

Oilmeal Weekly Research Report

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Executive Summary

Soybean Most active Nov contract at NCDEX traded in a tight channel last. The week continued to witness high volatility as the bull and bears were equally strong and thus sharp rallies and sharp corrections witnessed within day. Spot Market though has been ticking up forming a V shaped bottom and has edged above the crucial level of 3400 indicating firm crush demand as crushers continued to crush heavily to meet their exports commitments.. 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. Many traders has been opined that the SOPA production figures are overestimated and production should be in the range of 105-110 lakh tons.

Daily and weekly arrivals has achieved its maximum. The daily arrivals are recording in between 12 to 15 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. Govt has reported record 19 lakh tons of arrivals whereas SOPA has reported 15 lakh bags. Market is in wait and watch position thus a prolonged consolidation is expected in coming weeks.

Rapeseed stocks offloading are still not fast enough to offload its stocks entirely at the end of this year. However falling edible oil prices has restricted the demand of mustard oil as spreads widened between Mustard and soft oils. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side.

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

Reports releasing this week

1. USDA Weekly Export Sales Report: 06th Dec
2. USDA Weekly Export Inspection Report: 3rd Dec
3. India Rabi Sowing Progress: 07th Dec
4. SEA Oilmeal Exports Report
5. SOPA Nov SnD

Outlook – Cash Market

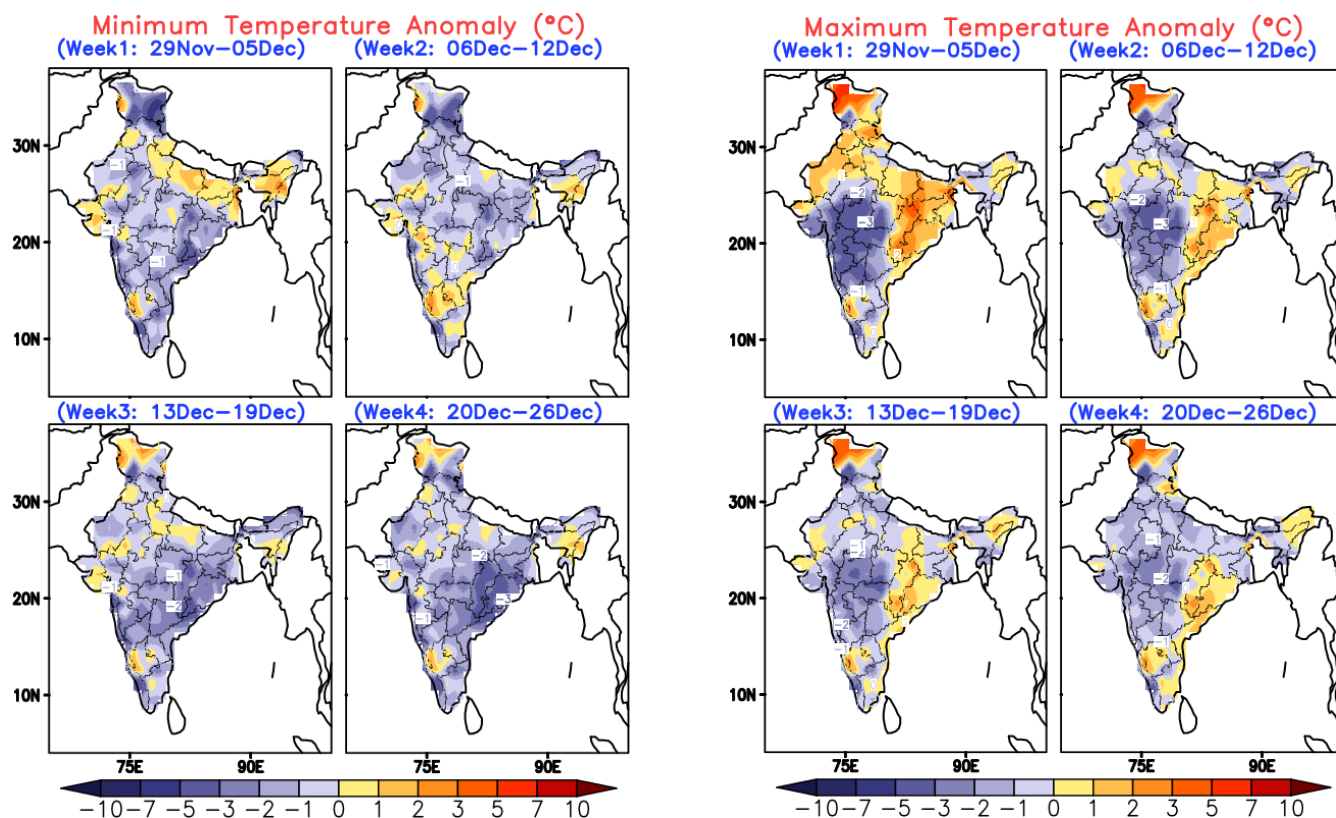
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3400 levels. As we move to Dec months NCDEX soybean is going to find good co-relationship with CBOT prices. In OND quarter Indian soybean remain decoupled with the CBOT. The bottom has been placed out and as we have moved to Dec month NCDEX is expected to reach new highs.

