linseed - 1.73 Lakh Tons

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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