

Oilmeals Weekly Research Report

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Executive Summary

Subdued demand kept the oilseeds' and oilmeals' market under pressure during the week in review. This is primarily due to the nationwide lockdown amidst COVID-19 and weak global market alongside fall in crude.

Most of the key soybean markets remained closed, but trading was happening in the soy cash markets of Maharashtra.

However, rapeseed-mustard featured gains on supportive buying from stockists and millers to cover their stocks at the discount price followed by newly harvested crop supplies.

Soybean and meal remained almost flat on steady demand while rapeseed-mustard featured mild gains on continued buying support mainly from solvent extractors.

Soymeal witnessed steady to weak tone due to the subdued demand from poultry which contributes 60% of the soymeal demand.

The oilseeds and meal complex is likely to feature weak tone on competitive palm oil, Brazilian soy and weak crude in the international market.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): The soybean prices are expected feature range-bound movement with weak bias, slack in domestic demand on nationwide lockdown for COVID19, on renewed concern about trade tensions between the US and China. Besides, forecast of good monsoon and weak Brazilian real will keep continued to be pressure the domestic soybean. No soy trade is happening in key markets like Indore. The prices (Nagpur, Plant basis) is expected to feature range bound movement between the price bands of 4000 – 4200 level.

Outlook – Soy meal: Soy meal prices are likely to witness range-bound movement with weak bias on slack in demand from poultry industry with fall in domestic poultry demand. Coronavirus pandemic has led to the decline in poultry consumption in last couple of months and thus soymeal demand is badly affected during the period meal. Indian meal exporters are advised to explore new markets aggressively and try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations including Japan in the upcoming season. The domestic meal prices are likely to remain under supply pressure and feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of 32,000 – 34,000 /MT levels during the week.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The rapeseed-mustard is expected feature gains on good buying support by the solvent extractors. The new crop arrivals are at the good pace and the stakeholders are covering their stock. The seed prices are likely to feature gains and witness the levels between 4400 – 4550/Qtl; levels during the week.

International Highlights

- ❖ Argentine farmers have harvested 68.2% of 2019-20 soy crop, said the Buenos Aires Grains Exchange in the report, with most progress over the last week made in northern growing area that escaped recent heavy rains. The exchange has forecasted 49.5 million tonnes of soy to be harvested this year.
- ❖ In the USDA April report, the estimated U.S. soybean production for 2019/20 is kept unchanged at 96.84 million tons in April 2020. The exports has been declined by 1.36 million tonnes to 48.30 million tonnes in its April month report from 49.66 million tonnes in last month however higher from 47.56 million tonnes in 2018-19. U.S crushing is kept higher side at 57.83 million tonnes in April 2020 against 57.28 million tonnes in March month and also from 56.93 million tonnes in last year. Ending stocks of the country is expected to be higher at 13.07 million tonnes in Apr. month review against 11.55 million tonnes in last month however lower from 24.74 million tonnes in 2018/19.
- ❖ European Union bought total 11.5 million tonnes of Soybean till April 19, 2020 (season started on July 1) which is lower by 4% from last year record in Apr 14. EU soymeal imports had reached higher by 3% to 14.27 million tonnes against the year-earlier period, while Rapeseed imports went up by 45% to 5.13 million tonnes against last year record. However, palm oil imports stood down by 15% to 4.48 million tonnes.
- ❖ China has imported 13% lower soybean in March 2020 compared to last year record after heavy rainfall in Brazil and slow demand on account of coronavirus outbreak. The country has bought total 4.28 million tonnes of oilseeds in March 2020 lower from 4.91 million tonnes in March 2019. The volume is also lower from five years records. However, the import in China is likely to increase in April 2020 and the coming months in expectation of good weather conditions in Brazil and already booked cargoes from U.S. under the Phase 1 trade deal.
- ❖ Conab has reported that in April, Brazil is likely to grow 1.72% lower soybean at 122.06 million tons in 2019-20 (crop year September-August) from its March month estimates i.e. 124.20 however 6.13% higher from last year record due to supportive weather condition. Soya yield is likely to stay lower at 3313 KG/ Ha. against 3373 Kg/Ha. in March month forecast however higher from 3206 Kg/Ha. in last year. Planting area is estimated 0.05% higher to 36.84 million ha. against 36.80 million Ha. in March month and 2.70% higher from 35.87 million Ha. in 2018-19.

