

# Oilseeds Monthly Research Report

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## Executive Summary

Soybean, soy meal and rapeseed-mustard extended losses in sync consecutive two months in line with weak international market.

Forecast of beneficial rains over key soybean growing regions of Brazil and remained bearish while buyers refrained themselves from active buying in the domestic cash markets anticipating further fall in the prices and widening crush margin. Besides, soy meal fell to a 5-1/2 year low at CBOT in December.

Again, weakens in crude which fell below US \$ 35/bbl, 11-year low, during the month continued to remain bearish for the market.

Rapeseed-mustard crop is under development stage and there are no reports of crop damage in any of the key growing regions.

Soybean, meal and rapeseed-mustard are expected to feature range-bound movement with weak bias on forecast of beneficial rains in Brazil's key soybean growing states, weakness in crude, lower soy meal exports from India, higher edible oil stocks with India after huge imports and approaching new rapeseed-mustard marketing season, in near-term.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean prices are expected to be under pressure and feature range-bound movement. Weak soy meal exports from India, forecast of rains in Brazil, higher edible oil inventories, higher global supply scenario and weakness in crude will continued to pressure the market in near-term. The prices are expected to feature mild losses and witness 3700 – 3900 levels (Indore, Plant basis) in January.

**Outlook – Soy meal:** Attractive soy meal price in South America has led to demand shift to the region and Indian meal exports were badly hit last two seasons. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations and Iran. The domestic meal prices are likely to feature range bound movement in near-term. Soy meal, Indore is expected to witness Rs. 32,800 – 35,000/MT levels in January.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** In spot, the RM seed is expected to feature range-bound movement with weak-bias ahead new marketing season, besides higher Malaysian and Indonesian palm oil stocks will continue to pressure the market. The seed prices are likely to be between 4500 - 4700 levels during the month.

## International Highlights

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- ❖ Argentina's 2015/16 soybean production is estimated near 60 MMT which is below last year production of 61.4 MMT, the estimates are by the government agency. Argentina has estimated soybean area at 20 million hectares, according to Argentina government. This would mean that production estimate could be revised higher depending on the crop situation.
- ❖ Brazil exported 0.73 MMT of soybean in December 2015 v/s 1.44 MMT exported in November 2015, down 97 percent m-o-m. Exports rose 421 percent compared to December 2014 when the exports were 0.14 MMT.
- ❖ Soy meal exports by Brazil in December 2015 were 1.04 MMT v/s 1.13 MMT in November 2015 and 0.87 MMT in December 2014. Soy oil exports were 0.164 MMT in December 2015 v/s 0.11 MMT in November 2015 and 0.65 MMT in December 2015.
- ❖ Brazil is estimated to export 57 MMT of soybean in 2016. Most of the shipments will be from new northern ports exporting, 4.00 MMT higher from last year. Brazil largest port (Santos) is running at full capacity and rains in south Brazil on El Nino is expected to slow exports from Sao Francisco do Sul, Rio Grande and Paranagua ports. Shipments of soybean slowed down in December on higher shipments of corn - Brazil-ANEC.
- ❖ China purchased 78 percent of Brazil's soybean exports. Brazil is the largest exporter of soybean and second largest exporter of corn.
- ❖ About half of the standing soybean crop in the Brazil's largest growing state of Mato Grosso has been damaged due to incessant rains. The Reuters study showed about 20% of the planted area was in "very bad" condition, while 23 percent was in "bad" condition.
- ❖ According to Indonesia Palm Oil Association (GAPKI), Indonesia's palm and palm kernel oil exports fell in November by 9.4 percent at 2.385 MMT from 2.61 MMT in October 2015. Top buyers were India at 506,390 tons (679,380 tons), China at 436,910 tons (378,970 tons), European Union at 418,050 tons (324,990 tons), Pakistan at 158,950 tons (129,960 tons), Bangladesh at 165,210 tons (99,960 tons) and Middle East at 165,210 tons (172,410 tons). Values in brackets are figures of October 2015.

