

# Oilmeal Weekly Research Report

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## Executive Summary

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Soybean Oct contract at NCDEX traded in range bound in the week with sharp fall at the start of the week and posted strong recovery later in the week. Soybean has been unable to breach the 3168 levels and tested previous low. The production estimates has been in the range of 102 to 115 lakh tons with one lobby saying production in the range of 102 to 104 lakh tons whereas the other lobby keeping production between 111 to 118 lakh tons. SOPA has given it first estimated of production at 114.87 lakh tons. CBOT Soybean gained in the week with widespread rains in the soybean growing region which has delayed the crop harvest.

In the domestic market, as we slip into the new marketing year soybean prices has started the seasonal fall. Traders will be closely watching the daily arrivals. The daily arrivals should range in between 8 to 10 lakh bags on an average till Nov and which is going to confirm the production of above 100 lakh tons. Some 3.5 lakh tons of soymeal has been booked in forwards months which seems to be done by regular buyers with query of nearly 2 lakh tons from Iran as Iran is finding difficulty to source soybean and soymeal from American countries after US imposed unilateral trade sanction on Iran. Importers might be in bargain hunt as the global soybean outlook is bearish.

New season arrivals are expected to be delayed and peak arrivals is expected to happen post Duussehra. 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 are expected to be earlier over Rajasthan and MP as the sowing was early over good rains at the onset of monsoon. As of now week ending 6<sup>th</sup> has reported y-o-y higher arrivals thus keeping bearish sentiments intact. Accumulations of stocks with traders are expected to help in further fall in prices.

CBOT Soy meal traded in range bound manner. Robust soymeal exports have been recorded as the US meal is cheaper over the Argentinean soymeal.

Rapeseed stocks offloading have been very sluggish by NAFED and thus Mustard prices are hesitant to fall aggressively the way soybean is falling. 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 1200. Arrivals have Declined as farmers are busy in harvesting the produce. Thus with the fall in arrivals market stocks is going to even tighter and help prices to rise once again.

Overall soybean prices are expected to fall whereas Mustard is expected to trade sideways this week.

### **Reports releasing this week**

1. USDA Crop Progress Report: 08st Oct
2. USDA Weekly Export Sales Report: 11<sup>th</sup> Oct
3. USDA Weekly Export Inspection Report: 08<sup>th</sup> Oct
4. USDA WASDE Report: 11<sup>th</sup> Oct

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade range in between the range of 3100 to 3330. With the market talking about the production of soybean to be above 100 lakh tons the soybean prices is expected to fall towards 3100 and then consolidate and look for the soymeal exports pace. As the CBOT also has potential to fall further under the influence of upcoming expected record yield in WASDE report 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 fall in coming weeks.

**Outlook – Soy meal (Spot, Indore):** Meal prices are expected to weaken over the seasonal rise in crush and higher disposable stocks. Indian meal is finding interest from non-regular buyers such as Iran due to Political Scenario. Thus forward bookings for OND delivery can exceed to 6 to 7 lakh tons. 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 keep bullish sentiments intact in one hand whereas fall in soybean prices is expected to restrict gains. Crush demand is expected to decline as the festive season nears and wholesalers filling their pipeline of oils ahead of it. Overall mustard is expected to consolidate at current levels.