- ❖ Rifinitiv Agriculture said Brazil shipped total 12.6 million tonnes in March 2020 which is 35% above last month and also 43% higher from last five years average March exports as supported by robust demand of China. China bought total 7.8 million tonnes in March 2020 which is higher by 2% from last year record i.e. 5.8 million tonnes in the corresponding period of time.

Sown Area – *Rabi* Oilseeds, India

In the final official Rabi oilseeds planting report, by the Ministry of Agriculture, the total coverage area under Rabi oilseeds is reported at 80.3 lakh hectares, slightly down 0.1% from 80.37 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported down by 0.4% at 69.51 lha compared to 69.76 lha during the corresponding period of last year. Groundnut at 4.76 lha vs 4.59 lha, safflower at 0.63 lha vs 0.43 lha, sunflower at 1.04 lha vs 1.13 lha, sesamum 0.56 vs 0.71 and Linseed at 3.46 lha vs 3.44 lha during the same period last year.

Area in Lakh Hectares

Crop	Normal Area (5 Year Avg.)	2019-20	2018-19	% Change
Rapeseed/Mustard	60.48	69.51	69.76	-0.4
Groundnut	7.76	4.76	4.59	3.7
Safflower	1.41	0.63	0.43	46.5
Sunflower	2.96	1.04	1.13	-8.0
Sesamum	3.12	0.56	0.71	-21.1
Linseed	2.99	3.46	3.44	0.6
Others	0.14	0.34	0.31	9.7
Total Oilseeds	78.86	80.3	80.37	-0.1

Source: MoA, GOI

Soybean

The benchmark soybean Indore remained closed due to the nationwide lockdown amidst COVID-19. However, trade was happening in other soybean cash markets. The operations in Indore mandi wasn't possible as the area falls under red and containment zone.

The volume of soybean trade have been negatively affected due to the lower availability of the labour in various mandis though and closure of few bigger mandis.

However, soybean plant delivery edged up in the Nagpur market on buying support and limited supplies. The soybean arrivals in Nagpur mandi too improved to 350 - 400 bags a day from earlier 150 – 200 bags a week ago

The domestic soybean market will featured steady to firm tone in the domestic market on limited supplies as several cash market are still closed on coronavirus pandemic.

Weak supplies attributed closer of several market yards will limit any major downside in near-terms.

The crushers are also not eager to quote higher for the bean in a bid to keep the meal prices attractive for the foreign buyers and keep the exports window open for some more time.

Currently, the bean prices are witnessing gains but they are slightly lower compared to the prices prior to the lockdown on COVID19.

The major buyers are as follows: ABIS, Sneha, Ruchi Soya, Shalimar Katol, Vippy Dewas, Dhanuka Neemuch, Avi Agri Ujjain, M.S. Neemuch, RH Seoni, Prakash, Kriti Dewas, Mahakali, Prestige Dewas, Itarsi Oil, Sanwaria Itarsi, MS Solvex Neemuch, MS Soya Pachore, during the week.

Previous Update

Various markets are remain closed on account of lock down in India on coronavirus pandemic. Millers have started to crush soybean but in limited capacity due to lack of labors, transportations issues and un-availability of raw material.

Agriwatch estimates 87.4 lakh tonnes of Soybean output in India for 2019-20 season which is sharply down by 42.73% against 125.9 lakh tonnes in 2018-19.

All India planting of soybean stood at 114.24 lakh hectares compared to 113.10 lakh hectares as on 04.10.2019. Sowing of soybean is higher in Madhya Pradesh at 55.16 lakh tonnes against 53.18 lakh tonnes in last year and Rajasthan at 10.61 lakh tones compared to 10.46 lakh tonnes in previous year.

As per the second advanced crop estimates 2019-20 of Ministry of Agriculture, Soybean production is estimated higher at 136.28 lakh tonnes as compared to 132.68 lakh tonnes in 2018-19.

The Ministry of Agriculture has fixed higher Minimum Support Price of Soybean (Yellow) at Rs 3710 per quintal for 2019-20 an increase of Rs 311 from Rs. 3399 per quintal in 2018-19.