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): Decent arrivals and slowing crush with brighter sowing prospects has brought bearishness in Mustard prices. Crush demand is expected to rise in late this month. Overall mustard is expected to find support at current levels after factoring good sowing progress and falling veg oil prices.

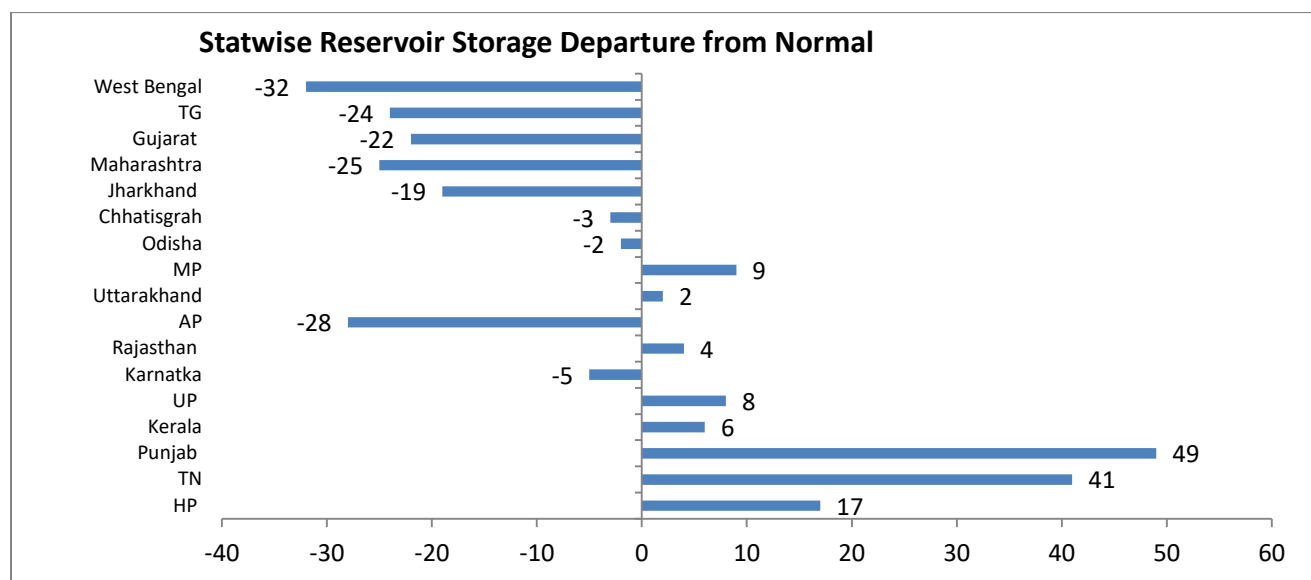
Weather Forecast (For Rabi Oilseeds)

Temperature



Eastern Mustard growing region is forecasted to witness above normal temperature profile.

