

# Oilmeal Weekly Research Report

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## Executive Summary

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Mixed trend featured in Soybean spot markets amid ups and downs in demand. The sentiments of Market depends on the flow of arrivals. As of now, traders are not in mood to release their soybean stocks at current market prices.

As per recent ministry report, Rabi Oilseeds crop normal sowing area for 2018/19 is down by 19% to 79.84 lakh Ha. in India as compared to 80.46 Lakh Ha. in 2017-18. So far, farmers have covered total 80.36 lakh Ha. Oilseed crops of Rabi season which is down by 3.24% against Normal Area record i.e. 83.05 lakh Ha. However, Rapeseed sowing area in 2018/19 stood at 69.12 Lakh Ha. as on 1st Feb 2019 which is higher by 2.1% from 66.98 Lakh Ha. in previous year (2017/18).

As per OND quarter, the production to remain high y-o-y. However as most of the traders was saying the SOPA production number seems to be overestimated and there is potential downward revision is expected in this month by at least 5 lakh tons. As of now SOPA hasn't officially given any revision of its crop production estimate and SEA has stick to its production if 102.5 lakh tons. SOPA has given it first estimated of production at 114.87 lakh tons. We are still sticking with production of 104 lakh tons and it will be crucial to see the arrivals after the expiry of the BBY window in MP. 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. Traders expects the production estimates of India in the range of 105-110 lakh tons.

According to SEA, India managed to export just 2.5 lakh tons of soymeal and was disappointing especially with good stories building up over China and Iran. The same story reappeared last week and which has given impulsive rallies in the market and there are good chances that Jan exports is going to close with exports if 2.5 lakh tons of soymeal which will be 4 year highest Jan exports and which remain supportive for soymeal prices. Further soymeal prices hasn't gained as much as the bean and hence further upward potential remains for soymeal. However there is potential for unseasonal fall in March-April month when International market comes under bearish grip with SA crop hitting the international market. Indian soybean so far has digested the potential rally as of now and further soybean is looking for international cues.

At international front, prices are getting support after a positive trade deals between U.S. and China. Recently, the Chinese state agricultural conglomerate COFCO Group bought a batch of soybeans amounting to "millions of tonnes" from the United States. Further, It is going to import more soybean from South America and other suppliers. SA crop is looking lower from there previous estimates due to unfavorable weather however the global as well as US end stocks is going to remain all time high which is restricting further gains.

Rapeseed stocks offloading have picked up the pace and by 24<sup>th</sup> Jan 2.3 lakh tons of rapeseed were available with NAFED, and with such pace NAFED could able to dispose most of its stock. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side. Last week overall has been very beneficial and thus above average yield is expected thus we are revising the production estimate to 70 to 71 lakh tons as of now. There is no forecast of rains and thundershower in coming 15 days which will help in crop ripening and early arrivals.

Overall soybean is expected to trade steady to upside and Mustard is expected to increase in upcoming days..

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade towards 3920 and we can witness pull back after that. The market has digested the sentiments of potential exports to Iran and the market is expected to remain range bound till the actual exports data is released confirming the same. Till then market is expected to remain sideways.