.The domestic soybean prices are likely to feature range-bound movement with firm bias on limited supplies but weak international soybean will cap the gains, in near-to-medium-term.

International:

The benchmark CBOT soybean remained under pressure on US China spat over coronavirus outbreak rising risk of new trade war between the two countries.

National Oilseed Processors Association (NOPA) has reported U.S. March soybean crush up by 9.07 percent m-o-m to 181.374 million bushels from 166.288 million bushels in February 2020, above market expectation. Crush of soybean in Mar was higher by 6.84 percent y-o-y compared to Mar 2019 figure of 170.011 million bushels.

April US crush figures are yet to be released.

China's domestic soybean production is seen at 18.81 million tonnes in 2020, up 3.9% from the previous year, according to forecasts from the agriculture ministry.

The country's soybean crushing volumes were pegged at 85.98 million tonnes this year, said the agriculture ministry during on the outlook for agriculture.

China's Soybean imports are forecast at 92.48 million tonnes this year, rising to 96.62 million tonnes in 2025 and 99.52 million tonnes in 2029, by the agriculture ministry conference on the outlook for agriculture.

Brazilian soybean shipments in April reached 16.3 million tonnes, it is an all-time record for a single month and an increase from 9.4 million tonnes in corresponding period last year, according to average daily export data released by the government.

The previous record was 12.35 million tonnes, set in May 2018. Brazil, had exported 11.64 million tonnes of soybeans in March, according to government data.

Conab has reduced Brazilian soybean harvest by more than 2 million tonnes to 122.06 million attributed to the drought predominantly in Rio Grande do Sul. By the end of March, soils in the far southern state were among the driest they had been in any month in at least 20 years.

Brazilian farmers have taken advantage of record weakness in their currency - Real, which has given them a profitability boost when selling their products in dollars on the global market. This, combined with a record crop, has particularly lifted the country's soybean exports.

Brazil 2020 soybean export forecast has been revised to 76 million tonnes vs 74.07 million tonnes in previous forecast by INTL FCSTONE.

Rosario Grains Exchange have to reduce Argentine soybean crop estimates 50.5 million tonnes from its previous forecast of 51.5 million tonnes. This was after soybean crop was damaged by pockets of dry, hot weather in March, when harvesting was just hitting the ground.

Previous updates:

Brazil's soybean shipment volume during 1Q20 was the highest on record, up by 13.5% from 1Q19. About 75% (or 13.3 million tonnes) of the Brazilian exports during the first quarter of 2020 was headed to China.

The large Brazilian harvest this season along with the significant depreciation of the local currency Real against the US dollar (the Brazilian real lost almost one third of its value since January), this eventually made Brazilian soybeans cheaper – which in turn triggered more buying from Chinese crushers.

About 75% (or 13.3 million tonnes) of the Brazilian shipments during the first quarter of 2020 headed to China. The large Brazilian harvest this season along with the significant depreciation of the local currency against the US dollar (Brazilian real lost a third of its value since January), this eventually made Brazilian beans cheaper triggered more buying from Chinese crushers.

China's soybean demand in the 2019-2020 marketing year is forecast at 89 million tonnes, up 8% year on year, the USDA said in its April WASDE report.

China's soybeans import in April is estimated at 13 million-14 million tonnes, surge by 225% month on month and 75% higher on the year.

The international soybean prices are expected to feature range bound movement with weak bias on spot between US and China over coronavirus outbreak rising risk of new trade war between the two countries.

Soy meals

The domestic soy meal prices witnessed losses on slack in demand from poultry feed industry and eventually dull trade activity in the cash soybean market, during the week under review.

India's poultry industry is reeling under stress and has severely hit due to coronavirus pandemic and rumours linking poultry bird linking possible carrier of the virus.

Poultry sector contributes 60% of the domestic soymeal demand.

India's soymeal shipments may fall to around 500,000 MT in 2019-20 (Oct-Sep), less than one fourth of the year-ago figure of 2.1 million tonnes due to subdued demand from traditional overseas buyers amid ongoing countrywide lockdown, said Soybean Processors Association of India Chairman Davish Jain.

SOPA is concerned on the falling demand from the traditional buyers like France, Japan, Iran, Korea and Nepal of soymeal of Indian origin.