- ❖ In the National Oilseed Processors Association, NOPA, December report, the US soybean crush is reported lower than expected. This is despite the record soybean harvest during the month.
- ❖ NOPA reported that its members processed 156.134 million bushels of soybean in November, down from 158.895 million during October. Lowest November crush since 2011.
- ❖ As per United States Department of Agriculture (USDA), U.S. processors crushed 4.97 MMT of soybean in November compared to 5.10 MMT crushed in October 2015, down 2.6 percent m-o-m. USDA reported soy meal stocks at the end of November at 0.34 MMT from 0.36 MMT in October. Crude Soy oil stocks were reported at 1.493 billion lbs. at the end of November.
- ❖ Franca Junior has lowered its forecast for Brazil's 2015/16 soybean crop to 97.9 million tonnes from 101.1 million in its previous estimate.
- ❖ Brazil is expected to export 55 million tonnes of soybean in 2015/16 higher compared to 53.8 million tonnes forecasted in October by Abiove.
- ❖ FCStone has slashed Brazil's soybean production estimate for 2015/16 to 98.9 million tonnes from 100.45 million previously. The reduction is due to the dry weather conditions in the Northeast.
- ❖ Informa has raised Brazil's soybean production for 2015/16 to 101.4 million tonnes from 101.0 million in its previous estimate.
- ❖ Celeres too has raised their 2015/16 projections for Brazil's production to 101.9 million tonnes from 97.1 million tonnes earlier.
- ❖ Brazil's newly planted soybean crop is hit by the rust fungus and the incidences nearly doubled, compared to the previous season mainly due to heavy rains in the South caused by El Nino. About 73 incidences have been reported in Southern States of Rio Grande do Sul and Parana compared to 43 incidences during the corresponding period last year.
- ❖ Ukraine's soybean harvest is expected to increase by 30% to 4.92 million tonnes while sunflower seed production is likely to increase by 6% to 12 million tonnes, said UkrAgroConsult.
- ❖ This will certainly increase the sunoil supplies, like in 2013 and bean exports from the country in 2016.
- ❖ According to Indonesian Palm Oil Board, Indonesia's palm oil output in 2016 will be at 33 MMT, 5.00 lakh tons lesser than previously estimated 33.5 MMT due to El Nino. Current year output forecast is at 31.5 MMT. El Nino conditions in Indonesia will continue till December.

- ❖ According to Indonesia Palm Oil Association, Indonesia's 2016 palm oil production has been estimated at 31-31.5 MMT v/s 32.5 MMT in 2015 down due to El Nino.
- ❖ China's soybean purchases in December could rise to 8 million to 8.5 million tonnes. These are projections by China National Grain and Oils Information Center (CNGOIC) and Cofeed.
- ❖ Argentina's area under soybean is likely to be at 19.8 million hectares in 2015/16 season, which is 1% lower than the last season. The area is estimated by Buenos Aires Grains Exchange.
- ❖ However, Rosario grain exchange had estimated 20.5 million hectares up from their previous season's estimate of 20.2 million hectares.
- ❖ As per Rosario grains exchange, Argentina's 2015/16 area coverage under soybean is expected to be at 20.5 million hectares from 20.2 million hectares in the corresponding period last year.
- ❖ European Commission has slashed monthly forecast for 2015 EU rapeseed crop to 20.7 Mln T from 21.7 Mln T in the previous forecast. This is mainly due to dry weather; which will increase the dependency on soy and palm oil.

## Sown Area – *Rabi* Oilseeds, India

In the official *Rabi oilseeds* planting report, by the Ministry of Agriculture, (week ending 01 Jan. 2016), the total coverage area under *Rabi* oilseeds is reported at 71.47 lakh hectares, down 6.1% from 76.11 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported down by 5.6% at 60.86 lha compared to 64.44 lha during the corresponding period of last year. Groundnut at 3.31 lha vs 4.26 lha, safflower at 1.04 lha vs 0.91 lha, sunflower at 2.64 lha vs 2.58 lha, sesamum 0.37 vs 0.67 and Linseed at 2.58 lha vs 2.88 lha during the same period last year.