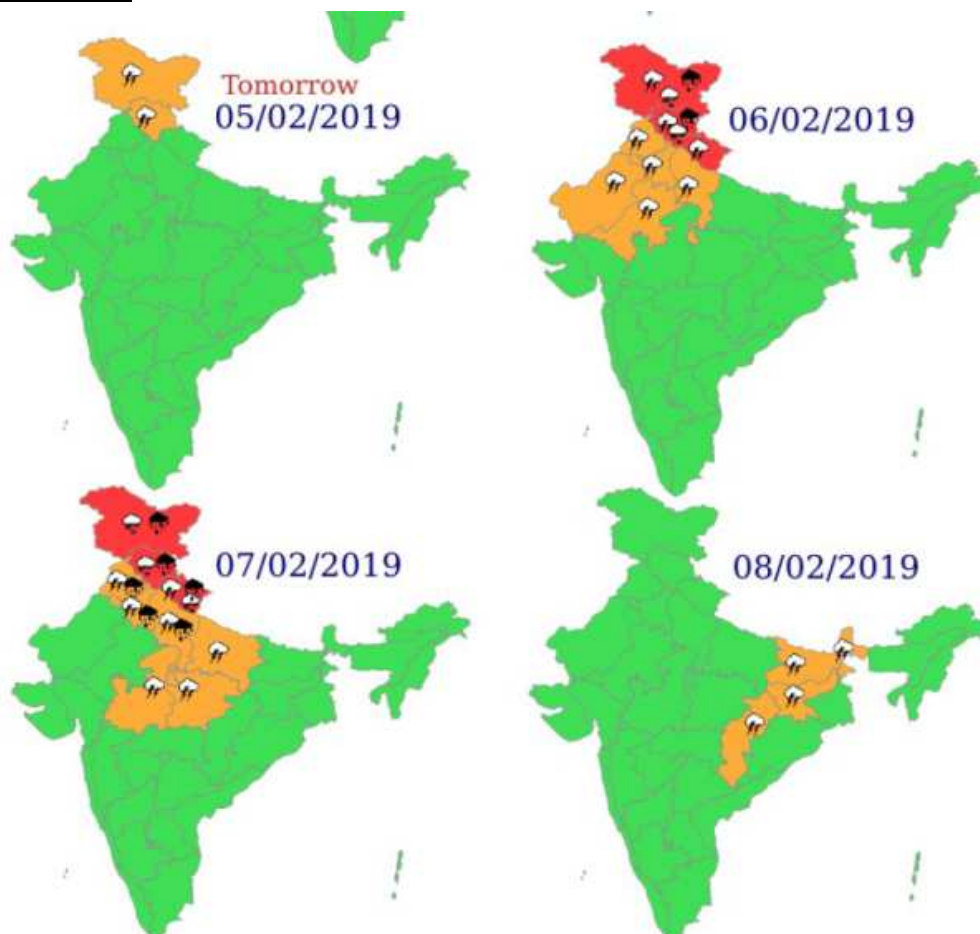
**Outlook – Soy meal (Spot, Indore):** Meal prices are expected to trade in a range of 32000 to 33500 on cues from soybean market. The spread between soybean and soymeal narrows in the off season and thus potential rally in soymeal remains and which will be depending on the exports. Meal hasn't gained as much as the bean has.

**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. Overall mustard is expected to find support at current levels after factoring good sowing progress and falling veg oil prices. NCDEX prices is rising due to basis correction as the feb contract expiry near in.

## Weather Forecast (For Rabi Oilseeds)

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### Weather Forecast



Heavy rainfall had been reported at isolated places over Telengana, Rayalaseema and Vidarbha on one day each during the week.

Dense to very dense fog has been at isolated places observed over East & West Rajasthan, West Uttar Pradesh and Himanchal Pradesh on two days; over coastal Odisha and Uttarakhand on one day each during the week.



## Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 01.02.2019						
	Normal Area	Average Area Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Average Area as on Date
Rapeseed & Mustard	61.25	67.54	66.98	69.12	2.1	1.6
Groundnut	7.85	6.67	6.00	4.64	-1.4	-2.0
Safflower	1.62	1.08	0.81	0.45	-0.4	-0.6
Sunflower	3.68	2.79	1.72	1.12	-0.6	-1.7
Sesamum	3.04	0.82	0.58	0.73	0.2	-0.1
Linseed	2.93	3.56	4.02	3.44	-0.6	-0.1
Total	80.36	83.05	79.84	80.46	-0.6	-3.2

## Soybean

### **Domestic Market**

As per the agriculture ministry, the centre has bought oilseeds worth Rs. 24,503 crore so far under the price support scheme.

Early last week Soybean market took positive cues from Iran's SLAL global tender for importing 2 lakh tons of soymeal and thus the market is thinking that the requirement is going to be fulfilled by India given the restriction imposed by US on banking and shipping companies doing business with Iran. India has upper hand as India can facilitate through Indian currency and also has been some relief till March.

After the Iran story market is looking for fresh news and development. Current fundamentals have been discounted in the market and thus are more dependent on international variables. Poultry farmers are jacking up for the holi demand and weekly chick placements are on rise before the drop witnessed in summer.

Nafed have started to sale of PSS Soybean Kharif 2018 in State of Rajasthan, Telangana, Maharashtra & Karnataka procured under Price Support Scheme of Govt. of India.

