

Oilmeals 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

Mostly weak tone are seen in Oilseeds complex during the current week on dull local demand. Traders are not releasing their crop at the current market price as they are waiting for better prices. Exporters are inactive in the market on global cues. Higher crop size estimates and high stock estimates of the world may pull down prices. The market is mainly being driven by international market.

As per sources, Soybean production of India may rise by 38% to 11.48 million tons this year against 8.36 million tonnes in last year record as supported by better yield, favorable weather condition in the major soybean crop growing states like Madhya Pradesh, Maharashtra and Rajasthan. As per Soybean Processors' Association (SOPA) estimates, Soybean acreage rose to 10.48 million hectares compared to 10.16 million hectares in the last season. Average yield jumped by 29 per cent to 1059 kg per hectare for the current harvesting season from 823 kg per hectare in the previous season. Soybean production in Madhya Pradesh may inch up by 41% to 5.92 million tonnes for the current season from 4.2 million tonnes last year. Total yield in the state is estimated to rise by 30.5 per cent to 1094 kg per hectare for the current season from 838 kg from the previous season.

As per recent ministry report, Rabi Oilseeds crop sowing area in 2018/19 season stood slightly down by 0.6% to 80.40 lakh Ha. in India as compared to 80.98 Lakh Ha. in 2017-18. Currently, farmers have covered total 80.36 lakh Ha. normal area as on 8th Feb 2019. However, Rapeseed sowing area of this year is recorded higher by 2.3% to 69.37 Lakh Ha. against 67.06 Lakh Ha. in last year.

As per SEA report, India may cancel further export deal for Soybean meal and Rapeseed meal with China as the procedures or registration with MoA, China is too cumbersome to complete all formalities. India has exported total 283,850 tons of Oilmeals during January 2019 higher than 269,668 tons in previous year during the corresponding period of time. Total exports volume of Oilmeals is recorded up by 7% at 2,692,452 tons during April 2018 to January 2019 against 2,516,657 in previous year during the same period of time. Total shipment of Rapeseed meal went up at 897,537 tons in first ten months (April to January 2019) against 486,917 during the same period of time in previous year supported by major buyers like South Korea, Vietnam and Thailand. Thailand shipped 65% higher rapeseed meals to 263,280 tonnes in the current season. Further soymeal prices hasn't gained as much as the bean. 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 got little 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. However, trade negotiations are not yet done or fulfilled with the quantities as promised between China and US which is curbing CBOT prices major hike. On the other hand, soybean crops condition in South America are good supported by good weather which may further weigh on CBOT prices.

Overall soybean is expected to trade steady to downside and Mustard may also trade down on higher crop estimates.

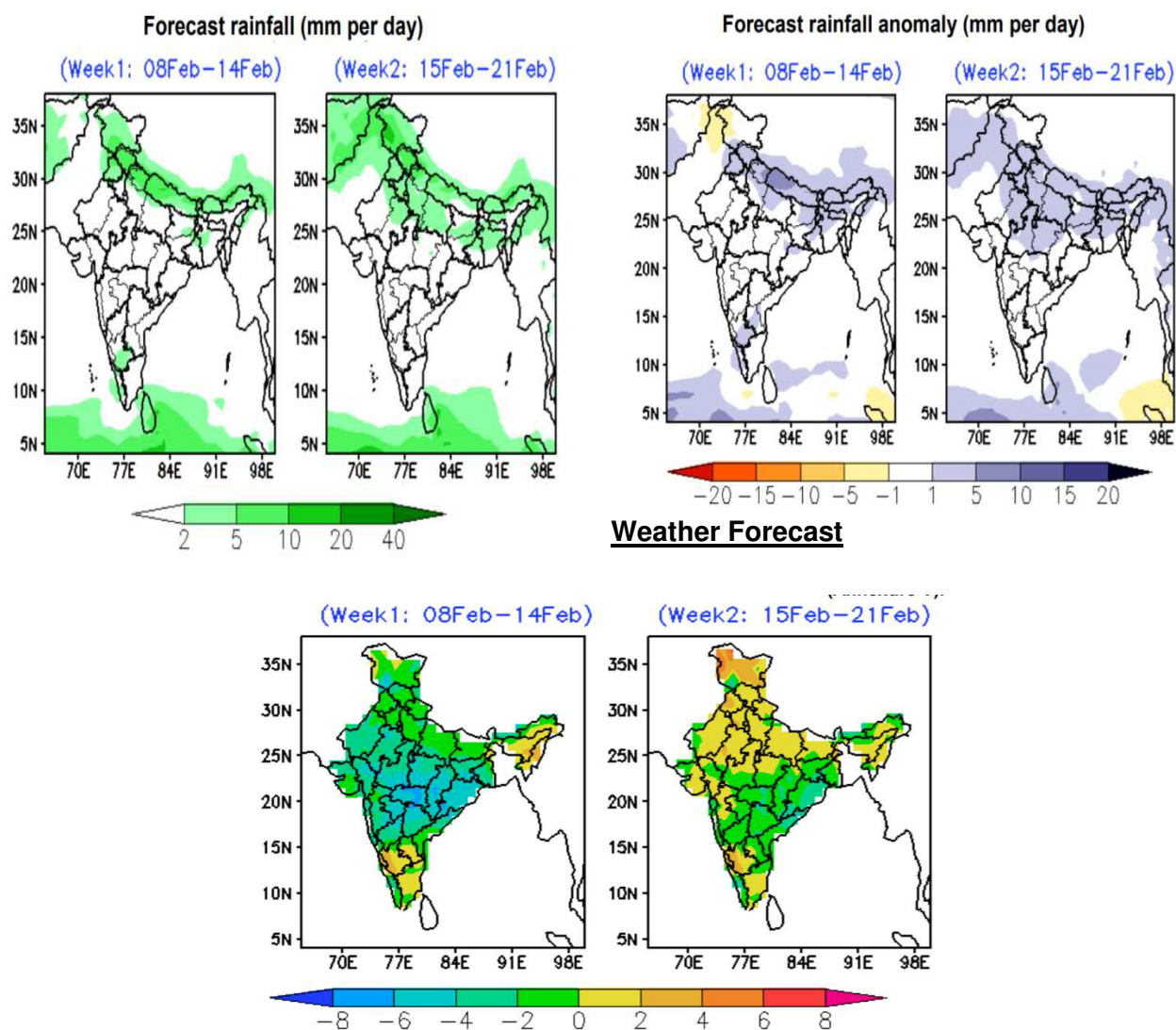
Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade in the range of 3660 to 3800 and we can witness pull back after that. Higher crop estimates for India and higher stock availability of the world will curb further rise of the soybean spot market prices. Market may show lower trend in coming week.

