

# 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 Most active Nov contract at NCDEX traded in a tight channel last week. The week began with sharp rise at the start of the week and started losing steam at the end of week. 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 traded northwards as the weather improved for harvesting.

Traders are vigilant over the daily arrivals and haven't achieved its maximum. The daily arrivals are recording in between 5 to 7 lakh bags. The daily arrivals should range in between 9 to 10 lakh bags on an average continuously till Nov and which is going to confirm the production of above 110 lakh tons. The arrivals is expected to be higher in the OND quarter due to the BBY and NAFED procurement program. Thus with estimates of higher production and higher probability of arrivals the OND quarter arrivals should record all-time high. Market is in wait and watch position thus a prolonged consolidation is expected in coming weeks. China has confirmed booking of soy meal from India. Arrivals in the first half of October month is higher y-o-y and is thus giving initial indication of higher production. Last year the old crop arrived in the Oct month but this year since the carry over stock is very low the old crop is available in very limited quantity. Thus y-o-y higher arrivals is a very strong indication of bumper production this year.

CBOT Soybean has started weakening again as the core fundamentals are still very bearish and speculative buying after the release of back to back release of bullish exports sales report and crop rating report has helped CBOT bean to extend gains. With improving weather and accelerating harvest pace the bears is again coming to action. Brazilian fundamentals are also indicating of another bumper soybean crop.

CBOT Soy meal also lost value in the last week.

Rapeseed stocks offloading have is still sluggish by NAFED and thus Mustard prices is finding difficult to fall aggressively. Rapeseed arrivals have been high y-o-y as farmers are enjoying good price. Temporary fall in crush demand due to festivals is expected to limit aggressive gains. Next round of rise in crushing demand is expected to happen from Mid Nov onwards to meet peak Winter demand which is expected to help Mustard prices to gain towards last highs.

Overall soybean and Mustard is expected to trade in range bound manner.

### **Reports releasing this week**

1. USDA Crop Progress Report: 22nd Oct
2. USDA Weekly Export Sales Report: 25<sup>th</sup> Oct
3. USDA Weekly Export Inspection Report: 22<sup>nd</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 CBOT edging low due to revival in harvest soybean is expected to again test the previous lows. Soybean has placed its seasonal bottom.

**Outlook – Soy meal (Spot, Indore):** Meal prices are expected to find support at current levels as the exports booking is reportedly strong. However short term correction can happen on cues from soybean price action. Indian meal is finding interest from non-regular buyers such as Iran due to Political Scenario and also from China. 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. Crush demand is expected to decline as the in the festivals season. Overall mustard is expected to consolidate at current levels.

# Soybean

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## **Domestic Market**

Centre has approved the procurement of Soybean under PSS and the center has given directives to start procuring it from 15th of Oct. MP State govt has announced the procurement to start from 20th of Oct and will continue till 19th of Jan as the state has given 90 days window for the farmers to sell their produce under PSS scheme. MP state has decided to start procurement on 20th over festivals ending on 19th.

On direction from center Maharashtra has approved procurement of 2.5 lakh tons of soybean whereas Rajasthan has got approval of procurement of 3.69 lakh tons.

Soybean purchases/procurement will be carried by NAFED, FCI, and SFAC and the payment will be done straight to their accounts.

MP govt has also brought a scheme in which the farmers will get flat INR 500 per quintal as price difference support, irrespective of what the price farmers is getting. The state govt Department of Farmer's Welfare and Agriculture Development has said that soybean sold in the window of 20th Oct to 19th Jan will be eligible for such scheme. The Scheme is applicable for any sale at or above MSP of below MSP as per govt notification. Further MP state has also decreased the APMC Cess by .5% to 1.5%.

The arrivals of soybean recorded is higher than the last year arrivals pace post Oct window. Last year the old stocks was high and higher arrivals was expected but this year the arrivals has been mainly over new crop and consistent higher arrivals will be indicating towards record. Further as the BBY will be available for the 3 month period only and there is no procurement in MP State there are good chances that the OND quarter will hit record arrivals.