The BBY 2018-19 scheme closed with participation of 12 lakh farmers in which farmers sold 17.7 lakh tons of soybean which forms nearly 33-35% of produce. As the BBY closed on 19th there are apprehensions that arrivals is going to fall. However as the prices has shot up it is interesting to see the behavior of farmers in the way they release their stocks.

***The domestic soybean prices are likely to trade steady to higher side in the domestic market.***

**International Market**

A positive talks between US and China has led a support to market. China has started to purchase U.S. soybean. The Chinese state agricultural conglomerate COFCO Group recently bought a batch of soybeans amounting to "millions of tonnes" from the United States.

As per Brokerage INTL FCStone, Brazil's soybean crop is expected to touch the level of 112.2 million tonnes which is down by 4 million tonnes from last month due to hot and dry weather.

Russia may stop buying soybean from Brazil due to high percentage use of pesticide especially of products using glyphosate. They will start purchasing once Brazil will stop using more volume of pesticide.

Soybean inspections are running 39.6% behind last year vs. USDA forecasting exports to decline near 11%. The US government shutdown has reached 32 days. The USDA did temporarily open some FSA offices to process loan checks and besides Federal Grain Inspectors still reporting weekly inspections, grains lack that fresh daily input it needs to sustain any rallies.

According to the data released by EC, EU soybean imports in the 2018/19 season that started on July 1 totalled 7.8 million tonnes by Jan. 20, up 11 percent year on year. EU 2018/19 soymeal imports had reached 9.6 million tonnes, down 13 percent from a year earlier.

China's state grain stockpiler Sinograin has met its goal in reducing the inventory of soybeans by selling 2 million metric tons of soybeans.

According state stats, China produced 54.04 million tonnes of pork in 2018, down 0.9 percent from a year earlier, as the world's top consumer of the meat grapples with the spread of African swine fever, raising supply concerns. Output fell as the size of the herd declined 3 percent to 428.17 million head. For 2018, the number of slaughtered pigs fell by 1.2 percent to 693.82 million head, showed the data. NAational pig stocks in December were almost 5 percent lower than a year earlier, while the number of breeding sows was down by more than 8 percent.

The statistics bureau data also showed beef output grew by 1.5 percent to 6.44 million tonnes in 2018, the highest level in records going back 20 years, while lamb output rose 0.8 percent to 4.75 million tonnes. Poultry production rose 0.6 percent to 19.94 million tonnes.

Thus there was fall in demand of soymeal in China which coincided with the trade war. However the demand of pork continued to rise and was met by Import of pork from US.

## Soy meal

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On the long term outlook for soybean, for Indian soybean to Inch high CBOT has to give support as the Indian soybean potential to rise by its own fundamentals has exhausted and further upward push has to come from international market.

As India is eyeing export of 4.5 lakh tons of soymeal in FY 2018-19 and 3LT has been already exported to Iran by Dec thus to meet the target 1.5 LT has to be exported which is expected to be covered by mid of Feb.

For KMS Oct-Sep Soybean meal has been exported to a tune of 1.1 lakh tons OND and thus by mid of season India is expected to export nearly 2.6 LT of soymeal which Iran will compensate, the loss of exports to Bangladesh. Post mid of 2018-19 Soybean season, it should be noted that US will again force India to put a trade sanction on Iran after the expiry of the grace period. In this period prospects of soymeal exports to Iran has to be evaluated given the fact Iran has already a contingency plan to bypass US restriction by doing barter trade with India with Iran's bank opening its banking facility branch in Mumbai to facilitate transaction in Indian rupee.

Indian soymeal premium has gained over Argentinean meal with Indian meal bullishness producing the premium rather than Argentinean meal bearishness. Such premiums is going to result very limited bookings of Indian Soymeal for forward as well as spot market. Other than Iran the exports is expected to fall from March months onwards as Indian soymeal exports against forward booking is over.

Arrivals in MP after the expiry of BBY window has taken a set back and thus daily arrivals has fallen on an average by 50%. Prior week average arrival was 2.15 lakh bags whereas last two days arrivals is just 50 thd bags and 70 thd bags respectively.

With another 9 days to go we can expect the bulk exports of soymeal clocking 1.8 to 2.0 lakh tons and with container shipments Jan exports can reach 2.5 lakh tons which can be highest Jan exports is last 3-4 years. Thus a current sentiment of improving exports is expected to continue to linger in the markets till mid of Feb at least.