Shipments of soymeal during Mar-Apr are expected to be below 50,000 tonnes and the figure may slip further if global situation does not recover, said Jain.

SOPA has sought a stimulus package from the Centre to support the soybean industry, which has been hit by the lockdown and collapse of poultry sector.

The poultry sector consumes 60% of the soymeal in India and there are no takers for it leading around half of the processing units being shut.

With no operations, no sale and no access to funds, there is no cash flow and the industry is cash-starved and requires urgent attention of the government, Jain said.

The association has urged the Centre to increase the soymeal export incentive to 7.5% from 5.0% currently to ramp up the shipments.

The domestic soy meal prices at Indore, were quoted at Rs 32,000 – 32,200/MT compared to Rs 32,200 – 33,500/MT compared to previous week.

At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 34,500/MT and 34,800/MT respectively compared to Rs 32,200/MT in Indore and Rs 32,600/MT in Kota.

India's Y-o-Y soy meal prices, Indore, are currently higher. Soy meal Indore was quoted slightly higher between Rs 32,000 – 32,200/MT during the week compared to Rs 31,000 – 31,800/MT during the corresponding period last year.

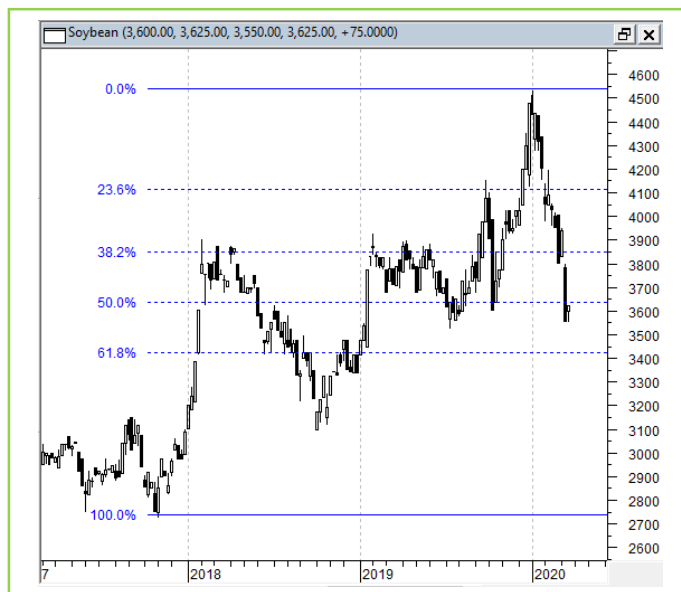
The soy meal prices are likely to feature range-bound movement with weak-bias on slack in demand from poultry sector, in near to medium-term.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – May contract

S1	S2	PCP	R1	R2
3490	3300	3826	4100	4300

- Soybean edge up buying support in the market.
- Prices closed below 18-day EMA.
- RSI and stochastic are rising in the neutral zone.
- MACD is rising in the negative territory.
- The prices are expected to feature losses in the coming week too.
- Trade Recommendation (NCDEX Soybean – May) Week: **BUY** Above 3730. Levels: T1 – 3830; T2- 3920, SL - 3670.

Rapeseed - Mustard Seed

The domestic rapeseed-mustard edged-up on supportive buying by stockists and solvent extractors during the week under review.

Dull trade in soybean in key markets have lent additional support to the rapeseed-mustard.

Farmers are eager to bring their newly harvested seed to the market yards and sell their produce despite challenges due to coronavirus concerns.

Nafed is actively procuring the rapeseed-mustard at various centers in Haryana, Uttar Pradesh and Rajasthan with full swing.

Additional Chief Secretary, Agriculture and Farmers' Welfare and Cooperation, Sanjeev Kaushal said that 24097.23 metric tonnes of rapeseed-mustard was procured from 8,762 farmers on last Thursday in the 163 procurement centres of the state and progressive total of 3.50 lakh MT of rapeseed-mustard has been procured from 1,26,734 farmers in Haryana.

The all India seed supplies were reported at 2.6 – 4.0 lakh bags in a day compared to around 2.5 – 4.0 bags a day, previous week. The supplies were 4.25 – 6.65 lakh bags a day during the corresponding period last year.