Reservoir Status in States 30.11.2018



Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 30.11.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	59.15	55.51	57.89	4%	94.5%
Groundnut	7.85	2.61	2.83	1.95	-31%	24.8%
Safflower	1.62	0.73	0.52	0.26	-50%	16.0%
Sunflower	3.78	1.89	0.19	0.76	300%	20.1%
Sesamum	3.04	0.28	0.15	0.15	0%	4.9%
Linseed	2.93	2.18	2.54	1.95	-23%	66.6%
Other Oilseeds	0.15	0.27	0.16	0.17	6%	113.3%
Total	80.62	67.11	61.9	63.13	2%	78.3%

Soybean-

Domestic Market

In a recent move, US has granted India to waive from Iran sanctions for oil imports till March 2019. The US planned to re-impose oil-related sanctions to Iran from Nov 4. India has been engaged with US and successfully persuaded US in removal of trade sanctions. However the Oil imports is restricted to 1/3rd of the annual Imports.

Soybean arrivals were tepid through the week across all major states. On the whole approximately 28.5 lakh bags of arrivals were estimated in MP, Maharashtra and Rajasthan put together, compared to about 45 lakh bags during the last week. The spot market has not made any gains despite the decline in arrivals, even though futures market has made reluctant gains. Mustard seed all India arrivals stood at 8.85 lakh bags compared to about 8.6 lakh bags last week.

Rajasthan state co-operative marketing federation limited (RAJFED) are buying soybean and groundnut in the state and more than Rs 31 crore have been transferred directly to the bank accounts of the farmers via online mode. The number of such farmers is 2,956. In the state, the purchase of soybean is being done since October 11 while groundnut is being bought since October 16. For purchasing these crops 295 centers across the state have been set up by the department of cooperatives and more than 3 lakh farmers had got them registered for the purchase of these crops. About 1.7 lakh farmers of groundnut had registered online.

Gujarat government has announced Rs 110 bonus to farmers over and above the Rs 4,890 MSP per quintal declared by the Centre for 2018-19 kharif season. The responsibility of procurement has been shifted from the co-operative to Food and Civil Supplies Department. The state will set up 122 procurement centers across the state, and will start procuring groundnut from farmers from November 15. Procurement will be done under the price support scheme (PSS) of the Central government.

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

International Market

USDA has reported that Argentina has become the largest importer of US soybean over the last three months as trade declines between China and US. Almost 1.3 million tonnes of US soybean has been inspected for export to Argentina between 1 Sep and 22 Nov which compares with none in the year ago period. Normally Argentina processes its own soybean to export meal and oil, but with China looking for non American soybean, the country is shipping out more raw beans and buying from US to feed its own mills.

As per data reported by China's General Administration of Customs, the country's soy imports from Brazil were also reported to have nearly doubled in Oct 2018 to 6.53 million tonnes compared to 3.38 million tonnes in Oct 2017. Soybean imports from Russia in October were at 92,806 tonnes, up 60% from 57,643 tonnes a year ago.

Overall soybean stocks rose to a record in early October at 9 million tonnes, while soybean meal stocks were also higher than in previous years.

According to EC, European Union soybean imports in the 2018/19 season that started on July 1 totaled 4.6 million tonnes by Nov. 11, up 4 percent from 4.5 million a year earlier. EU 2018/19 soymeal imports had reached 6.2 million tonnes, down 17 percent from a year-earlier 7.4 million.

According to Ukrainian Ministry of Agriculture, Ukraine has almost completed 2018's sunflower harvest at 13.6 million tonnes compared with 11.7 million tonnes in 2017. Ukraine's 2018 soybean harvest near end at 4.3 million tonnes versus 3.5 million tonnes in 2017.

In South America, soybean sowing pace is recorded higher as compared to average sowing pace. In Argentina Sowing has been completed in 9.4 % which is higher by 6.9% y-o-y.

In Brazil sowing has been completed in 70% of the intended area as compared to 57% of average sowing pace. According to NOAA, the chances of El Nino evolving this Dec has been increased to 90% as compared to previous month forecast of 70%.

