

# 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

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Soybean Oct contract at NCDEX breached the crucial resistance of 3280 and 3310 as the arrivals has been very low amidst forecast of rains and apprehensions of crop damaged buoyed the bullishness in the week trade. CBOT Soybean gained handsomely after hovering near 10 years low after the reports of record weekly soybean sales reported by USDA. However the gains remained ephemeral and bean started falling again at the end of week.

In the domestic market, according to ministry the sowing has been carried out in 112.6 lakh hectares. There is widespread rainfall across soybean growing regions. The current rainfall is a mixed bag in terms of yield as very heavy rains has been reported from only very few locations and also the rains lasted for few days. Thus yield gains are expected in late sown crops and there can be damages in early sown crop which eventually is expected to balance. Rain in Maharashtra and Telangana is expected to much salvage the crop and restrict further yield reduction. Much of the damages has already been done as pod setting is low due to drier period during the pod setting stage. We are still keeping the production figure to be around 104-105 lakh tons.

The arrivals is falling short as compared to last year indicative of tighter end stocks as compared to last year and thus any delay in harvest is expected to delay the soybean prices to fall. Moreover the arrivals might remain well spread across the OND quarter with MPs BBY remained pivot for the pace of arrivals. MP last year accepted soybean under BBY till Dec last. Arrivals in Maharashtra is expected to be earlier over Rajasthan and MP as the sowing was early over good rains at the onset of monsoon.

CBOT Soy meal traded in range bound manner and also came close to the \$300 per short ton level. Robust soymeal exports have been recorded as the US meal is cheaper over the Argentinean soymeal. This has limited the potential for steep fall of Indian soymeal but still the gate is open to fall towards 22000.

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. Arrivals has increased on promising prices in the market but indicating of potential rise as the stocks with farmers tightens.

Overall market is expected to remain mixed.

### **Reports releasing this week**

1. USDA Crop Progress Report: 24th Sep
2. USDA Weekly Export Sales Report: 28<sup>th</sup> Sep
3. USDA Weekly Export Inspection Report: 24<sup>th</sup> Sep
4. India Sowing Progress: 28th September

## 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 and bright prospects of sowing in Brazil 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 20th Sep, India

Sowing Progress as on 20th 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	41.08	41.49	40.14	-3%	99%	96%
Soybean	112.5	114.27	105.92	112.61	6%	94%	100%
Sunflower	2.1	1.75	1.37	1.12	-18%	65%	53%
Sesame	14.5	15.52	13.97	14.11	1%	96%	97%
Niger	2.6	1.69	1.99	1.37	-31%	77%	53%
Castor	10.5	9.44	8.17	8.59	5%	78%	82%
<b>Total</b>	<b>184.2</b>	<b>183.92</b>	<b>172.91</b>	<b>178.27</b>	<b>3%</b>	<b>94%</b>	<b>97%</b>
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 178.27 lakh hectares against 172.91 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 112.6 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

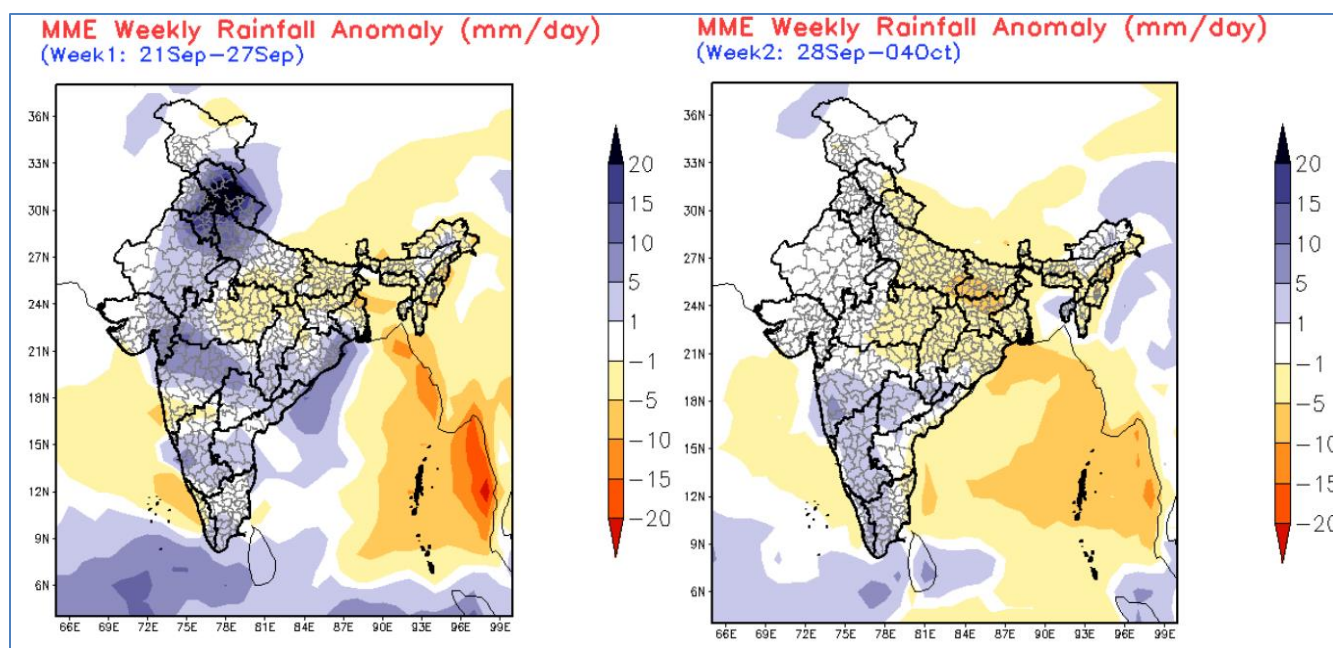
### Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- 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.