### State wise Area Covered under Kharif Oilseeds for Week Ending as on 01 Jan. 2016

State	Area in Lakh Hectares													
	Rapeseed/Mustard		Groundnut		Safflower		Sunflower		Sesamum		Linseed		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Andhra Pradesh	0.00	0.00	0.56	0.49	0.00	0.01	0.09	0.25	0.07	0.27	0.00	0.00	0.80	1.10
Arunachal Pradesh	0.30	0.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30	0.28
Assam	2.05	2.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.05	2.92
Bihar	1.21	1.22	0.00	0.00	0.00	0.00	0.02	0.02	0.00	0.00	0.36	0.32	1.59	1.56
Chhattisgarh	1.07	1.18	0.05	0.04	0.05	0.06	0.03	0.02	0.02	0.02	0.42	0.49	1.68	1.85
Gujarat	1.84	1.93	0.00	0.00	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.04
Haryana	5.80	5.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.80	5.25
Himachal Pradesh	0.04	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.03
J&K	0.31	0.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.29
Jharkhand	0.73	0.69	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.07	0.20	0.80	0.90
Karnataka	0.00	0.00	0.43	0.61	0.50	0.35	2.13	1.88	0.00	0.00	0.06	0.05	3.14	2.91
Kerala	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Madhya Pradesh</b>	6.23	6.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.17	1.07	7.40	7.53
<b>Maharashtra</b>	0.00	0.00	0.00	0.00	0.46	0.39	0.16	0.15	0.01	0.01	0.16	0.17	0.87	0.80
<b>Odisha</b>	0.65	1.01	0.57	0.91	0.00	0.00	0.02	0.05	0.15	0.25	0.05	0.19	1.48	2.45
<b>Punjab</b>	0.04	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.18	0.30
<b>Rajasthan</b>	24.25	26.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	24.26	26.42
<b>Tamil Nadu</b>	0.00	0.00	0.58	0.87	0.00	0.00	0.05	0.04	0.10	0.09	0.00	0.00	0.74	1.01
<b>Telengana</b>	0.00	0.01	1.00	1.25	0.03	0.03	0.04	0.09	0.00	0.01	0.00	0.00	1.08	1.41
<b>Uttar Pradesh</b>	11.06	11.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.32	11.25	11.74
<b>Uttarakhand</b>	0.17	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.18
<b>West Bengal</b>	4.74	4.74	0.12	0.09	0.00	0.00	0.08	0.08	0.01	0.02	0.04	0.05	5.03	5.01
<b>Others</b>	0.37	0.13	0.00	0.00	0.00	0.00	0.02	0.00	0.02	0.00	0.06	0.00	0.00	0.13
<b>All-India</b>	<b>60.86</b>	<b>64.44</b>	<b>3.31</b>	<b>4.26</b>	<b>1.04</b>	<b>0.91</b>	<b>2.64</b>	<b>2.58</b>	<b>0.37</b>	<b>0.67</b>	<b>2.58</b>	<b>2.88</b>	<b>71.47</b>	<b>76.11</b>

## Soybean

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Bearish sentiments were prevalent in the domestic soybean consecutive three months pressured by the international soy market during the period in review.

Further, dull trade activity was featured in December owing to disparity on crushing. The trade volume was lower in the cash market and need based buying was featured during the period and the supplies reduced from the recent normal levels.

Continued weak soy meal exports from India and huge edible imports in recent months at attractive prices have led to the higher stock at Indian ports.

However, the domestic soy meal demand from mainly the poultry units remained slightly supportive for the bean in recent days.

The factors consequently widened the disparity on crushing the beans with limited buying in the key cash markets. Crushing bean continued to be unviable for several crushing players including the international giants operating in India.

The major crushing giants refrained from aggressive buying and crushing in Madhya Pradesh, Maharashtra and Rajasthan and the crushing units are running at much lower crushing capacity (below 30%) while some are closed due to unviability on crushing.

ITC had buying interest between Rs 3,750 - 38,00/Qtl in Dewas, Ujjain, Mandsaur and Neemuch, while ADM had selling interest in soybean from Dewas, Khandwa and Mandsaur on as is where is basis during the month.

The major buyers in Madhya Pradesh are as follows: SSA Mandideep, Cargill, ADM, Adani, Bansal, Khandwa Oil, Ruchi, Agrawal Neemuch, Betul Oil, Prakash, Bajrang, Prestige, Ambuja, Prakash, Sitashri, Divya Jyoti, AV Agro, Rama Sitashri Vippy, Kriti, Mahakali, Mahalaxmi, Dhanuka, Khyati, Premier, Dhan Laxmi, ITC, Dhanuka Soy, Indian Solvent (ABIS) and Advantage Overseas (10-2-2 specification) for Dewas and Mandsaur delivery during the month.