As soybean Marketing season 2017-18 nears its close, India is estimated to left with 2.5 lakh tons. As the stocks

SOPA is complaining about unavailability of Railway rakes for exports to satellite nations (Nepal and Bangladesh). In 2017-18 lack of rack of availability of racks has impacted exports to neighboring nations.

At weather front, Cyclone Titli battered Orissa and West Bengal with potential crop loss to Seasm and Groundnut. The assessment will be soon be done by govt official.

Daily arrivals of soybean is clocking nearly 5 lakh bags which is still low as compared to peak arrival of 8-9 lakh bags and at times shooting up to 11-12 lakh bags. Arrivals are expected to increase after dussehra.

SOPA released its final estimates of Soybean SND for 2017-18. SOPA According to SOPA the 2017-18 Marketing Year beginning stock was 13 LT, Crop size was 83.5 LT, Import recorded is 1.62 LT, New crop arrived in Sep month is at 2 LT and with 12 Lt kept for sowing the Marketable surplus is at 88.12 LT

The arrivals recorded is at 88.12 LT. The disposals accounted as 2.42 LT of exports, direct use at 1.5 LT, Crush of 82 LT keeping 2.2 LT as losing stock of 2017-18.

According to SOPA soymeal production has been at 66.42 LT, exports is at 17 LT, domestic use is at 49.25 LT and thus ending stock is at .45 LT.

Marathwada is reporting poor yields as there has been deficit rainfall in this region. The region has recorded 32.3 per cent below the corresponding long period average. The deficiency was even higher in Beed (47.1 per cent), Aurangabad (43.5 per cent), Osmanabad (37.5 per cent), Latur (36 per cent) and Jalna (34.1 per cent), Nanded (15.1 per cent), Hingoli (18.4 per cent) and Parbhani (31.5 per cent). Thus the estimates of higher production by SOPA seem to be not matching with the harvest reports and the rainfall profile. We are expecting the production to be downward revised by Jan after the OND arrivals has been assessed.

In Vidarbha however the crop is good but offsetting the loss in Marathwada will be tough as in such case the Vidarbha should record way higher yield over average which is not supported by the rainfall profile.

***The domestic soybean prices are likely to be in tight range in the domestic market.***

### **International Market**

According to the USDA WASDE Oct report, US soybean yield is estimated at 53.1 bpa. Pod counts went up vs. September while pod weights went down.

Soybean export inspections last week reached just 20.9 million bushels, falling slightly below the prior week's total of 23.2 million bushels

In the weekly crop progress report soybean dropping leaf has been reported at 91% against 5 year average of 85%. Soybean harvesting is lagging behind against 5 year average and is at 32% against 5 year average of 36%.

Soybean conditions has remained unchanged in the good to excellent conditions and is at 68%.

According to the latest updates from the U.S. Drought Monitor, current spell of rains helped drop drought's footprint in the U.S. lower for an eighth consecutive week, now covering 43.3% of the country – the lowest such percentage since late May. The five-day cumulative precipitation map from NOAA shows much of the central U.S. getting an additional spell between till October 16, with the exception of parts of the upper Midwest and Northern Plains.

World ending stocks for soybeans saw mixed results 2017/18 and 2018/19, with USDA dropping this year's estimates to 96.65 million metric tons and raising next year's projected totals to 110.04 MMT.

USDA fractionally lowered its 2018 U.S. soybean production estimates from 4.693 billion bushels in September down to 4.690 billion bushels in today's WASDE report.

Conab raises estimates for soybean production to 117 - 119.4 MMT. In the 2017-18 season Brazil produced a record 119.3 MMT. WASDE has Brazil at 120.50. Presidential frontrunner Jair Bolsonaro deemed a friend to the farmer, rolling back environmental restrictions and the elimination of the science ministry part of his platform.

According to Industry group ABIOVE, Soybean crop is estimated at 119.5 MT for the 2018-19 MY. Soybean Exports has been estimated at 77 Mln T Vs 76.1 Mln T In in previous forecast. Soybean Crushing is estimated at 43.6 Mln T Vs 43.6 Mln T In in previous forecasts.