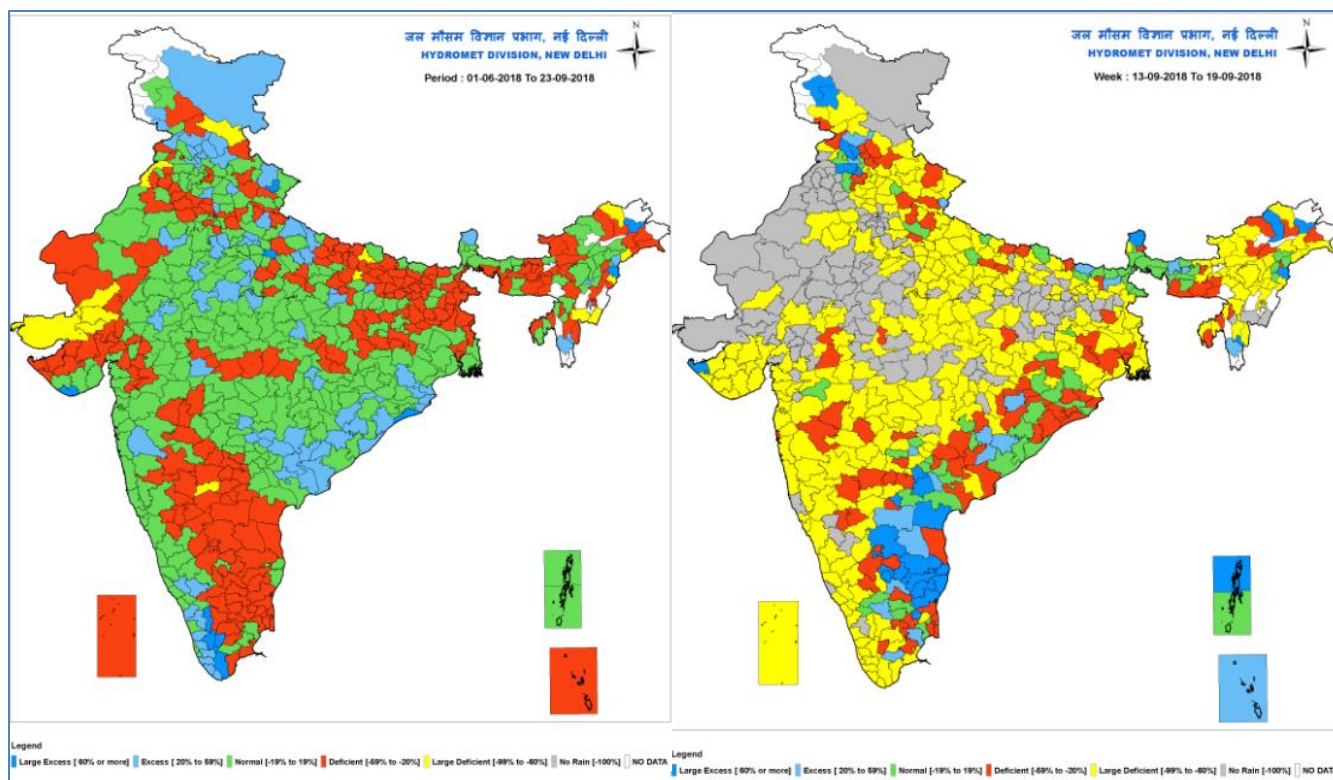
### **Medium Range Forecast**



Impact of the cyclone has helped in increased rainfall activities across India. Much improved rainfall activity is forecasted for the rest of the days of S Monsoon and thus helping to recover the current overall India rainfall deficit.

