

Oilmeal Weekly Research Report

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Executive Summary

Soybean Most active Jan contract at NCDEX gained after testing the key support levels in the last week. Spot Market though has been at and above 3380 and gained till 3460. Currently in the spot chart there are limited bullish cues coming from it. The crush demand as crushers continued to crush heavily to meet their exports commitments. The arrivals are still not very high as compared to last year and thus we are still sticking to our estimate of nearly 104 lakh tons. Dec remains crucial both for arrivals and exports and thus is pivotal in the assessment of production and as well as how soon we are going to exhaust the exportable surplus. of then 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.

The daily arrivals are recording in between 7 to 8 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 arrival is expected to be higher in the OND quarter due to the BBY and NAFED procurement program. However as there is new govt formed in MP there are doubt over continuation of BBY. 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.

International market will be in the festivals mood over New Year and Christmas celebrations and thus volumes traded is expected to remain low. Lets see how Chinese investors going to move the market. CME Globex is going to remain closed on 1st Jan 2019.

Soymeal exports to Bangladesh have been nil but other origins exports has been better as compared to last year over competitive parity of Indian soymeal. Iran too imported 55 thd tons in Nov and another 1.45 lakh tons is expected to be shipped. Bangladesh sooner or later is going to start taking Indian soymeal which they haven't due to limited rake availability and Bangladesh Imported heavily US soybean at bargain price.

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. NAFED still holds nearly 4.2 lakh tons of Mustard with three months for the season to end. Sowing as at last year pace and has thus diminished the hopes of record acreages over higher MSP and good profit realization over Chana this season. Mustard spot prices has fallen to 26 weeks low and thus the immediate bullishness has been almost evaporated.

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

Outlook – Cash Market

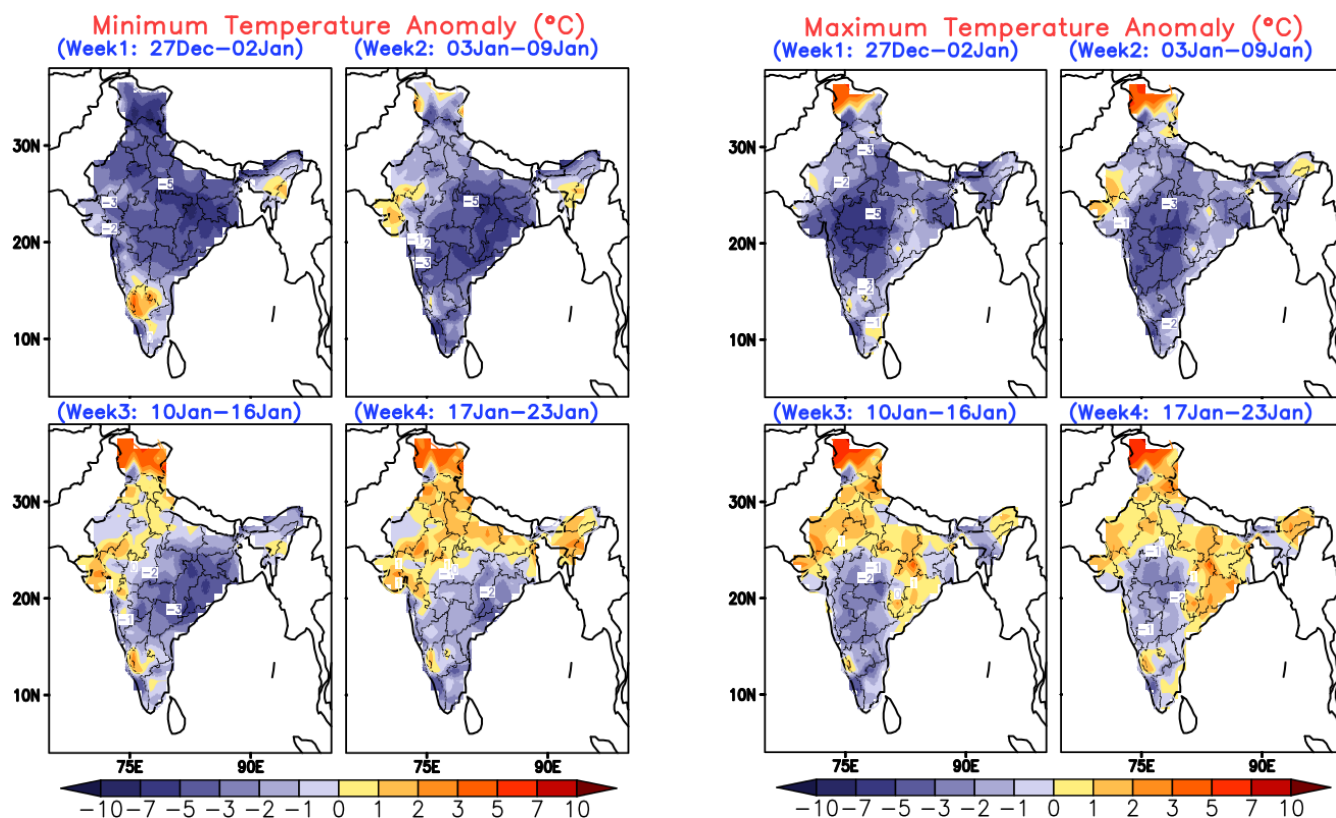
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3320 levels. As we move to Dec months NCDEX soybean is going to find good co-relationship with CBOT prices. In OND quarter Indian soybean remain decoupled with the CBOT. The bottom has been placed out and as we have moved to Dec month NCDEX is expected to reach new highs but there is very limited potential for any aggressive rallies. CBOT soybean has started weakening and as the Indian bean is going to couple with International prices weaker sentiments is going to loom in the market.