The new crop seed is quoted at around Rs 4,255 – 4,370 a quintal compared to Rs 3,865 – 3,920 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the May contract have fell and the seed is trading around 4,090/Qtl compared to 4,175/Qtl previous week.

Harvesting of rapeseed-mustard is done by all the major producing states of India.

Several rapeseed-mustard cultivators are forced to sell the newly harvested seed below MSP. The government has fixed the Minimum Support Price for rapeseed-mustard at Rs 4425/Qtl.

Agriwatch has projected India's MY 2020/21 rapeseed production at 7.2 million tonnes while Solvent Extractors of India has estimated the seed production at 7.7 million tonnes.

Previous Updates

India's 2019/20 rapeseed oil import estimate have been reduced to 0.25 lakh tons from 1.2 lakh tons in its earlier estimate, lower by 79.2 percent. Rapeseed oil consumption have been reduced to 27.30 lakh tons from 27.80 lakh tons in its earlier estimate, lower by 1.8 percent. End stocks of rapeseed oil in 2019/20 raised to 1.89 lakh ton from 1.38 lakh tons, lower by 36.95 percent, United States Department of Agriculture (USDA) April estimate.

As per Notification Number 2/2020-21 dated 13, April 2020, issued by Ministry of commerce and Industry, India has imposed more restriction on imports of RBD palmolein. With respect to notification number 39/2015-20 dated 8th Jan 2020 has been amended for the import policy of refined palm oil to "restricted" from "Free". Further, more conditions have been imposed for palm oil imports as mentioned below:

- i. The applications for import authorization should be accompanied with prepurchase agreement and details of the import of the above items for past three years.
- ii. Validity period of import licenses/authorizations for refined palm oil will be 06 months in place of usual 18 months.
- iii. Total non-utilization of import authorization by the applicant will lead to disqualification of the importer from getting any further license for these items in future.
- iv. Customs will be required to diligently enforce the Rules of Origin criteria for import of these items originating from Nepal and Bangladesh.

This issues with the approval of competent Authority.

According to Malaysia Palm Oil Board (MPOB), Malaysia reduced May crude palm oil export tax to 4.5 percent from 5.0 percent last month. Export duty of palm oil is calculated at reference price of 2460.89 ringgit per ton. Tax is calculated between 2,250-2,400 ringgit per ton at 3.0 percent and is taxed maximum of 8.0 percent when prices are above 3,450 ringgit per ton.

Malaysia has increased March crude palm oil export duty to 8 percent from 7.5 percent in February. Tax is calculated at reference price of 3,337.30 ringgit (\$748.95) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent, said Malaysia Palm Oil Board (MPOB).

However, the inventories remained higher than the market/industry expectations.

Outlook: The rapeseed-mustard is expected to feature gains on supportive buying by the stockists and the solvent extractors to cover their stocks, however, rising supplies in the seed will limit the gains in the cash market.

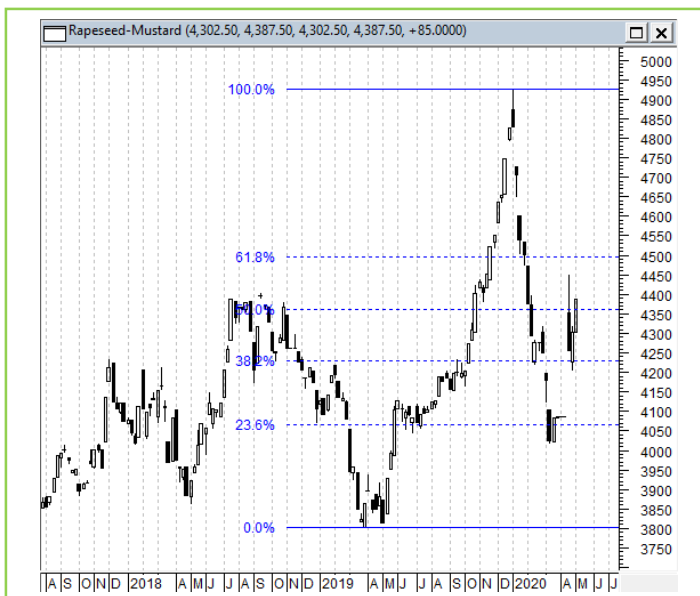
Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – May contract

S1	S2	PCP	R1	R2
3900	3800	4174	4350	4500

- RM seed posted gains of buying interest during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are rising in the neutral zone.
- MACD is rising in positive territory.
- The prices are expected to feature gains during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – May.) Week: **BUY** Above 4000. Levels: Target – 4100; T2- 4150, SL – 3940.