National Grain Trade Centre, China sold 101,057 tonnes of soybean at auction of state reserves at an average price of 3,196 yuan (\$461.98) per tonne.

Due to heavy rains reports of damaged soybeans (pod shatter/splitting) is coming up across the U.S. Midwest. Emergence of drier, much colder weather should allow U.S. corn and soybean harvest to resume over the central and eastern Belts with the key exception of the eastern Dakotas where snow is expected today

Weather remains favorable for continued planting and early development of soybeans In Brazil's Center West and South. Accumulated exports of old crop remain strong in what is usually a slow period. Early planting of Argentina soybeans normally to begin in the "core" as planting of early corn comes to a close.

U.S. farmers hoping to get on with harvest 2018 kept combines idle in many areas as big storms continued moving through the country from the southwest Plains to the Upper Midwest. While the rainfall totals will lessen as the system moves east, other parts of the country won't be spared nature's wrath.

A short meeting between Secretary of State Mike Pompeo and his Chinese counterpart failed to move the ball any in the ongoing battle of wills between the two countries. Traders also digested news from Sunday's first round of presidential voting in Brazil. The country could swing sharply from left to right if leading candidate Jair Bolsonaro wins a run-off. His pro-business views sent the real sharply higher, depressing soybean prices for farmers selling in dollars. But many farmers have already sped up pricing both 2018 inventory and production from the crop they're starting to plant now.

## Soy meal

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CBOT soymeal started losing again after the previous week rally amidst analyst and traders saying that soymeal prices are at a premium and is not in line with the fundamentals.

According to the DGFT data the Soymeal exports can touch 16.5-17.5 lakh tons in the marketing year. SOPA has earlier estimated the exports of 15 lakh tons of soymeal. SEA estimates has been at 10.24 lakh tons. Thus with DGFT exports data of oilmeal the soybean end stocks is estimated at 1.8 lakh tons.

Last year there has been a problem with railways rake availability which has been used for the transportation of Soymeal to Bangladesh which has resulted in limited exports on monthly basis to the neighboring nation. In 2016-17 India was able to exports most of the Bangladesh demand within OND quarter. This year railways have promised for regular availability of rakes in the current exports season.

China is set to bridge its deficit after supply from the US reduced under the ongoing trade war between the two leading world economies.

According to Industry sources, China's inter-ministerial General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) has already taken a decision to lift its nearly six-year-old ban on import of oilmeal from India.

The AQSIQ is expected to visit Indian units for inspection and approval. Industry sources are saying that Chinese companies are interested in import of rapeseed meal through six-odd approved Indian exporters, including Adani Wilmar and Ambuja Exports.

## Technical Analysis:

### NCDEX Soybean FUTURE\*



### Soybean Spot, Indore



\*Note: Daily Chart

Support & Resistance NCDEX Soybean – Nov Contract				
S1	S2	PCP	R1	R2
3180	3220	3241	3280	3310

- Soybean Nov contract extended gains to wards 3280-3310 and breached the 3310 level for a brief period and witnessed strong pull back. Later in the week soybean extended losses towards 3250
- On the upside, INR 3280 shall act as immediate resistance followed by INR 3310
- On the downside, INR 3200 shall act as immediate support.
- Trade Recommendation (NCDEX-Soybean – Nov) Buy  
Traders may also look for going short if Soybean failed to breach 3310 convincingly.

Weekly trade call: **Buy** 3200 Target – T1-3250; T2- 3280, SL – Below 3150

## Rapeseed - Mustard Seed

**The all India weekly seed supplies were reported 6.80 lakh bags as compared to 9.15 lakh bags in the previous week. The supplies were 8.2 lakh bags in the same time frame last year.**

The spot price is flat w-o-w on limited fundamental cues. However, NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 6.65 lakh tons of Mustard is locked as on 21<sup>st</sup> Oct. 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 4290 per quintal as against INR 3915 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Nov contract closed at INR 4173 Qtl compared to INR 4162/Qtl previous week.