## Weather Forecast and Current Status

### North East Monsoon forecast for 2018

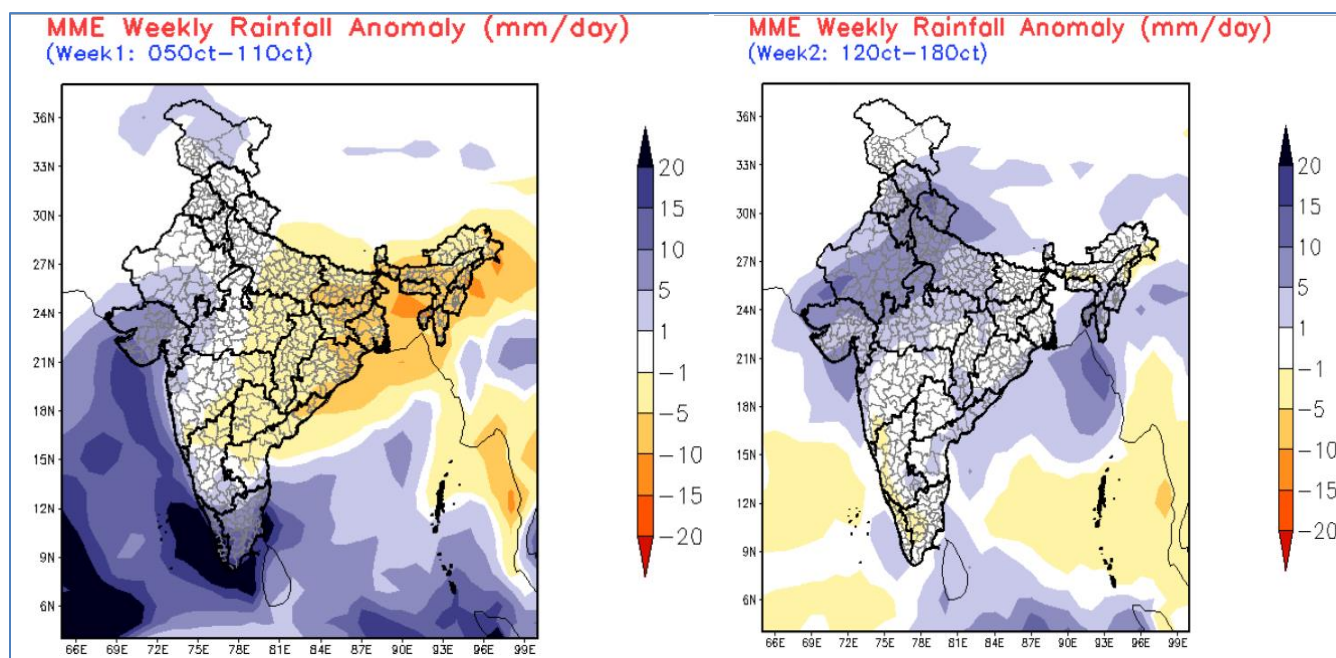
#### Seasonal Rainfall over South Peninsula IMD's operational forecast for the 2018

Northeast monsoon season (October-December) rainfall over south Peninsula (Tamil Nadu, Coastal Andhra Pradesh, Rayalaseema, Kerala and South Interior Karnataka) is most likely to be normal (89% -111% of long period average (LPA)) with a tendency to be in the positive side of the normal. The LPA of the North-east monsoon seasonal rainfall over the south Peninsula for the base period, 1951-2000 is 332.1 mm. The 2018 Northeast monsoon seasonal rainfall over Tamil Nadu is most likely to be above normal ( $\geq 112\%$  of LPA). The long period average (LPA) of the Northeast monsoon seasonal rainfall over Tamil Nadu for the base period, 1951-2000 is 438.2 mm.

The normal timeline for the arrival of the North-East monsoon is between October 15 and 20, but the IMD does not announce a date in advance for the season.

#### Medium Range Forecast

As the monsoon receded the residual moisture in the atmosphere is forecasted to bring scattered rainfall throughout India.