The soybean supplies fell month-on-month and were lower compared to the corresponding period last, this is due to the decline in India's soybean output.

The domestic soybean prices are likely to feature range bound movement with weak-bias on bearish global and domestic scenario in upcoming weeks.



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**International:**

The international soybean remained under pressure after forecast of much-needed rains in the key soybean belts of Brazil during the month in under review.

As per United States Department of Agriculture (USDA), U.S. processors crushed 4.97 MMT of soybean in November compared to 5.10 MMT crushed in October 2015, down 2.6 percent m-o-m. USDA reported soy meal stocks at the end of November at 0.34 MMT from 0.36 MMT in October. Crude Soy oil stocks were reported at 1.493 billion lbs. at the end of November.

Informa Economics, private analytics, has slashed the US 2016 soybean plantings to 84.537 million acres, from 85.3 million projected in its previous forecast. US cultivators planted 83.2 million acres of soybeans in 2015, according to USDA.

EU soybean purchases are seen increasing to 14.6 Mn T this season and crushings may improve by 1.0 Mn T to a multi-year high of 15.0 Mn T.

AGR Brasil has slightly raised its soybean forecast of Brazil's 2015/16 to 100.6 million tonnes from 100.5 million.

There were reports of severe crop damage of Brazil's due to dry weather and eventually moisture stress initially. The recent forecast of beneficial rains will limit the crop losses as it will revive the crop under stress.

The global supplies of soybean would still be ample even if Brazil's soybean crop outturn falls by 3 – 5 million tonnes from the private estimates.

The early sown soybean harvesting has commenced in the key state of Mato Grosso.

Brazil is expected to export 55 million tonnes of soybean in 2015/16 up compared to 53.8 million tonnes forecasted in October by Abiove.

Franca Junior has already lowered its forecast for Brazil's 2015/16 soybean crop to 97.9 million tonnes from 101.1 million in its previous estimate.

Brazil's 2015/16 soybean production was lowered and was estimated between 96 to 99 million tonnes by various agro-consultants. Despite crop losses, Brazil will produce record soybean in 2015/16 season.

Argentina's 2015/16 soybean production is estimated near 60 MMT which is below last year production of 61.4 MMT, the estimates are by the government agency.

Argentina has estimated soybean area at 20 million hectares, according to Argentina government. This would mean that production estimate could be revised higher depending on the crop situation.

The weather in Argentina continues to be favourable. Lower than expected farmer's selling in Argentina has lent support to the international soybean during the week.

Brazil exported 0.73 MMT of soybean in December 2015 v/s 1.44 MMT exported in November 2015, down 97 percent m-o-m. Exports rose 421 percent compared to December 2014 when the exports were 0.14 MMT.

Soy meal exports by Brazil in December 2015 were 1.04 MMT v/s 1.13 MMT in November 2015 and 0.87 MMT in December 2014. Soy oil exports were 0.164 MMT in December 2015 v/s 0.11 MMT in November 2015 and 0.65 MMT in December 2015.

According to cereal exporters association of Brazil-ANEC, Brazil is estimated to export 57 MMT of soybean in 2016. Most of the shipments will be from new northern ports exporting, 4.00 MMT higher from last year. Brazil largest port (Santos) is running at full capacity and rains in south Brazil on El Nino is expected to slow exports from Sao Francisco do Sul, Rio Grande and Paranagua ports. Shipments of soybean slowed down in December on higher shipments of corn.

China purchased 78 percent of Brazil's soybean exports. Brazil is the largest exporter of soybean and second largest exporter of corn.