**Technical Analysis:**  
**NCDEX Soybean FUTURE\***



**Soybean Spot, Indore**



- Soybean Feb contract traded range bound finding support at 3789 and resistance at 3950
- On the upside, 3950 shall act as immediate resistance followed by INR 4020
- On the downside, INR 3789 shall act as immediate support followed by 3700
- Trade Recommendation (NCDEX-Soybean – Feb) Sell

Weekly trade call: **Buy** 3860-3870 Target – T1-3900; T2- 3930, SL – 3800

## Rapeseed - Mustard Seed

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**All India weekly seed supplies were registered down compared to previous week records as stockiest don't want to release their holdings at the current market prices.**

The spot price has been range bound. Old crop is going to find support at current levels however new crop is expected to fall towards 3600 given the scenario building towards a good crop this year. At the end of week mustard closed higher at 3984 per quintal as against INR 3969 per quintal last week at the benchmark, Jaipur.

NAFED Mustard auction witnessed a whopping 11187 tons selling in the price range of INR 3601 to 3832 per quintal. Stocks available is just 2.28 lakh tons as on 24th Jan. In Jan a record 1.7 lakh tons of mustard has been auctioned.

Mustard prices are seasonally inching higher as the stocks are tightening just before the start of new crop arrivals. However the potential remains limited and any upside movement is a function of weather at this point of time. The European model for medium range forecast is indicating towards rains and thunderstorm by this weekend in many places in central and eastern India. Lets see if there is hailstorm accompanied with it. As the current spell of rains is half over there has been very limited reports of crop damages due to hailstorm however some patches has witnessed crop dislodging due to heavy rains. According to tradesmen and mustard crusher's current spell of rains is going to improve the yield and the chances of recording y-o-y higher yield is better this season. Mustard crop has been further found beneficial temperature range with limited fog which helped in rapid crop development. Current spell of rains is going to bring chilly weather which is also beneficial as it will restrict abrupt rise in temperature which results immature ripening of crops.

There has been reports of crop dislodging in Mathura and farmers are expecting yield to decline by 10-15%.

New Mustard crop has hit the Baran market and was expected as the sowing was early in Rajasthan. Traders are saying about bumper crop this season. Usually the new crop starts arriving from second week of Feb. From here onwards there is just 15-20 days left we can witness rising arrivals of new crop and thus price is expected to remain under pressure. Further weather development has to be taken care of from Feb onwards.

**Technical Analysis:**



Weekly trade call: **Buy**3980-85: Target – T1-4020 T2- 4090, SL – 3950

<b>Soy DOC Rates at Different Centers</b>			
<b>Centres</b>	<b>Ex-factory rates (Rs/ton)</b>		
	<b>04-Feb-19</b>	<b>28-Jan-19</b>	<b>Parity To</b>
Indore - 45%, Jute Bag	32300	33165	Gujarat, MP
Kota - 45%, PP Bag	33200	33700	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	33500	34200	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	33700	33700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	33800	33800	Andhra, AP, Kar ,TN
Latur	35000	35000	-
Sangli	33800	33800	Local and South
Solapur	33300	33300	Local and South
Akola – 45%, PP Bag	34200	34200	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	33700	33700	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	33500	33500	-

<b>Soy DOC at Ports</b>			
<b>Centers</b>	<b>Port Price</b>		
	<b>1-Feb-19</b>	<b>27-Feb-19</b>	<b>Change</b>
Kandla (FOR) (INR/MT)	34300	34500	<b>-200</b>
Kandla (FAS) (USD/MT)	480	485	<b>-5</b>
CNF Indonesia – Yellow SBM (USD/MT)	465	465	<b>Unch</b>

<b>Rapeseed Meal</b>	<b>1-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
FAS Kandla (USD/MT)	218	218	<b>Unch</b>
FOR Kandla (Rs/MT)	15700	15800	<b>-100</b>
FOR Mundra (Rs/MT)	16100	16200	<b>-100</b>
CNF Indonesia (USD/MT)	240	242	<b>-2</b>

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<b>International Soy DOC</b>			
<b>Argentina FOB USD/MT</b>	<b>1-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
Soybean Pellets	329	332	3
Soybean Cake Flour	329	332	-3
Soya Meal	NA	NA	NA
Soy Expellers	330	333	-3