Soy meal

Chinese demand of soybean meal may decline further as the incidence of African swine flu is seen rising. A fresh outbreak of the flu was reported from Huangshi city in Hubei province last week, and another one was reported in Beijing. Overall 73 cases have been reported so far from 20 provinces and 600,000 pigs are officially reported to have been culled since the flu was first detected in August. The incidence was limited to just 5 provinces till early September. With no antidote or vaccine, the only known control method is to cull animals which is why soymeal demand stands to get adversely impacted unless the flu gets under control.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean - Dec Contract

S2	S1	PCP	R1	R2
3310	3330	3354	3380	3400

- Soybean Dec contract traded above the trendline support and tested the crucial support of 3350.
- On the upside, INR 3380 shall act as immediate resistance followed by INR 3438
- On the downside, INR 3350 shall act as immediate support followed by 3330
- Trade Recommendation (NCDEX-Soybean – Dec) Buy

Weekly trade call: **Sell** 3340-50 Target – T1-3380; T2- 3400, SL – Below 3330

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 7.60 lakh bags as compared to 7.55 lakh bags in the previous week.

The spot price weaken w-o-w on positive planting intentions and higher pace of mustard sowing. NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 5.0 lakh tons of Mustard is locked as on 03rd Dec. With this pace of release there will be still huge stocks locked till Dec as NAFED is able to release nearly 1 lakh tons of Mustard per month. NAFED is instrumental in altering Mustard Supply and Demand as It wants to sell Mustard at least at MSP. Seeking limited response from the crushers in auction the agency is offering Mustard at lower rate as compared to prevailing market prices. At the end of week mustard closed at 4205 per quintal as against INR 4235 per quintal during the corresponding period last year at the benchmark, Jaipur.

Mustard sowing in all the major states are y-o-y high except Haryana. However they are at par with the normal sowing pace. As on 30.11.2018 sowing has been completed in 57.892 lakh hectares which is 1.2 lakh hectares below normal sowing pace.

Technical Analysis:



NCDEX RM Seed Futures

RM Seed Spot, J

Support & Resistance NCDEX RM Seed - Dec contract

S1	S2	PCP	R1	R2
3930	3950	3966	3970	4000

- Mustard Dec Contract has made contract lows and is hovering around 3950 levels.
- Going ahead, the price is expected to find strong support in between 3930-3950
- Any breach of this is going to change the trend and weaken towards the new lows.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Dec)

Weekly trade call: **Buy** 3930-3950: Target – T1-3970 T2- 4130, SL – 3900.

Oil Meal Prices at Key Spot Markets:

Centres	Ex-factory rates (Rs/ton)		
	30-Nov-18	23-Nov-18	Parity To
Indore (MP)	27700	27500	Gujarat, MP
Kota	28000	28000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	29300	29500	Mumbai, Maharashtra
Nagpur (42/46)	29000	29500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	29500	29200	Andhra, AP, Kar ,TN
Latur	29700	30500	-
Sangli	29900	29500	Local and South
Sholapur	30000	29700	Local and South
Akola	27800	28200	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	29800	29500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	27800	27800	-

Soy DOC at Port

Centers	Port Price	
	29-Nov-18	22-Nov-18
Kandla (FOR) (INR/MT)	29200	29200
Kandla (FAS) (USD/MT)	418	410

International Soy DOC

Argentina FOB USD/MT	29-Nov-18	22-Nov-18	Change
Soybean Pellets	329	331	-2
Soybean Cake Flour	329	331	-2
Soya Meal	328	330	-2
Soy Expellers	328	330	-2

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	30-Nov-18	23-Nov-18	Change
Adoni	20000	20000	Unch
Khamgaon	Unq	Unq	-
Parli	Unq	Unq	-
Latur	Unq	Unq	-

Groundnut Meal (Rs/MT)	30-Nov-18	23-Nov-18	Change
Basis 45%, Saurashtra	25500	25200	300
Basis 40%, Saurashtra	23000	22500	500
GN Cake, Gondal	26000	25500	500

Mustard DOC/Meal	30-Nov-18	23-Nov-18	Change
Jaipur (Plant delivery)	15100	15600	-500
Kandla (FOR Rs/MT)	15500	16100	-600
Sri Ganganagar	1945	1985	-40

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

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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