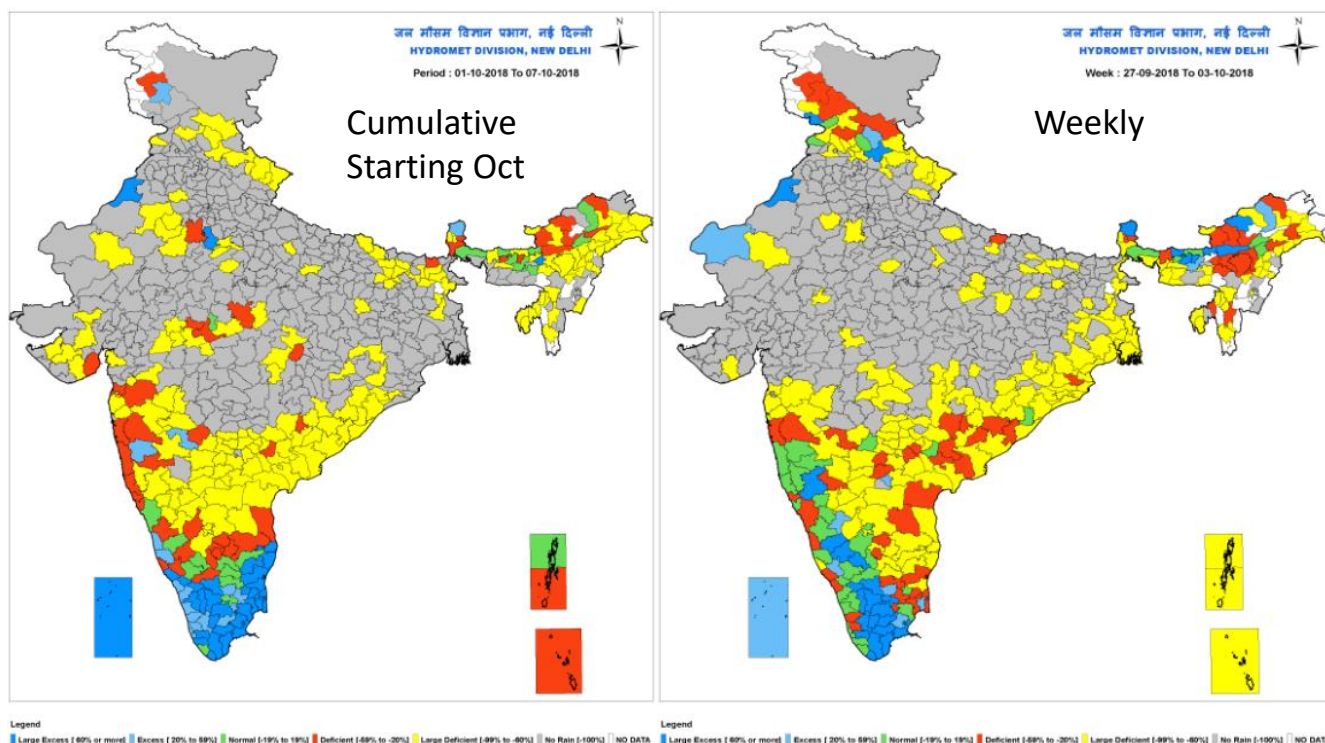
#### SW Monsoon Withdrawal





## Cumulative Rainfall

Post monsoon season is witnessing good rains in TN rest of the states remained dry. .



## Soybean

### Domestic Market

As soybean Marketing season 2017-18 nears its close, India is estimated to left with 2.5 lakh tons. As the stocks has tightened significantly from 13.03 lakh tons to 2.5 lakh tons the daily arrivals has been low by half from last year daily average arrivals. Current spell of rains is going to delay the harvest by another 1-2 weeks and thus the tight supplies is expected to continue. Further at the time of arrivals farmers might look for government announcement on the procurement of soybean at MSP as the current prices is already below the MSP. MP State government has already registered farmers under BBY. Rajasthan and Maharashtra is yet to decide to select schemes under the umbrella of schemes decided by centre.

Nafed signed an in-principle agreement with a Chinese trade agency for the export of oil meal. The Chinese official delegation may come next month to inspect soybean processing plants so that they can resume the process of approval.

As the SW monsoon ends India ends with 9% all India deficits in terms of rainfall as against LPA. Many Oilseeds growing region has witnessed long spell of dryness barring MP and Rajasthan.

IMD has released the NE Monsoon forecast and has said it to be normal. IMD didn't give any official date of its commencement. Usually NE monsoon commence at mid of Oct. The rains are important for Rabi Groundnut in TN, KTK and AP.

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

### **International Market**

US Soybean exports saw 55.9 million bushels of old crop sales plus a sliver of new crop sales that brought the total to 56.1 million bushels. That far exceeded the prior week's total of 56.1 million bushels and bounced well above trade estimates of 44.1 million bushels.

US Soybean export shipments reached 26.5 million bushels last week, moving the weekly rate needed to meet USDA forecasts higher, to 40.1 million bushels. Unknown destinations is the top taker for U.S. 2018/19 soybean export commitments so far, accounting for 40% of the total.