<b>Sunflower (DOC) Rates</b>	<b>Ex-factory rates (Rs/ton)</b>		
<b>Centers</b>	<b>4-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
Adoni	25500	25500	Unch
Khamgaon	Unq	Unq	Unq
Parli	Unq	Unq	Unq
Latur	Unq	Unq	Unq

<b>Groundnut Meal (Rs/MT)</b>	<b>4-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
Basis 45%, Saurashtra	25300	25500	-200
Basis 40%, Saurashtra	Unq	Unq	Unq
GN Cake, Gondal	Unq	Unq	Unq

<b>Mustard DOC</b>	<b>4-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
Jaipur (Plant delivery)	15200	15400	-200
Kandla (FOR Rs/MT)	218	221	-3

<b>Mumbai Oil Meal Quotes:</b>			
<b>Rs/M.T.</b>	<b>4-Feb-19</b>	<b>27-Jan-19</b>	<b>Change</b>
G.N. Extr (45%)	Unq	22000	Unq
KardiExtr	Unq		Unq
Undec Cottonseed Exp	21800	25500	3700
Rice Bran Extr.	Unq	Unq	Unq
Sunflower Extr.	26500	33391	-6891
Rapeseed Extr.	Unq	4950	Unq
Soymeal 48%	33704	22000	11704
Castor Extr.	4950		Unq

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## Annexure

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

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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 Oilseeds during 2017-18 is as under:

Oilseeds – 313.1 Lakhtonnes

- 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 – 0.75 Lakh Tons
- Sunflower – 1.9 Lakh tons
- Linseed - 1.73 Lakh Tons

### India's Kharif Oilseeds Production 2018-19 1<sup>st</sup> Advanced Estimates

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Oilseeds – 313.1 Lakhtonnes

- Soyabean – 134.59 Lakh Tons
- Groundnut – 63.28 Lakh Tons
- Castorseed – 15.17 Lakh Tons
- Sesame/Sesamum/Gingelly/Til – 7.1 Lakh Tons
- Sunflower – .94 Lakh ton

## MSP for 2018/19Kharif Oilseeds

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its (including Rs 100 bonus) and Sesamum by 5.7% to Rs 5,600/Qtl from Rs 5,300/Qtl (including Rs 200 bonus).

## MSP for2018/19 Rabi Oilseeds

Centre has increased the MSP of Mustard/Rapeseed by INR 200 from last year and kept it at INR 4200 per quintal. Last year the MSP of Mustard/rapeseed was INR 400 per quintal including bonus of INR 100.

Safflower MSP has been increased to INR 4945 from INR 4100 per quintal of last year. Last year MSP includes a bonus of INR 100 per quintal.

## SOPASoyean Production Estimates Kharif 2018 As On 08.10.2018

SOPA Estimates of Soybean Production in Lakh Tons				
S.No.	Division/District	2016	2017	2018
1	Madhya Pradesh	54.01	42.0	59.2
2	Maharashtra	35.81	29.0	38.3
3	Rajasthan	9.81	7.5	1.0
4	Andhra Pradesh & Telangana	2.99	1.1	1.6
5	Karnataka	3.24	1.7	2.9
6	Chattisgarh	1.34	0.9	1.1
7	Gujarat	1.38	0.9	1.2
8	Rest Of India	1.13	0.5	1.0
	Grand Total	109.71	83.5	114.8

## North East Monsoon forecast for 2019

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### North East Monsoon forecast for 2019

#### Seasonal Rainfall over South Peninsula IMD's operational forecast for the 2019

Heavy rainfall had been reported at isolated places over Telengana, Rayalaseema and Vidarbha on one day each during the week. Widespread rainfall with isolated heavy falls are also likely over the northern parts of Punjab, Haryana, Chandigarh and West Uttar Pradesh on 7th February. Thunderstorms accompanied with hailstorms at isolated places are likely over western Himalayan region, Punjab, Haryana, Chandigarh & Delhi and West Uttar Pradesh on 6th & 7th; over north Rajasthan on 6th; over East Uttar Pradesh and north Madhya Pradesh on 7th and over north Chhattisgarh, Jharkhand, Bihar and Sub-Himalayan West Bengal & Sikkim on 8th February.

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