*Forecast of beneficial rains in Brazil's soybean growing region, plunge in crude, Argentina's currency move and export tax policies on grains, higher inventories of edible oils at Indian ports, poor soy meal shipments from India will keep the soybean prices under pressure in near-term.*

## Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Carry In</b>	<b>0.37</b>	<b>0.40</b>	<b>0.32</b>	<b>0.32</b>	<b>0.23</b>
<b>Production</b>	<b>12.00</b>	<b>12.50</b>	<b>10.00</b>	<b>9.50</b>	<b>9.00</b>
Imports	0.00	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>12.37</b>	<b>12.90</b>	<b>10.33</b>	<b>9.83</b>	<b>9.23</b>
Crush	11.97	12.58	10.00	9.60	9.00
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	11.97	12.58	10.00	9.60	9.00
<b>Carry Out</b>	<b>0.40</b>	<b>0.32</b>	<b>0.32</b>	<b>0.23</b>	<b>0.23</b>
Monthly Use	1.00	1.05	0.83	0.80	0.75
Stock/Consumption Ratio	0.03	0.03	0.03	0.02	0.03
Stock to Month Use Ratio	0.40	0.31	0.39	0.28	0.30

Source: Agriwatch

- **Trade Observations:** *The soybean buying is sluggish for lower soy meal exports and higher edible oil imports at attractive prices. The new crop supplies are gradually falling in the key cash markets*
- We have revised down our preliminary estimate (11 mln T) and pegged India's 2015-16 soybean production at 9.0 million tonnes. This is due to the fall in potential yield output due to erratic/deficient rains during vegetative and flowering stage.
- We have revised India's 2014-15 soybean production to 9.5 million tonnes in our final production estimates.
- We expect 2015/16 soybean crush to be above 11.0 million tons. India's soy meal prices have to compete with the meal prices of South America in 2015/16 also.

## Soy meal

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Soy meal edged-lower in association with soybean. Weak soy meal exports from India and fall in international soy meal continued to remain bearish for the domestic market.

Soy meal at CBOT fell 5-1/2 year low during the month in review. January soy meal fell to US \$ 265.40 per short ton which is the lowest spot price on a continuous chart since April 2010.

Record soybean production in US and likely all-time high South American soybean output remained negative for the market.

However, steady domestic meal demand is somewhat lending support to the market. The domestic demand is mainly from poultry and poultry feed manufacturing units.

At Sangli, Maharashtra soy meal was quoted at Rs 36,000/MT compared to Rs 33,000/MT in Indore, M P. in the first week of January. Higher meal price of Maharashtra is due to the proximity to South India where the poultry units are concentrated.

There is a freight advantage for the South-Indian poultry units from Maharashtra over Madhya Pradesh.

India's soy meal prices are unlikely to get competitive to South American meal prices due to higher productivity in soybean in S. America and improved demand shift towards the region.

The domestic meal supplies will be surplus with weak overseas demand for the non-GM soy meal which India was the largest exporter 2 years back.

The overseas buyers of Indian soy meal were limited to Thailand, Indonesia, Kuwait, Africa and New Zealand last month.

Few countries have started importing soybean to crush at their homeland and minimize the import bill on soy products like meal and oil, doing so is viable to some, who even export the surplus meal in the vicinity. Pakistan is one such example.

India's export enquiries continued to be poor and the data reveals that the meal exports in November were quite low.

The market is waiting for India's December soy meal exports data.

***India's November 2015 oilmeal exports fell by 41% at 112,081 tonnes from 189,032 tonnes during the corresponding period last year.***

***During April – November, India's oilmeal shipments fell by two-fifths to 895,646 tonnes compared to 1,452,105.***

***India's export of soy meal during November, 2015 was just 8,909 tons compared to 110,806 tons in November, 2014 showing a decrease of 92% over the corresponding period of last year: SEA***