Outlook – Soy meal (Spot, Indore): Meal prices are continue showing mixed trend. We expect steady to weak trend in coming week due to unsupportive exports news from local and international markets. 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) Mustard prices are likely to go down amid higher crop estimates. Overall mustard is expected to find support at current levels after factoring good sowing progress and falling veg oil prices. NCDEX prices are moving in mixed phase.

Weather Forecast (For Rabi Oilseeds)



During the week, rainfall was below Long Period Average (LPA) by 48 % over the country as a whole. For the country as a whole, cumulative rainfall during winter season 2019 (1January to 6 February, 2019) was below LPA by 48% over the country as a whole.

Cumulatively, above normal rainfall likely to occur over Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Rajasthan, Punjab, Haryana, Chandigarh & Delhi, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Mizoram & Tripura and normal elsewhere.

Rabi Oilseed Sowing Progress

| Rabi Oilseeds Sowing as on 08.02.2019 | | | | | | |
|---------------------------------------|-------------|--------------------------------|---------|---------|------------------|---------------------------|
| | 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 | 67.76 | 67.06 | 69.37 | 2.3 | 1.6 |
| Groundnut | 7.85 | 6.67 | 6.27 | 4.81 | -1.5 | -2.0 |
| Safflower | 1.62 | 1.08 | 0.81 | 0.45 | -0.4 | -0.6 |
| Sunflower | 3.68 | 2.80 | 1.75 | 1.14 | -0.6 | -1.7 |
| Sesamum | 3.04 | 0.85 | 0.70 | 0.79 | 0.1 | -0.1 |
| Linseed | 2.93 | 3.56 | 4.02 | 3.48 | -0.5 | -0.1 |
| Total Oilseed (Nine) | 80.36 | 83.42 | 80.98 | 80.40 | -0.6 | -3.0 |

Soybean

Domestic Market

Soybean is looking for fresh fundamentals and market are moving frequently ups and down side in future market. Poultry farmers are jacking up for the holi demand and weekly chick placements are on rise before the drop witnessed in summer.

Now, Iran is ready to buy Soybean meal from India. Iran bought total 2.8 lakh tons of Indian Soybean meal during April to January 2019 which is higher from 23000 tons in previous year record.

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

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.

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

International Market

As per USDA recent report, Soybean stocks in U.S. increased at 3.736 billion as on Dec. 1, 2018 as compares with 3.161 billion bushels in previous year due to earlier trade war between the United States and China. As a result USDA expects ample rise quantity of ending stocks further. Soybean export forecast is lowered by 25 million bushels, to 1.875 billion for 2018/19 due to less buying activities of China. USDA lowered its U.S. Soybean crop forecast for 2018/19 to 4.54 billion bushels from its previous estimates of 4.60 billion bushels.