Mustard auction is finding good response as the selling has sped up. On 20th of Oct NAFED managed to auction 13575 tons of Mustard in the prices range of INR 3811 to 3960 per quintal. Auction is still below MSP and as the officials has no other choice they are not rigid to sell it at MSP and further as they have to vacate godowns for fresh procurement they are in haste to offload their stocks. NAFED currently holds 6.4 lakh tons of Mustard in their godowns.

In an important development China removed ban on imports of rapeseed meal from India. Imports could resume from Monday subject to Chinese quarantine norms. China put ban on imports of rapeseed meal from India in 2011. This opens big market for Indian rapeseed meal.



**Technical Analysis:**

**Support & Resistance NCDEX RM Seed – Nov contract**

S1	S2	PCP	R1	R2
4151	4118	4162	4200	4250

- Mustard Nov Contract traded in a tight range in the week and breached the 23.6% fibo level and closed above it at the end of week. . Mustard is expected to extend its gain towards 61.8% Fibbo level of 4288.
- Going ahead, the price is expected to find strong support in between 4150-4160
- Trade Recommendation (NCDEX Rapeseed-Mustard – Nov)

Weekly trade call: **Buy** Below 4150: Target – 4200; T2- 4250, SL – 4100.

**Soy DOC Rates at Different Centers**

Centres	Ex-factory rates (Rs/ton)		
	18-Oct-18	11-Oct-18	Parity To
Indore - 45%, Jute Bag	26500	25500	Gujarat, MP
Kota - 45%, PP Bag	27000	26000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	28000	27000	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	27000	26500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	27500	26000	Andhra, AP, Kar, TN
Latur	27500	26500	-

Sangli	#N/A	26500	Local and South
Solapur	26500	27000	Local and South
Akola – 45%, PP Bag	27000	26000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	27550	26200	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	26800	25800	-

**Soy DOC at Ports**

Centers	Port Price		
	18-Oct-18	11-Oct-18	Change
Kandla (FOR) (INR/MT)	Unq	28000	-
Kandla (FAS) (USD/MT)	Unq	376	-
CNF Indonesia – Yellow SBM (USD/MT)	Unq	360	-

Rapeseed Meal	18-Oct-18	11-Oct-18	Change
FAS Kandla (USD/MT)	Unq	217	-
FOR Kandla (Rs/MT)	Unq	16000	-
FOR Mundra (Rs/MT)	Unq	16400	-
CNF Indonesia (USD/MT)	Unq	237	-

**International Soy DOC**

Argentina FOB USD/MT	18-Oct-18	11-Oct-18	Change
Soybean Pellets	343	346	-3
Soybean Cake Flour	343	346	-3
Soya Meal	341	345	-4
Soy Expellers	341	345	-4

**Sunflower (DOC) Rates**

Centers	Ex-factory rates (Rs/ton)		
	18-Oct-18	11-Oct-18	Change
Adoni	21600	21600	Unch
Khamgaon	0	0	Unch
Parli	0	0	Unch
Latur	0	0	Unch

Groundnut Meal (Rs/MT)	18-Oct-18	11-Oct-18	Change
Basis 45%, Saurashtra	Closed	22500	-
Basis 40%, Saurashtra	Closed	20000	-

GN Cake, Gondal	Closed	23000	-
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Mustard DOC	18-Oct-18	11-Oct-18	Change
Jaipur (Plant delivery)	15600	15400	200
Kandla (FOR Rs/MT)	16300	16000	300

Mumbai Oil Meal Quotes:			
Rs/M.T.	18-Oct-18	11-Oct-18	Change
G.N. Extr (45%)	Closed	0	-
Kardi Extr	Closed	0	-
Undec Cottonseed Exp	Closed	20000	-
Rice Bran Extr.	Closed	0	-
Sunflower Extr.	Closed	18000	-
Rapeseed Extr.	Closed	0	-
Soymeal 48%	Closed	26609	-
Castor Extr.	Closed	5850	-

## 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 4,450/Qtl (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

## North East Monsoon forecast for 2018

### 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.

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