Outlook – Soy meal (Spot, Indore): Meal prices are expected to remain range bound as an international price is not gaining momentum. The exports pace is also not too aggressive to find any rapid gains in soy complex. 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.

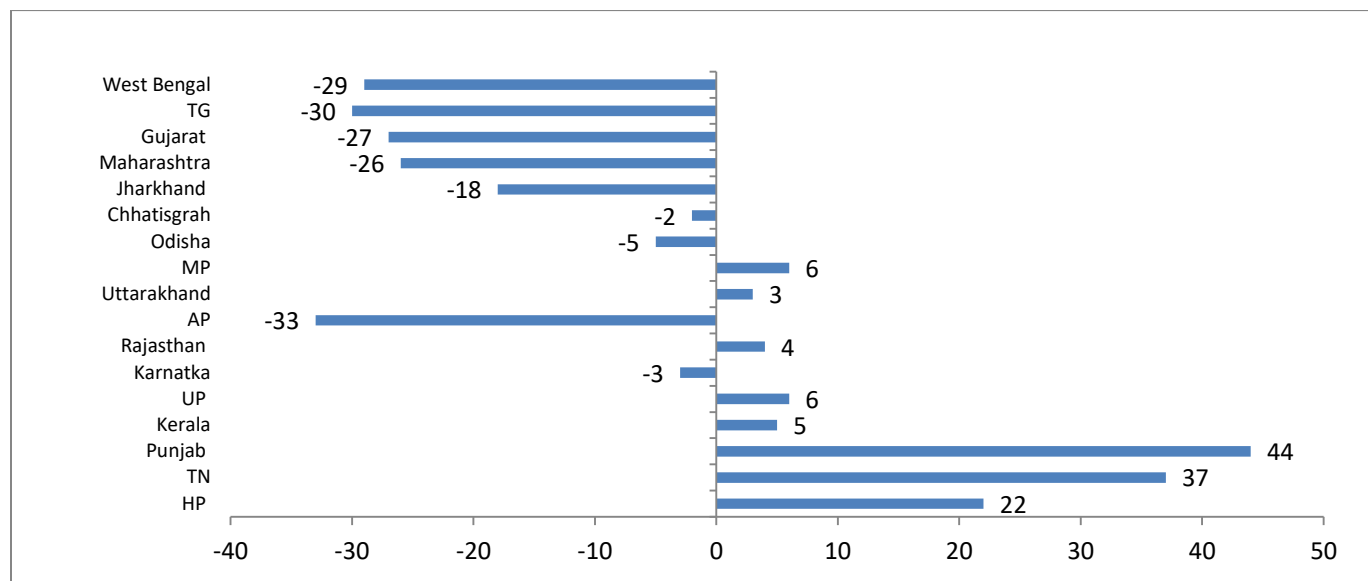
Outlook - Rapeseed-Mustard (Spot, Jaipur basis) Seasonal rise in Mustard prices is expected but with the given scenario of y-o-y higher acreages limiting any aggressive gains. Thus the Mustard spot rates has declined to 26 weeks lows and thus hopes of any aggressive rallies has been diminished. Crush 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