As per USDA recent report, China exported 2.603 million tonnes of soybeans during 2018/19 season. The soybeans will be delivered to China during the current marketing year, which ends on Aug. 31, 2019. Total 274,000 tonnes of U.S. soybean has been shipped to unknown destination also. China bought 60% of the 2017 U.S. soybean crop so far which is lower than previous year record due to trade tension between U.S and China.

As per recent WASDE supply and demand report, the output of Soybean in U.S. is estimated lower by 56 million to 4,544 million bushels for 2018/19. Total harvested area is estimated down at 88.1 million acres against the last year report. Yield is estimated at 51.6 bushels per acre, down 0.5 bushels on account of major reductions for North Dakota, South Dakota, and Nebraska. While, crushing soybean projection is placed high by 10 million bushels to 2,090 million. Soybean meal production is unchanged as the higher crush is offset by a lower extraction rate. Lower supplies and increased crush are partly offset with a 25-million-bushel reduction in exports. Ending stocks are projected at 910 million bushels, down 45 million from the previous forecast.

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.

The pace of soybean harvest is high so far of this season in Parana (the second largest producing state of Brazil) against last year record. Analysts globally expecting Brazil 2018/2019 Soybean Crop Forecast At 117 Mln Tns, 2 Pct Lower Vs Previous Year.

Soy meal

Mixed tone witnessed in Soymeal prices on mixed sentiments of traders. Exports are waiting to get any positive global news before making any fresh positions.

Now, Iran is ready to buy Soybean meal from India. Iran bought total 2.8 lakh tons of Indian Soybean meal during April to January 2019 which is higher from 23000 tons in previous year record.

According to recent WASDE report, There is no changes in Soybean meal production as the higher crush is offset by a lower extraction rate. Lower supplies and increased crush are partly offset with a 25-million-bushel reduction in exports. Ending stocks are estimated down by 45 million to 910 million bushels from its earlier forecast.

As per SEA recent report, India exports total 283,850 tons of Oilmeals during January 2019 higher than 269,668 tons in previous year during the corresponding period of time. Total exports volume of Oilmeals is recorded up by 7% at 2,692,452 tons during April 2018 to January 2019 against 2,516,657 in previous year during the same period of time. Total shipment of Rapeseed meal went up at 897,537 tons in first ten months (April to January 2019) against 486,917 during the same period of time in previous year supported by major buyers like South Korea, Vietnam and Thailand. Thailand shipped 65% higher rapeseed meals to 263,280 tonnes in the current season .

NOPA reported US Soybean November crush may stand at 5.30 million short tons or 177 million bushels. Estimates ranged from 176.4 million bushels to 177.2 million bushels, with a median of 177.1 million bushels.

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.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – March Contract

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3600 | 3620 | 3727 | 3815 | 3920 |

- Soybean March contract moved in weak zone finding support at 3620 and resistance at 3815.
- On the upside, 3815 shall act as immediate resistance followed by INR 3920
- On the downside, INR 3620 shall act as immediate support followed by 3600
- Trade Recommendation (NCDEX-Soybean – Mar) Sell

Weekly trade call: **Sell** 3720-3730 Target – T1-3700; T2- 3650, SL – 3800

Rapeseed - Mustard Seed

All India weekly seed supplies are continue on lower side against previous week records as stockiest don't want to release their holdings at the current market prices.

The spot price show steady to downside movement in the current week . 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 lower at 4150 per quintal as against INR 4205 per quintal last week at the benchmark, Jaipur.

Mustard prices are trending lower side on weak demand despite lower stocks availability. Higher crop estimate are curbing major rise of Mustard Oil prices. The potential to rise prices are 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. Let's 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. We expect that arrivals of new crop may increase as a result price is expected to remain under pressure.

Technical Analysis:



RM Seed Futures April Contract, RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – April contract

| S1 | S2 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3770 | 3810 | 3934 | 4150 | 4250 |

- Mustard April Contract has inched higher side, further can get support at INR 3810.
- Prices have tested the level of 3945.
- Trade Recommendation (NCDEX Rapeseed-Mustard – April)

Weekly trade call: **Sell**: Between 3930 to 3937 Target – T1-3890 T2- 3820 , SL – 3945

| Soy DOC Rates at Different Centers | | | |
|---|----------------------------------|------------------|---|
| Centres | Ex-factory rates (Rs/ton) | | |
| | 7-Feb-19 | 31-Jan-19 | Parity To |
| Indore - 45%, Jute Bag | 315000 | 33000 | Gujarat, MP |
| Kota - 45%, PP Bag | 328000 | 33700 | Rajasthan, Del, Punjab, Haryana |
| Dhulia/Jalna - 45%, PP Bag | 33000 | 33800 | Mumbai, Maharashtra |
| Nagpur - 45%, PP Bag | 32800 | 34000 | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Nanded | 32500 | 34000 | Andhra, AP, Kar ,TN |
| Latur | 33300 | 34500 | - |
| Sangli | 33000 | 33600 | Local and South |
| Solapur | 32200 | 33400 | Local and South |
| Akola – 45%, PP Bag | 32000 | 33500 | Andhra, Chattisgarh, Orrisa,Jharkhand, WB |
| Hingoli | 33400 | 34500 | Andhra, Chattisgarh, Orrisa,Jharkhand, WB |
| Bundi | 32600 | 33500 | - |

