

Oilmeals Weekly Research Report

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Executive Summary

Mixed trend are continued in Soybean complex during this week. Arrivals are lower as traders expect further more rise in prices. However, RM Seed & Mustard prices featured weak tone amid dull retail demand. Recent beneficial rainfall may improve yield of 2018/19 oilseeds crop which may curb any major rally in the prices. We expect firmness in Soybean prices ahead of Holi festival. Prices could not sustain at highest level amid higher crop estimates for 2018/19 and 2019/20. Therefore, prices may trade in steady to firm zone in coming week.

In terms of Soy meal exports, exporters are slow in the market as prices are remain declining. Overall neither domestic nor the international dynamics seems to be bullish enough for trending bullish market and this opens up the potential for unseasonal fall in March-April month when International market comes under bearish grip with SA crop hitting the international market.

We expect India's RM Seed production higher at 69.51 lakh tonnes in 2018/19 supported by good rainfall in key states as compared to previous year record i.e.63.07 lakh tonnes. Rajasthan, Uttar Pradesh and Bihar are owing a higher contribution reporting higher output estimates like 30.40 lakh tonnes, 12.81 lakh tonnes and 1.51 lakh tonnes respectively for this year. Crops received a good volume of rainfall at the time of flowering & maturity stage as a result yield improved of this season.

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.

At international front, CBOT soybean future declined on technical selling and amid concerns about competition for export business on the global market. Trade talks and negotiations between China and U.S. may delay up to March 1, 2019. Relatively, reducing demand of animal feed on account of rising African swine fever (an incurable pig disease) in China may decline imports of Soybean in the country. China crushes millions of tonnes of imported soybeans each year to produce Soy meal to feed its huge livestock herd. As per sources, China has imported total 7.38 million tonnes of soybeans in January 2019 with a decline of 13 percent from previous year record i.e. 8.48 million tonnes due to hefty duty imposed on shipment from the United States. However, import volume is up by 29% from 5.72 million tonnes in December 2018 as some of cargoes delayed in December cleared customs in January. It was the Brazilian beans. As on 29th Jan 2019, China's national weekly Soybean stocks are recorded down at 6.19 million tonnes against a record high in October 2019, however, it is up from last year January levels. As per recent updates, China has promised to buy an additional 10 million metric tons of U.S. soybeans in a meeting in the Oval Office as held on 22nd Feb 2019. Lower estimates of U.S. soybean's plant area and improved Buying activities of China may support global prices to rise in future.

Overall soybean may inch up in expectation of improved local demand. Mustard may trade remain on lower side on less demand and higher crop estimates.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade in the range of 3750 to 4000 in week in expectation of good local crushers demand. However, higher crop estimates for India and higher stock availability of the world will remain a hurdle for any major rally in Soybean prices. Market may show steady to up trend in coming week getting support from local crushers.

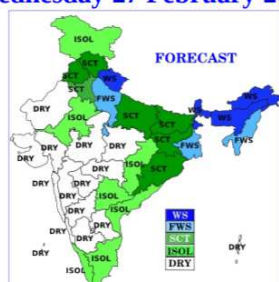
Outlook – Soy meal (Spot, Indore): Meal prices are continue down in this week as on sluggish demand. Less exports demand may further decline prices from the current level. Positive trade talk and negotiations between China and U.S. may give a slight support to the Soy meal market. The spread between soybean and Soy meal 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 went down on regular dull demand. The trend may extend on higher crop estimates of India. Continue fall in mustard oil prices and less crushing and retail demand may pull down prices in coming week. NCDEX prices are also quoting downside due to speculative selling.

Weather Forecast (For Rabi Oilseeds)

Weather Forecast

Wednesday 27 February 2019



Friday 01 March 2019



Rain/ Thundershowers occurred at most places over Gangetic West Bengal and Jharkhand; at many places over Odisha; at a few places over Arunachal Pradesh, Nagaland, Manipur, Mizoram & Tripura, Chhattisgarh and at isolated places over Assam & Meghalaya, Uttar Pradesh and Madhya Pradesh. Heavy rain at isolated places very likely over north Odisha and Gangetic West Bengal.

Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 22.02.2019						
	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

Firm trend could be seen in Soybean markets on rising demand in coming days. Poultry farmers may get active ahead of Holi Festival. Exports sentiments may improve on global positive news.

The Maharashtra Commission for Agricultural Costs and Prices (MCACP) has requested to the government to impose ban on imports of genetically-modified (GM) soybean now due to enough availability GM soybean so that Indian farmers could not suffer much. As of now, India has already bought around 1 lakh of GM Soybean. While Indian Soybean prices declined to 3700/ quintal from a three year high of 3950/quintal so far and lower trend may continue if GM soybean import will be continued.

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 22nd 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.

Maharashtra may cover 36.39 lakh ha. area of Soybean crop in this year as per SOPA estimates. The estimate is down by 10% from government estimates of 40.43 lakh Ha area. Soybean production of the state may increase by 32% to 38.4 lakh tonnes in this year.