Reservoir Status in States 14.12.2018



Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 28.12.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	65.63	63.82	65.79	3.1%	107.4%
Groundnut	7.85	4.05	4.26	3.29	-23%	41.9%
Safflower	1.62	1.02	0.72	0.34	-53%	21.0%
Sunflower	3.78	2.31	1.39	0.97	-30%	25.7%
Sesamum	3.04	0.47	0.29	0.4	38%	13.2%
Linseed	2.93	3.23	3.63	3.1	-15%	105.8%
Other Oilseeds	0.15	0.47	0.29	0.26	-10%	173.3%
Total	80.62	77.18	74.4	74.15	0%	92.0%

Soybean

Domestic Market

According sources, the Chinese government this week asked the Indian government for a draft of protocol for Indian soybean meal, to be discussed during the GACC visit to India starting December 10. A Chinese trade delegation is coming to India on Dec. 10 to inspect soymeal plants. Earlier China has cleared few soybean plants.

NAFED Soybean procurement under PSS has been only 17360.15 tons as on 26th Dec. Soybean procurement has been going on in Rajasthan, Maharashtra, Telangana and Karnataka. In MP soybean is under BBY and thus NAFED has not been procuring soybean there. As the market prices has improved and is close to MSP the soybean farmers are preferring selling their soybean in open market.

As the market moves towards the new year market is still not very clear in the price direction and OND quarter is going to close with very sideways trade. We will see how the OND quarter performance in terms of exports and arrivals and the prospects of international market.

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

International Market

CBOT soybean Jan contract has been gone to level pre the G20 truce between China and US. There has been very limited post such development and only some consignments has been booked to China. China hasn't changed the tariff and booking has been mainly due to narrowing of the spreads between Brazil and US Soybean.

Argentina Nov Soybean exports has been highest since 2007. Soybean import in Argentina in the period Jan to Nov has been at 5.7 million tons which was just 1.842 million tons last year in the same time frame.

There is only one trading day left in 2018 and the Ag markets are becoming devoid of new fundamental information. With government shutdown there was no weekly export sales report this morning nor will there be an afternoon Commitment of Traders report. The shutdown is expected to continue well into the beginning of the New Year.

Argentina forecast is for above normal rains for central regions which could impact newly planted soybeans. Brazil rainfall for January looks to be a continuation of December which was a drier than normal pattern for southern Brazil. Northern Brazil rainfall has improve but drag to yields in Parana and Rio Grande du Sol could limit upside potential to production.

Brazil crop is still looking good with crop expected to be early this year. There has been reports of drought in core central area of Brazil but this will help in early harvest which is already been reported to be early this year

against normal. Thus with the peak OND quarter for US soybean coming to close Jan WASDE may reflect an all-time high US and world stock.

China has removed import tariffs on rapeseed meal, cotton meal, sunflower meal and palm meal effective January 1. Imports of these alternative meal options are not huge but do offer end users some other options. Tariffs on imports of US soybeans remains and DDGs were not mentioned. November imports of US beans was zero for first time since trade war started. China imported 5.07 MMT of beans from Brazil, up 80% from last year's 2.76 MMT. US imports last November were 4.7 MMT and 67,000 MT last month. Bangladesh seeks 50,000 MT of wheat. Jordan issued another tender to buy 120,000 MT of feed barley.

Soy meal

Cash soymeal market offered at lower price in the market today taking cues from international market. CBOT soymeal has been under bearish grip and lost nearly \$15 from the day after G20 meet eclipsing the rise after G20 meet and closing at 17 sessions low.

Indian soymeal has gained premium in last two weeks and such situation has the potential to restrict export queries. Argentinean meal has not been able to find any upward push as the CBOT meal is now relatively at discount over the bean as US soymeal stock rises.

With International meal showing no signs of recovery any aggressive rallies is still at bay and Indian meal may plunge next year if the exports starts declining or International prices comes under the huge supplies from South American crop.

News are coming of the soybean under drought in Brazil and not so good condition in Argentina, However its too early state anything about the amount of losses due to it. We have seen US yield hitting to the record high even after drought and rains during the harvest.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jan Contract

S2	S1	PCP	R1	R2
3300	3310	3343	3390	3414

- Soybean Jan contract trading in channel and gained after testing 3310 level
- On the upside, INR 3390 shall act as immediate resistance followed by INR 3414
- On the downside, INR 3320 shall act as immediate support followed by 3310
- Trade Recommendation (NCDEX-Soybean – Jan) Buy

Weekly trade call: **Buy** 3310-20 Target – T1-3390; T2- 3412, SL – 3300

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 5.9 lakh bags as compared to 7.15 lakh bags in the previous week.