### Cumulative Rainfall

Monsoon rainfall deficit is at 9% as on 20th Sep. Cumulative rainfall has remained deficit in peninsular India, Saurashtra and Eastern India. Last week rayalseema has witnessed good rains under the impact of cyclonic storm in Bay of Bengal.



# Soybean

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## **Domestic Market**

According to 1st estimate of production released by Gujarat government Soybean production is pegged at 90 thd tins as against 115 thd tons last year. Groundnut production is pegged at 26.95 lakh tons as against 38.43 lakh tons last year.

India has urged China to withdraw ban on rapeseed meal imports from India at a meeting with government officials and feed makers. The meeting was held at India's embassy in Beijing.

Maharashtra has again came under the drier period and which is the second stretch of long drier spells and thus the state is expected to witness below average yield in the districts of Solapur, and Latur region. Telangana too is witnessing prolonged dryness and thus yield is again expected to be low this time. As there is a forecast of heavy rain in this week some respite is expected to the crop but the extent of rise the yields is still not very hopeful as much of the yield has already being compromised over the drier condition during pod filling stage.

There have been reports of white stem flies attack in the standing Soybean crop in MP which is expected to limit the above average yield in many areas.

Traders are saying that phase of clear skies before the ongoing wet spell has helped good growth and development of soybean crop. Current spell of rain has mixed impact on the standing crop as the early sown crop might suffer damages but late sown crop will be benefitted.

The government has inspected 15 soybean crushing facilities in India to prepare the ground for soymeal export to China and to ensure that proper quality is maintained to fulfil Chinese standards. The inspection team included officials from Export Inspection Council of India, Directorate of Plant Protection Quarantine and Storage, SOPA. Out of 15, 6 were from Indore and others MP, Gujarat and Maharashtra. The inspection was done as the Chinese industrialist may visit Indian soybean plants for inspection before placing orders. More number of plants can be inspected down the line.

MP CM has said that soybean will not be allowed to sell less than the price of Rs 3400 per quintal in Madhya Pradesh. However it was not being cleared that how MP state government will ensure it. Last Year MP introduced BBY for the farmers so that they realize Soybean at MSP.

MP State is registering farmers for 2018 BBY till 20th Sep and has continued the scheme started in 2017. State government being led by BJP wants to not take any chance as 2019 year is an year of general election.

Earlier, the Centre has announced a ₹15,053 crore scheme to ensure that farmers growing oilseeds, pulses and copra actually get the minimum support prices (MSP) they are promised for their crops every year, scheme called as The umbrella policy — Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA).

The ₹15,053 crore is going to be spent over a two-year period to implement the scheme. Further, the Cabinet approved an additional government credit guarantee of ₹16,550 crore for agencies undertaking procurement.



So there are two mechanism of ensuring MSP to farmers, PSS (Price Support Scheme, Procurement by NAFED) or Price Deficiency Payment (PDP)

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

### **International Market**

China has reported new case of African swine fever in Inner Mongolia. Earlier also there were reports of African swine fever in China. Any spread of disease has the potential for sudden fall in the domestic soy meal and is going to impede the prices in Dalian Exchange.

In the latest US NOPA Crush report, U.S. processors crushed 158.885 million bushels of soybeans in August, down from the 167.733 million bushels crushed in July. This year's August crush was all time high for the August Month, eclipsing the 142.424 million bushels crushed in August 2017. Soymeal exports in August totaled 761,899 tons, up from 737,465 tons exported in July.

U.S. Department of Agriculture in its weekly crop progress report has reported 6% soybean harvest ahead of the five-year average of 3 percent.

U.S. President Donald Trump imposed 10 percent tariffs on about \$200 billion worth of Chinese imports, and further escalated its protective policies. There is still no retaliatory action from Chinese counterpart.

South Korea's largest feedmaker, Nonghyup Feed Inc. has issued an international tender to purchase up to 69,000 tonnes of corn and 60,000 tonnes of soymeal. The soymeal was sought for shipment in 2019 between Jan. 26 and Feb. 14 if sourced from South America, between Feb. 15 and March 6 if sourced from India or between Jan. 31 to Feb. 19 if sourced from the U.S. Gulf.