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 updates, GSCSL (Gujarat State Civil Supplies Corporation Limited) procured total 4.25 lakh tonnes of Groundnut from 2.10 lakh farmers of the state at the cost of Rs. 2127 crore. The operation of procurement of groundnut from farmers by the central government under price support scheme (PSS) ended in Gujarat on 12th Feb 2019.

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

International Market

As per USDA report U.S. may plant less Soybean at 85 million acres against 89.2 million acres in last year as farmers are likely to shift soybean area to corn. While Reuters analyst expect at 86.1 million acres. Soybean crop in Argentina is in good condition supported by recent hot and dry weather which is helping to stabilize flooded areas. Argentina may harvest 53 million tonnes of Soybean in the current season. U.S. soybean supplies are expected to make a record at 910 million bushels which is just double from last year record due to higher Soybean crop estimates in South America and U.S. trade dispute with China.

As per Agribusiness consultancy AgRural, Brazil is likely to export soybean at 70.2 million tonnes in 2019 lower from its previous forecast of 73 million tonnes because China and U.S trade war could not effect much on Brazilian soybean demand. Even, shipment of Brazil may fall further more after resolving trade war of the countries. It says that Brazil is likely to produce Soybean crop at 116.4 million tonnes in 2018/19 which is lower than its previous forecast i.e. 116.5 million tonnes due to continue dry spell in the country. While, farmers of Brazil expect crop size at 114.6 million tonnes lower from 119.3 million tonnes in the last crop year as dryness and excessive heat in key planting regions from December 2018 affected development of the beans in the filling stage.

According to National Oilseed Processors Association (NOPA), U.S. January soybean crush fell marginally 171.630 million bushels from 171.759 million bushels in December 2018. Crush of soybean in January was higher by 5.22 percent compared to January 2018 figure of 163.111 million bushels. Soy oil stocks in U.S. at the end of January rose 3.41 percent to 1.594 billion lbs compared to 1.498 billion lbs in end December 2018. Stocks of soy oil in end January was lower by 10.36 percent compared to end January 2018, which was reported at 1.728 million lbs.

As per USDA recent report, Output of Oilseed for the World is forecast lower at 593.3 million tons due to major decline in Soybean production. Soybean production may fall by 8.2 million tons to 361.0 million in 2018/19. Total soybean imports are expected to down by 1.0 million with a reduced forecast for China offsetting an increase in Argentina. Soybean exports are down 1.7 million after lower exports volume from Brazil, United States, Uruguay, and Paraguay. The U.S. season-average farm price for soybeans is projected unchanged at \$8.60 per bushel. U.S. soybean export bids in January 2019, FOB Gulf, averaged \$346/ton, up \$5 from December and \$17 from November. In comparison, Brazil Paranagua averaged \$349/ton, down \$3 from December and \$34 from November.

Soy meal

Soymeal prices closed remain on lower side due to poor exports and domestic demand. South based traders are inactive in the market. On a recent positive announcement of China to buy Soybean from U.S. may support Indian Soy meal prices.

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 .

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 quoted higher side by \$110 per ton over Argentinean meal with Indian meal bullishness producing the premium rather than Argentinean meal bearishness. Such premiums may limit 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
3585	3620	3759	3890	3990

- Soybean March contract went upside and likely to find support at 3620 and resistance at 3968.
- On the upside, 3890 shall act as immediate resistance followed by INR 3990
- On the downside, INR 3620 shall act as immediate support followed by 3585
- Trade Recommendation (NCDEX-Soybean – Mar) Buy

Weekly trade call: **Buy** 3755-3760 Target – T1-3850; T2- 3880, SL – 3720

Rapeseed - Mustard Seed

All India weekly seed supplies increased in this week against previous week records as stockiest are ready to release their old stocks and new crops at the current market prices. Some of the farmers are in fear that prices may fall from the current level.

The spot prices declined in this week due to dull demand. Old crop is going to find support at current levels however new crop is expected to fall towards 4000 given the scenario building towards a good crop this year. At the end of week, mustard closed lower at 4120 per quintal as against INR 4135 per quintal last week at the benchmark, Jaipur.

Mustard prices are trending lower side on weak demand despite lower stocks availability. Higher crop estimate is leading prices downside. Weather is supportive for new mustard crop and improved yield of matured new crops. Beneficial recent rainfall in India increased the productivity. Rajasthan, U.P., Bihar may get higher mustard crop of this season. However, less rainfall may affect to the yield of Gujarat, Haryana and West Bengal. We expect higher Mustard crop size for 2018/19 season. We expect lower mustard crop production for Gujarat, Punjab/Haryana and West Bengal i.e. 30.49 lakh tonnes, 5.93 lakh tonnes & 3.39 lakh tonnes respectively for 2018/19 season.

New Mustard crop has hit the Baran market and was expected as the sowing was early in Rajasthan. Mustard prices in Rajasthan performed well despite new higher crop arrivals. Local buyers are ready to buy new crop at the current market prices as the quality is good. 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
3680	3740	3852	3933	4120

- Mustard April Contract closed downside and further can get support at INR 3740.
- Prices have tested the upper level of 3933.
- Trade Recommendation (NCDEX Rapeseed-Mustard – April).