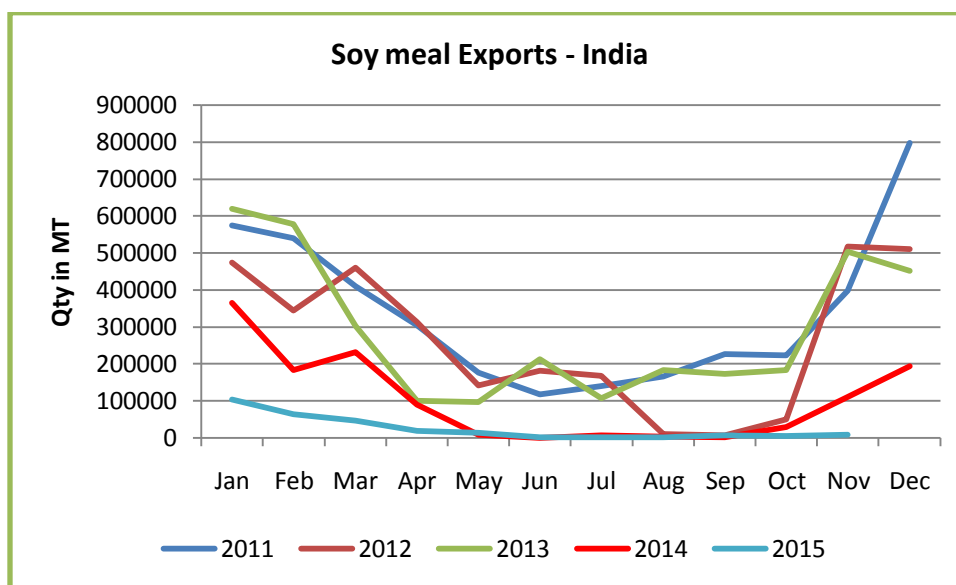
***On a financial year basis, the export during April'2015 to November'2015 is 55,889 tons compared to 250,904 tons in the corresponding period of previous year showing a decrease of 78%.***

The demand shift to South America for meal due to the attractive offer price compared to India is the major reason for the decline in the meal exports.

*Considering the bearish global supply scenario, we feel, India may not be able to regain the market it lost last season due to competitive prices in South American and China's.*

*Preference of the soy meal of Indian origin mainly by the South-East countries due to logistic and freight advantage and demand for non-GMO meal has lost the ground owing to much higher soy meal price of Indian origin compared to the South American meal. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea were the major destinations for Indian soy meal exports, whose demand shifted to South America.*

The soy meal prices will feature range-bound movement with weak bias on sluggish exports from India and bearish global supply scenario Win near -term.



India's Y-o-Y soy meal prices, Indore, are lower. Soy meal export price, Indore was quoted higher between Rs 32,000 – 34,000/MT compared to Rs 28,500 – 30,500/MT during the corresponding period last year.

## Soy Meal Export (In MT)

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Jan</b>	521243	521243	240318	574996	474993	619793	364443.7	103934
<b>Feb</b>	375098	375098	220552	540360	344240	577589	183551	64514
<b>Mar</b>	224639	224639	163666	410537	460464	302131	232176	46670
<b>Apr</b>	539175	100106	60264	305033	313832	100312	75884	18017
<b>May</b>	326875	77018	60575	176819	142588	97547	8226	14045
<b>Jun</b>	241508	109923	98400	117600	180987	213564	2636	2098
<b>Jul</b>	282438	58268	166632	139547	168341	107038	6682	929
<b>Aug</b>	205890	127299	176138	165510	10005	183555	2778	768
<b>Sep</b>	68443	171955	290868	225921	6525	173381	868	6886
<b>Oct</b>	88723	219721	404960	223594	49840	182724	29071	4237
<b>Nov</b>	647400	297340	443488	397659	517103	503269	110806	8909
<b>Dec</b>	655882	328225	611157	798041	510698	451314	193832	
<b>Total</b>	<b>4177314</b>	<b>2610835</b>	<b>2937018</b>	<b>4075617</b>	<b>3179616</b>	<b>3512217</b>	<b>843874</b>	<b>271007</b>

Source: SEA

India's soy meal exports are multi-year low due to the demand shift to South America, owing to the competitive meal price of South America over India's.

## Soybean Crush Margin

Avg Crush Margin – Dec. 2015		Avg Crush Margin – Nov. 2015		Avg Crush Margin – Dec. 2014	
<b>-1343</b>		<b>-1376</b>		<b>-661</b>	
Min	Max	Min	Max	Min	Max
<b>-1820</b>	<b>-810</b>	<b>-1900</b>	<b>-625</b>	<b>-1250</b>	<b>30</b>