Informa's latest assessment of 2018 U.S. soybeans is for per-acre yields averaging 53.0 bpa (versus its prior estimate of 52.8 bpa), for a total production of 4.677 billion bushels

Brazil's Safras & Mercado consultancy estimates the country's 2019/20 soybean exports could top 2.903 billion bushels.

Harvest activity and crop progress were slow in soybean fields last week over wet and/or cool weather in all eight producers. The situation is likely to continue in many areas as the forecast for the next two weeks is much wetter than normal across the U.S. Midwest

According to INTL FCSTONE Brazil's 2018/19 soy crop is expected to be at 119.34 million tonnes, up from 119.17 million tonnes in its prior forecast. The agency also revised soy area up to 35.892 million hectares compared to 35.855 million hectares previously. The soy exports in 2018-19 are estimated at 71.50 million tonnes, with China expected to buy as much Brazilian soy as possible thanks to its trade war with the United States.

U.S. President Donald Trump has indicated that it is "too soon" for Washington to talk to Beijing about working out a deal on trade, even though China wants to.

According to EC, European Union soybean imports in the 2018/19 season that started on July 1 totaled 3.2 million tonnes by Sept. 30, up 7 percent from 3.0 million a year earlier. EU 2018/19 soybean imports had reached 4.2 million tonnes, down 19 percent from a year-earlier 5.2 million, the official data showed.

The United States and Canada forged a last-gasp deal on Sunday to salvage NAFTA as a trilateral pact with Mexico

According to Brazil Ministry of trade, Brazil exports 4.61 mln t soybeans in September vs 8.13 mln t in August and 4.27 mln t yr ago and 1.29 mln t soy meal in September vs 1.46 mln t in August and 1.16 mln t yr ago.

According to weekly crop progress report by USDA, US soybeans is harvested in 23 pct 14 pct wk ago (20 pct 5-yr avg). 68 pct condition is in good/excellent vs 68 pct wk ago (60 pct yr ago).

## Soy meal

CBOT soymeal is trading in a very tight range for the past 5-6 session as the market looks for fresh fundamentals.

According to SEA, Oilmeal exports fell in Sep month as compared to August month. Soymeal exports reported at 21 thd tons as compared to 59 thd tons in August. Mustard meal fell drastically to just 36 thd tons as compared to 163 thd tons in August. Total oilmeal exports recorded just 81 thd tons as compared to 358 thd tons.

Soymeal Indore fell to its lowest level since mid of Jan and the downwards trend is expected to continue to be in line with the soymeal offered at ports. Soymeal at Indore was at premium to the equivalent prices at ports and is correcting in that terms. Exporters offered new soymeal at ports and thus were lower as compared to local spot rates.

### Technical Analysis:

#### NCDEX Soybean FUTURE\*



#### Soybean Spot, Indore



\*Note: Daily Chart



Support & Resistance NCDEX Soybean – Oct. Contract				
S1	S2	PCP	R1	R2
3180	3220	3240	3280	3310

- Soybean Oct contract after breaching the channel extended losses to wards 3162 which was lowest in 22 sessions and witnessed sharp turn around and inched towards 3280.
- On the upside, INR 3280 shall act as immediate resistance followed by INR 3100
- On the downside, INR 3200 shall act as immediate support.
- Trade Recommendation (NCDEX-Soybean – Oct) Sell

Weekly trade call: **Buy** 3260-80 Target – 3230; T2- 3200, SL – Above 3310

## Rapeseed - Mustard Seed

**The all India weekly seed supplies were reported 3.65 lakh bags as compared to 8 lakh bags in the previous week. The supplies were 3.6 lakh bags in the same time frame last year.**

As the farmers are busy in harvesting the kharif crop the arrivals has dropped significantly. Further as major portion of the crop has already arrived in the stocks available with farmers is limited.

The spot prices have edged low w-o-w on honoring the spreads over soybean which has declined sharply on the seasonal basis. However, NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 8.09 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 4255 per quintal as against INR 4330 per quintal during the corresponding period last year at the benchmark, Jaipur. Mustard has lost 75 rupees in the week at spot market.