Brazilian farmers sped up soybean and corn plantings this week for the country's next grain crop, under favourable weather conditions and a positive market outlook.

Soybean planting in Brazil's second-largest producing state of Paraná reached 9 percent of the expected final area this week, up 8 percentage points from last week and compared with only 1 percent at this time last year, as ample soil moisture allowed for a quick start of fieldwork.

According to the data from Ministry of Agriculture and Rural Affairs, China, the August pig herds count fell 2.4 percent from a year earlier, and dropped 0.3 percent from a month ago. Sow herds dropped 4.8 percent in August from a year ago, and slipped 1.1 percent from the previous month. This was on the backdrop of, more than a dozen of outbreaks of African Swine Fever, which spread rapidly across the world's top producer of pigs

As crop dynamics in Northern Hemisphere is closing in the production picture is getting cleared with US estimated at an all-time high crop. India is witnessing strong recovery in production. China's production is also rising. In the black sea market, In Ukraine and Russia too is expected to witness y-o-y rise in production.



The focus now shifts towards Brazil as the sowing commenced with good weather conditions. With 70% probability of developing El Nino in the first half of 2019, the South American crop is more vulnerable this season.

In the 12 weeks to mid-September, U.S. soybeans accounted for 52 percent of imports to the EU, rising 133 percent compared with the same period last year to 1.47 million tonnes. The United States had just 25 percent of the market in the same period of 2017. Imports from Brazil dropped to a 40-percent share of the bloc's roughly 35 million tonne annual import market for the animal feed staple.

The American Soybean Association (ASA) is lobbying Washington to negotiate a solution to end the escalating trade war between China and the United States.

According to the state's National Grain Trade Center, China sells 92,988 tonnes of 2013 soybean at auction of state reserves at average price of 3,060 yuan (\$446.12) per tonne. The Sale represents 100 percent of total 2013 soybean available for the auction.

High exports data pushed soybean futures higher by double digits for as second straight day Thursday, moving 2% higher by the close. Drought's footprint in the U.S. has decreased for five straight weeks to cover 30.3% of the country, according to the latest U.S. Drought Monitor updates, out Thursday morning.

With China conspicuously absent, soybean exports still found 33.7 million bushels in old crop sales and another 2.9 million bushels in new crop sales last week, for a total of 36.7 million bushels. That landed well ahead of the prior week's total of 25.8 million bushels and trade estimates of 23.9 million bushels.

Soybean export shipments of 29.2 million bushels last week were below the weekly rate needed to match USDA forecasts, now at 39.9 million bushels.

## Soy meal

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CBOT Soymeal has closed to \$300 per short ton at the board and has sent bearish impulse throughout the global meal market including India. As the surplus stocks of bean keeps the bean fundamentals in bearish there is no immediate threat for any aggressive rally.

There have been some sporadic arrivals reported in Maharashtra which has seen early sowing due to on time rainfall, when new crop processing starts. The current ongoing rainy spell will delay the harvest and thus seasonal rise in crushing activity is expected to happen from late Oct or even after Dussehra.

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.

Indore soymeal inched to the lowest value of the year as it closed below 27000 last year. Bearishness in International meal market is continuously pressurizing Indian meal as Indian meal attempts to discover price parity.

Meanwhile Indian officials inspected soy bean crusher's plant ahead of Chinese industrialist visiting Indian soybean plants. Indian govt are trying hard to push for soymeal exports in China as the country has appetite to consume all of India's surpluses.

Markfed Kapurtahala has issued tender for procurement of mustard cake and soymeal.

## 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 breached the key resistance of 3280 and extended its gains towards 3400. Soybean also found strong support over the trendline and breached the descending channel. Weekly closing was nearly 100 points above the last closing
- On the upside, INR 3380 shall act as immediate resistance followed by INR 3400
- On the downside, INR 330 shall act as immediate support.
- Trade Recommendation (NCDEX-Soybean – Oct) Sell on any rise above 3350

Weekly trade call: **Sell** above 3350 Target – 3310; T2- 3280, SL –above 3400.

## Rapeseed - Mustard Seed

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**The all India weekly seed supplies were reported 10.2 lakh bags as compared to 8.7 lakh bags in the previous week. The supplies were 7.7 lakh bags in the same time frame last year.**

Higher mustard prices has instigated the farmers to offload the stocks helped by them as they seeks better realization at current prices and uncertainty over prices once the NAFED stocks reaching the market.