Annexure

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers			
Centres	Ex-factory rates (Rs/ton)		
	30-Apr-20	24-Apr-20	Parity To
Indore - 45%, Jute Bag	32000	32500	Gujarat, MP
Kota - 45%, PP Bag	32600	32700	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna - 45%, PP Bag	34000	34000	Mumbai, Maharashtra
Nagpur - 45%, PP Bag	33200	34000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	34500	35000	Andhra, AP, Kar ,TN
Latur	34500	34500	-
Sangli	33800	34500	Local and South
Solapur	33200	33900	Local and South
Akola – 45%, PP Bag	33700	33200	Andhra, Chattisgarh, Orissa,Jharkhand, WB
Hingoli	34500	34500	Andhra, Chattisgarh, Orissa,Jharkhand, WB
Bundi	32400	32500	-

Soy DOC at Ports			
Centers	Port Price		
	30-Apr-20	24-Apr-20	Change
Kandla (FOR) (INR/MT)	32000	35500	-3500
Kandla (FAS) (USD/MT)	445	445	Unch
CNF Indonesia – Yellow SBM (USD/MT)	Unq	0	-

Rapeseed Meal	30-Apr-20	24-Apr-20	Change
FAS Kandla (USD/MT)	Unq	0	-
FOR Kandla (Rs/MT)	Unq	0	-
FOR Mundra (Rs/MT)	Unq	0	-
CNF Indonesia (USD/MT)	Unq	0	-

International Soy DOC

Argentina FOB USD/MT	30-Apr-20	24-Apr-20	Change
Soybean Pellets	320	314	6
Soybean Cake Flour	320	314	6
Soya Meal	306	316	-10
Soy Expellers	306	316	-10

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	30-Apr-20	24-Apr-20	Change
Adoni	23200	23300	-100
Khamgaon	0	0	Unch
Parli	0	0	Unch
Latur	22800	22700	100

Groundnut Meal (Rs/MT)	30-Apr-20	24-Apr-20	Change
Basis 45%, Saurashtra	Closed	Closed	-
Basis 40%, Saurashtra	Closed	Closed	-
GN Cake, Gondal	Closed	Closed	-

Mustard DOC	30-Apr-20	24-Apr-20	Change
Jaipur (Plant delivery)	16600	16500	100
Kandla (FOR Rs/MT)	17300	17000	300

Mumbai Oil Meal Quotes:			
Rs/M.T.	30-Apr-20	24-Apr-20	Change
G.N. Extr (45%)	28000	28000	Unch
Kardi Extr	0	0	Unch
Undec Cottonseed Exp	23000	23500	-500
Rice Bran Extr.	0	0	Unch
Sunflower Extr.	20500	21000	-500
Rapeseed Extr.	0	0	Unch
Soymeal 48%	33391	33913	-522
Castor Extr.	0	0	Unch

India's Oilseeds Production Seen Record at 34.2 Mn T vs 31.5 Mn in 2nd Adv Est. for 2019-20 - GOI

The 2nd Advance Estimates of production of oilseeds for 2019-20 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 18th February, 2020. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources.

The estimated production of major Oilseeds during 2019-20 is as under:

Oilseeds – 34.2 million tonnes in 2019-20 vs 31.5 million tonnes in 2018-19

- Soybean – 13.62 million tonnes vs 13.27 million tonnes in 2018-19
- Rapeseed-Mustard - 9.11 million tonnes vs 9.26 million tonnes in 2018-19
- Groundnut - 8.24 million tonnes vs 6.73 million tonnes in 2018-19

India's total oilseeds production during 2019-20 is estimated at 34.19 million tonnes which is higher by 2.67 million tonnes than the production of 31.52 million tonnes during 2018-19.

The production of oilseeds during 2019-20 is also higher by 4.54 million tonnes than the five year average oilseeds production.

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