At NCDEX futures, the seed prices at Oct contract closed at INR 4117 Qtl compared to INR 4181/Qtl previous week.

Mustard auction by NAFED continued to witness limited interest as the traders doubt over the oil content in the stocks held by NAFED. Crushers and traders calculate the price based on the oil content and the premium or discount is paid over the benchmark price of 42% conditioned mustard. As the crushers are doubting over oil content and market rumours are saying that the oil content is 35% crushers remained away from the auction process. Today NAFED has issued tenders for auction at various locations in the country and they are in hurry to vacate the godowns as soon as possible.

NAFED Sold 3990 tons of Mustard on 1st of October in the price range of INR 3951 to 3864 per quintal. NAFED holds 8.08 lakh tons of Mustard as on date.

As the sowing was on time of the kharif crop in most of the Mustard growing areas the sowing of Mustard is expected to be on time and recent rains has further improved the prospects of timely sowing of the same.

Soil temperatures are at normal range and thus farmers are expected to prepare land immediately after the harvest of kharif crop to take advantage of the residual moisture of the crop. In our preliminary estimate of Mustard production for the MY 2019-20 the production is expected to be at 65 lakh tons.

## Technical Analysis:



## Support & Resistance NCDEX RM Seed – Oct contract

S1	S2	PCP	R1	R2
4170	4150	4117	4200	4250

- Mustard weaken in the week finding support at 50% Fibo level 4108.
- Going ahead, the price is expected to find strong support in between 4108 to 4068.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Oct)

Weekly trade call: **Buy** Below 4108: Target – 4160; T2- 4200, SL – 4000.

Soy DOC Rates at Different Centers			
Centres	Ex-factory rates (Rs/ton)		
	04-Oct-18	27-Sep-18	Parity To
Indore - 45%, Jute Bag	25500	26500	Gujarat, MP
Kota - 45%, PP Bag	26500	28200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	27500	29000	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	27200	28500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	27000	29100	Andhra, AP, Kar ,TN
Latur	26200	29000	-
Sangli	#N/A	28000	Local and South
Solapur	25800	29500	Local and South
Akola – 45%, PP Bag	26000	27000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	27800	29000	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	26300	28000	-

Soy DOC at Ports			
Centers	Port Price		
	04-Oct-18	27-Sep-18	Change
Kandla (FOR) (INR/MT)	28100	28000	100
Kandla (FAS) (USD/MT)	381	385	-4
CNF Indonesia – Yellow SBM (USD/MT)	365	372	-7

Rapeseed Meal	04-Oct-18	27-Sep-18	Change
FAS Kandla (USD/MT)	225	230	-5
FOR Kandla (Rs/MT)	16200	16400	-200
FOR Mundra (Rs/MT)	16600	16800	-200
CNF Indonesia (USD/MT)	243	247	-4

International Soy DOC			
Argentina FOB USD/MT	04-Oct-18	27-Sep-18	Change
Soybean Pellets	341	340	1
Soybean Cake Flour	341	340	1
Soya Meal	334	336	-2
Soy Expellers	334	336	-2

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	04-Oct-18	27-Sep-18	Change
Adoni	21500	21700	-200
Khamgaon	0	0	Unch
Parli	0	0	Unch
Latur	0	0	Unch

Groundnut Meal (Rs/MT)	04-Oct-18	27-Sep-18	Change
Basis 45%, Saurashtra	22500	22550	-50
Basis 40%, Saurashtra	20000	19700	300
GN Cake, Gondal	23000	23000	Unch

Mustard DOC	04-Oct-18	27-Sep-18	Change
Jaipur (Plant delivery)	15500	15500	Unch
Kandla (FOR Rs/MT)	16400	16300	100

Mumbai Oil Meal Quotes:			
Rs/M.T.	04-Oct-18	27-Sep-18	Change
G.N. Extr (45%)	0	0	Unch
Kardi Extr	0	0	Unch
Undec Cottonseed Exp	20000	20300	-300
Rice Bran Extr.	0	0	Unch
Sunflower Extr.	19000	19500	-500
Rapeseed Extr.	0	0	Unch
Soymeal 48%	26609	27652	-1043
Castor Extr.	5850	6000	-150

## 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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