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 8.44 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 at 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 4373 per quintal as against INR 3943 per quintal during the corresponding period last year at the benchmark, Jaipur. Mustard has lost 15 rupees in the week at spot market.

At NCDEX futures, the seed prices at Oct contract closed at INR 4226 Qtl compared to INR 4240/Qtl previous week.

Heavy rains in the Northern and North west part of India including Rajasthan West MP and Bundelkhand has brightened the sowing prospects of Mustard sowing as these rains is going to help any abnormal rise in temperatures in the month of Oct and also will provide residual moisture for the rabi crop. The current system has resulted in widespread rainfall in all the key mustard growing regions.

As the GOI is now focusing on increasing the production of oilseeds with agenda of increasing the income of farmers by 1 and ½ times higher than their cost of cultivation, MSP of rabi crops including mustard is going to be revised high.

With higher MSP and good profit realization this year, Mustard is expected to find record acreages and 70 lakh hectares of Mustard sowing can happen in the upcoming rabi sowing season. As chana prices didn't brought good profit realizations and farmers expecting NAFED to procured mustard seed again Mustard acreages is expected to gain over Chana.

Response to the NAFED auction of Mustard stocks continue to remain poor and thus as on 18<sup>th</sup> Sep 34 thd tons of Mustard has been sold resulting in stocks of 8.44 lakh tons still left. It has been more than a month since NAFED initiated Mustard auction through NeML on instruction from Centre.

## Technical Analysis:



## Support & Resistance NCDEX RM Seed – Oct contract

S1	S2	PCP	R1	R2
4177	4216	4222	4250	4270

- Mustard traded in a consolidative range after weakening from highs of 4250.
- Going ahead, the price is expected to gain towards and retest the previous high trading within the triangle.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Oct)

Weekly trade call: **Sell** 4200-10: Target – 4250; T2- 4260, SL – 4180.

**Oil Meal Prices at Key Spot Markets:**

Centres	Ex-factory rates (Rs/ton)		
	20-Sep-18	13-Sep-18	Parity To
Indore (MP)	27200	27500	Gujarat, MP
Kota	27800	28600	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	28000	29200	Mumbai, Maharashtra
Nagpur (42/46)	28500	29300	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	29700	30100	Andhra, AP, Kar, TN
Latur	29000	30000	-
Sangli	28200	29300	Local and South
Sholapur	28500	29200	Local and South
Akola	28100	28500	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	29000	30500	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	27600	28400	-

**Soy DOC at Port**

Centers	Port Price	
	19-Sep-18	14-Sep-18
Kandla (FOR) (INR/MT)	28000	28500
Kandla (FAS) (USD/MT)	365	367

Rapeseed Meal	19-Sep-18	13-Sep-18	Change
FAS Kandla (USD/MT)	230	218	12
FOR Kandla (Rs/MT)	16500	15800	700
FOR Mundra (Rs/MT)	16900	16200	700
CNF Indonesia (USD/MT)	245	240	5

International Soy DOC			
Argentina FOB USD/MT	19-Sep-18	13-Sep-18	Change
Soybean Pellets	341	348	-7
Soybean Cake Flour	341	348	-7
Soya Meal	332	353	-21
Soy Expellers	332	353	-21

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	20-Sep-18	13-Sep-18	Change
Adoni	21700	21700	Unch
Khamgaon	Unq	0	-
Parli	Unq	0	-
Latur	Unq	0	-

Groundnut Meal (Rs/MT)	20-Sep-18	13-Sep-18	Change
Basis 45%, Saurashtra	22250	22250	Unch
Basis 40%, Saurashtra	19500	19500	Unch
GN Cake, Gondal	22500	22500	Unch

Mustard DOC	20-Sep-18	13-Sep-18	Change
Jaipur (Plant delivery)	15500	16000	-500
Kandla (FOR Rs/MT)	16200	16700	-500

Mumbai Oil Meal Quotes:			
Rs/M.T.	20-Sep-18	13-Sep-18	Change
G.N. Extr (45%)	Unq	0	-
Kardi Extr	Unq	0	-
Undec Cottonseed Exp	20800	21000	-200
Rice Bran Extr.	Unq	0	-
Sunflower Extr.	20200	20500	-300
Rapeseed Extr.	Unq	0	-
Soymeal 48%	28383	28695	-312
Castor Extr.	6150	6100	50

## Annexure

### India's Kharif Oilseeds Production Seen at 313.1 Lakh Tons in 4<sup>th</sup> Adv Est. - GOI

The 4th Advance Estimates of production of major crops for 2017-18 have been released on 28<sup>th</sup> 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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