| Soy DOC at Ports | | | |
|-------------------------------------|-------------------|------------------|---------------|
| Centers | Port Price | | |
| | 6-Feb-19 | 30-Jan-19 | Change |
| Kandla (FOR) (INR/MT) | 33800 | Unq | Unq |
| Kandla (FAS) (USD/MT) | 435 | Unq | Unq |
| CNF Indonesia – Yellow SBM (USD/MT) | 460 | Unq | Unq |

| Rapeseed Meal | 6-Feb-19 | 30-Jan-19 | Change |
|----------------------|-----------------|------------------|---------------|
| FAS Kandla (USD/MT) | 212 | Unq | Unq |
| FOR Kandla (Rs/MT) | 15400 | Unq | Unq |

| | | | |
|------------------------|-------|-----|-----|
| FOR Mundra (Rs/MT) | 15800 | Unq | Unq |
| CNF Indonesia (USD/MT) | 235 | Unq | Unq |

| International Soy DOC | | | |
|-----------------------|----------|-----------|--------|
| Argentina FOB USD/MT | 6-Feb-19 | 30-Jan-19 | Change |
| Soybean Pellets | 327 | 332 | -5 |
| Soybean Cake Flour | 327 | 332 | -5 |
| Soya Meal | 328 | 331 | -3 |
| Soy Expellers | 328 | 331 | -3 |

| Sunflower (DOC) Rates | Ex-factory rates (Rs/ton) | | |
|-----------------------|---------------------------|-----------|--------|
| Centers | 7-Feb-19 | 31-Jan-19 | Change |
| Adoni | 25500 | 25500 | Unch |
| Khamgaon | Unq | Unq | Unq |
| Parli | Unq | Unq | Unq |
| Latur | Unq | Unq | Unq |

| Groundnut Meal (Rs/MT) | 7-Feb-19 | 31-Jan-19 | Change |
|------------------------|----------|-----------|--------|
| Basis 45%, Saurashtra | 26000 | 25300 | 700 |
| Basis 40%, Saurashtra | Unq | Unq | Unq |
| GN Cake, Gondal | Unq | Unq | Unq |

| Mustard DOC | 7-Feb-19 | 31-Jan-19 | Change |
|-------------------------|----------|-----------|--------|
| Jaipur (Plant delivery) | 14700 | Unq | Unq |
| Kandla (FOR Rs/MT) | 15300 | Unq | Unq |

| Mumbai Oil Meal Quotes: | | | |
|--------------------------------|-----------------|------------------|---------------|
| Rs/M.T. | 7-Feb-19 | 31-Jan-19 | Change |
| G.N. Extr (45%) | Unq | Unq | Unq |
| KardiExtr | Unq | Unq | Unq |
| Undec Cottonseed Exp | 21700 | 22200 | -500 |
| Rice Bran Extr. | Unq | Unq | Unq |
| Sunflower Extr. | 26000 | 26000 | Unch |
| Rapeseed Extr. | Unq | Unq | Unq |
| Soymeal 48% | 32870 | 34957 | -2087 |
| Castor Extr. | 4950 | 5000 | -50 |

Annexure

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

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 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 1st Advanced Estimates

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.

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 2018/19 Kharif 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 for 2018/19 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.

SOPA Soybean 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

North East Monsoon forecast for 2019

Forecast for next two weeks: Weather systems & associated Precipitation during Week 1 (8th – 14th February 2019) and Week 2 (15th to 21st February 2019)

The present Western Disturbance (WD) is very likely to provide widespread precipitation with isolated heavy/very heavy falls and thunderstorms accompanied with hailstorms over Western Himalayan Region and adjoining plains of northwest India today. The rainfall activity is very likely to continue with reduced intensity over these regions tomorrow as well. Also wind confluence is taking place in the lower levels, ahead of the WD at present. This precipitation activity is likely to shift eastwards, causing rain / thundershowers and isolated hailstorms over east & northeast India during 8th – 10th February.

Cumulatively, above normal rainfall likely to occur over Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Rajasthan, Punjab, Haryana, Chandigarh & Delhi, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Arunachal Pradesh, Assam, Meghalaya, Nagaland, Manipur, Mizoram & Tripura and normal elsewhere.

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