Weekly trade call: **Sell**: Below 3852 Target – T1-3800 T2- 3750 , SL –3890

Soy DOC Rates at Different Centers			
Centres	Ex-factory rates (Rs/ton)		
	21-Feb-19	14-Feb-19	Parity To
Indore - 45%, Jute Bag	31000	30800	Gujarat, MP
Kota - 45%, PP Bag	32000	32000	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	32300	32500	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	32200	32200	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	32500	32500	Andhra, AP, Kar ,TN
Latur	32500	32500	-
Sangli	32500	32500	Local and South
Solapur	33000	31800	Local and South
Akola – 45%, PP Bag	31500	31200	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Hingoli	32700	32500	Andhra, Chattisgarh, Orrisa,Jharkhand, WB
Bundi	31800	31800	-

Soy DOC at Ports			
Centers	Port Price		
	20-Feb-19	13-Feb-19	Change
Kandla (FOR) (INR/MT)	33900	33500	400
Kandla (FAS) (USD/MT)	435	440	-5
CNF Indonesia – Yellow SBM (USD/MT)	450	465	-15

Rapeseed Meal	20-Feb-19	13-Feb-19	Change
FAS Kandla (USD/MT)	218	212	6

FOR Kandla (Rs/MT)	15700	15300	400
FOR Mundra (Rs/MT)	16100	15700	400
CNF Indonesia (USD/MT)	238	237	1

International Soy DOC			
Argentina FOB USD/MT	20-Feb-19	13-Feb-19	Change
Soybean Pellets	324	329	-5
Soybean Cake Flour	324	329	-5
Soya Meal	325	331	-6
Soy Expellers	325	331	-6

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	21-Feb-19	14-Feb-19	Change
Adoni	25500	24500	1000
Khamgaon	Unq	Unq	Unq
Parli	Unq	Unq	Unq
Latur	Unq	Unq	Unq

Groundnut Meal (Rs/MT)	21-Feb-19	14-Feb-19	Change
Basis 45%, Saurashtra	25300	26300	-1000
Basis 40%, Saurashtra	Unq	Unq	Unq
GN Cake, Gondal	Unq	Unq	Unq

Mustard DOC	21-Feb-19	14-Feb-19	Change
Jaipur (Plant delivery)	15300	14700	600

Kandla (FOR Rs/MT)	15650	15300	350
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Mumbai Oil Meal Quotes:			
Rs/M.T.	21-Feb-19	14-Feb-19	Change
G.N. Extr (45%)	Unq	Unq	Unq
KardiExtr	Unq	Unq	Unq
Undec Cottonseed Exp	22000	22200	Unch
Rice Bran Extr.	Unq	Unq	Unq
Sunflower Extr.	25000	26000	1000
Rapeseed Extr.	Unq	Unq	Unq
Soymeal 48%	32348	31096	1252
Castor Extr.	4850	4875	-25

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 26th September, 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 – 109.81 Lakh Tons
- Groundnut – 91.79 Lakh Tons
- Rapeseed – 83.22 Lakh Tons
- Castorseed – 15.68 Lakh Tons

- Sesame/Sesamum/Gingelly/Til – 7.51 Lakh Tons
- Nigerseed – 0.74 Lakh Tons
- Sunflower – 2.11 Lakh tons
- Linseed - 1.75 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 26th September, 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 – 7.10 Lakh Tons
- Sunflower – 0.94 Lakh ton

MSP for 2018/19Kharif Oilseeds

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, MSP for 2018/19 is set for Sesamum by 17.9% or Rs.949 to Rs 6249/Qtl from Rs 5,300/Qtl.

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.

SOPA Soyean 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

Weather systems & associated Precipitation during Week 1 (15th – 21st February 2019) and Week 2 (22nd to 28th February 2019)

Forecast for next two weeks: The cumulative rainfall is very likely to be above normal over northwest India, central, east & northeast India and near normal elsewhere during both the weeks.

Rainfall activity has enhanced over east & northeast India due to development of conducive conditions for moisture incursion and wind confluence in the lower levels and divergence in the upper levels. Scattered to fairly widespread/widespread rainfall with isolated thundersqualls, hailstorms & lightning are very likely over Jharkhand, West Bengal, north Odisha, Assam & Meghalaya, Arunachal Pradesh and Nagaland, Manipur, Mizoram & Tripura during next 3 days.

Fairly widespread to widespread rainfall activity with isolated thundersqualls are likely to continue over northeastern states on 28th February as well. Isolated heavy rainfall is very likely over north Odisha and Gangetic West Bengal on 25th Feb 2019.

Strong surface winds speed reaching 30-40 kmph gusting to 50 kmph are likely over plains of northwest India, mainly over Punjab, Haryana and West Rajasthan on 26th February.

Maximum temperatures are likely continue to remain above normal by 2-4°C over Coastal Andhra Pradesh and 2-3°C over rest peninsular India during next 3 days. They are likely to rise by 2-3°C over Tamilnadu from 28th February.

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