The spot price has declined aggressively w-o-w closing near to below 4100 making 25 weeks low or 6 months low, as the market started factoring in the good prospects of the ongoing mustard crop as well as record stocks available with the NAFED. NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 4.67 lakh tons of Mustard is locked as on 15th 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. At current rate of stock release by end if Fed nearly 3-3.5 lakh tons of stocks is expected to carry forwarded with NAFED. 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 4105 per quintal as against INR 4075 per quintal during the corresponding period last year at the benchmark, Jaipur.

Mustard fundamentals continued to remain bearish and according to the latest data released by the GOI as on 28th Dec Mustard has been covered in 65.79 lakh hectares as against 63.82 lakh hectares last year. With this trend final area can be in between 67 to 68 lakh hectares. Our previous estimate of the area was 68.5 lakh hectares.

As per our expectations the acreages in WB, Odisha and Bihar has improved after last week rains. However in Jharkhand the acreages has remained low as compared to last year which is indicating that the mustard growing areas has been already shifted.

NAFED as on 26th Dec is holding 4.3 lakh tons of mustard in their warehouses. On 24th Dec the auction fetched prices in between INR 3705 to 3800 and sold 7076 tons. There is another two months left for the start of new season and there is high probability that the new season will start of huge carry over stock.

Northern India is reeling under extreme cold conditions and reports of frost damages have been coming in from isolated areas. Crop conditions is still under strict vigilant in terms of growth and development at this crucial point of time.

Technical Analysis:



RM Seed Futures Jan Contract

RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – Jan contract				
S1	S2	PCP	R1	R2
3950	3930	3983	4000	4050

- Mustard Jan Contract has traded two ways in the week and made contract lows.
- Mustard is taking strong support at 3920-30.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3920-30: Target – T1-4000 T2- 4050, SL – 3900.

Soy DOC Rates at Different Centers			
Centres	Ex-factory rates (Rs/ton)		
	27-Dec-18	20-Dec-18	Parity To
Indore - 45%, Jute Bag	27000	27300	Gujarat, MP
Kota - 45%, PP Bag	27400	27500	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	28800	29000	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	27500	28500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	28400	28600	Andhra, AP, Kar ,TN
Latur	29000	29000	-
Sangli	#N/A	29100	Local and South
Solapur	28500	29500	Local and South
Akola – 45%, PP Bag	27200	27500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	28500	28500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	27200	27300	-

Soy DOC at Ports			
Centers	Port Price		
	27-Dec-18	20-Dec-18	Change
Kandla (FOR) (INR/MT)	28600	28900	-300
Kandla (FAS) (USD/MT)	407	411	-5
CNF Indonesia – Yellow SBM (USD/MT)	395	395	Unch

Rapeseed Meal	27-Dec-18	20-Dec-18	Change
FAS Kandla (USD/MT)	211	212	-1
FOR Kandla (Rs/MT)	14900	15400	-500
FOR Mundra (Rs/MT)	15400	15800	-400
CNF Indonesia (USD/MT)	234	237	-3

International Soy DOC			
Argentina FOB USD/MT	27-Dec-18	20-Dec-18	Change
Soybean Pellets	324	324	Unch
Soybean Cake Flour	324	324	Unch
Soya Meal	324	323	1
Soy Expellers	324	323	1

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	27-Dec-18	20-Dec-18	Change
Adoni	21200	21400	-200
Khamgaon	0	0	Unch
Parli	0	0	Unch
Latur	0	0	Unch

Groundnut Meal (Rs/MT)	27-Dec-18	20-Dec-18	Change
Basis 45%, Saurashtra	24500	24500	Unch
Basis 40%, Saurashtra	22500	22000	500
GN Cake, Gondal	25000	24500	500

Mustard DOC	27-Dec-18	20-Dec-18	Change
Jaipur (Plant delivery)	14500	15000	-500
Kandla (FOR Rs/MT)	15000	15500	-500

Mumbai Oil Meal Quotes:			
Rs/M.T.	27-Dec-18	20-Dec-18	Change
G.N. Extr (45%)	0	0	Unch
Kardi Extr	0	0	Unch
Undec Cottonseed Exp	20800	21000	-200
Rice Bran Extr.	0	0	Unch
Sunflower Extr.	22000	22000	Unch
Rapeseed Extr.	0	0	Unch
Soymeal 48%	28174	28487	-313
Castor Extr.	5100	5050	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

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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