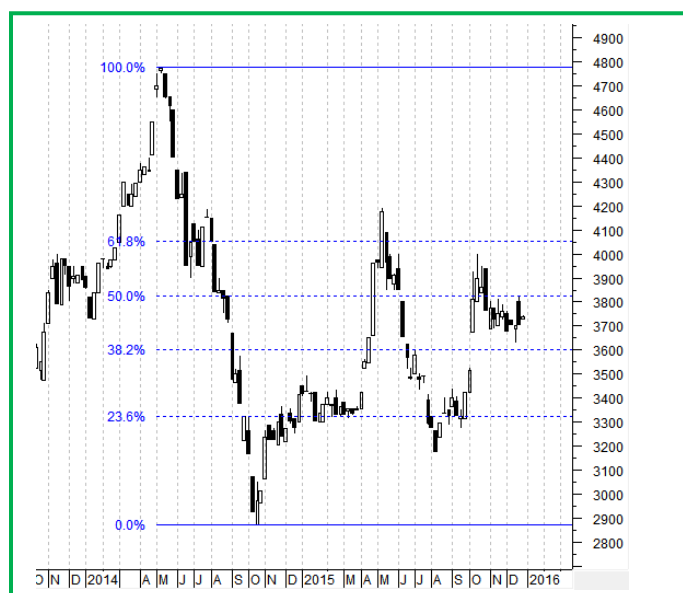
The disparity in soybean crushing in December 2015 has doubled compared to December 2014. The y-o-y widening of the disparity remained discouraging for the solvent extractors in December, and the buying continued to be dull during the month. Increasing imports of cheaper edible oil and weak soy meal export sales continued to remain negative for the soy complex.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Daily Chart

### Support & Resistance NCDEX- Soybean Feb. Contract

S1	S2	PCP	R1	R2
4095	4273	3880	3640	3495

- Soybean extended losses on selling pressure in December.
- Prices closed below 40-day EMA.
- MACD is easing in negative territory.
- RSI and stochastic are falling in neutral zone.
- Trade Recommendation (NCDEX Soybean – Jan.) – 1 Month: **SELL** Below 3900. T1 – 3700; T2 - 3650; SL –4020.

## Rapeseed - Mustard Seed

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Rapeseed-mustard witnessed losses ahead new marketing season, during the month in review. We expect further losses in coming days.

Further, losses in BMD CPO remained negative for the domestic seed market.

Nearing new crop seed harvest which is fetched at much lower prices with the start of new marketing season remained bearish for the seed.

Decline in mustard oil demand has forced the key solvent extractors like Ruchi Soya and Adani Wilmar to drop the oil prices. Adani Wilmar has reduced 8-10% while Ruchi Soya has eased mustard oil prices by 5-6% while some other are mulling on to drop the prices by 10-15%.

"Mustard oil demand has eased over the past two to three months by almost 60% as consumers are not keen to shell out Rs 120-130 for a litre," Angshu Mallick, chief operating officer at Adani Wilmar, told Economic Times.

India's rapeseed mustard seed crop is under pod formation stage. The crop is under good condition. There are no reports of crop damage due to any disease or any abnormal conditions.

The weather temperature in key mustard seed growing belts is above 4 – 5 degrees centigrade and overall, the weather is good which is currently normal and conducive, in the key growing regions of Rajasthan, Uttar Pradesh, Madhya Pradesh, Haryana and West Bengal.

Besides, there is no forecast of adverse (prolonged cold wave and ground fog) weather for the crop in near-term and no forecast of rains by IMD.

However, absence of winter chill will negatively affect in the yield potential and oil recovery.

In the official planting report of the ministry of agriculture, dated 01 Jan. 2016, India's planted area under rapeseed-mustard is reported down by 6% at 60.86 lakh hectares compared to 64.44 lakh hectares during the corresponding period last year.

*India's total 2014/15 area under rapeseed-mustard stood at 65.17 lakh hectares lower by about 9% from 2013/14 area of 71.0 lakh hectares.*

*We expect 2015/16 area under rapeseed-mustard to near previous year's level of 65.0 lakh hectares as the farmers' planting intentions reduced from initial figures owing to the inadequate soil moisture followed by weak monsoon.*

The harvesting of the crop is expected to be delayed by 15 – 20 days this season, due to the delayed planting this season. Normally the early sown crop is harvested towards the end of January.

Solvent Extractors Association (SEA) has reported that, India's November 2015 imports of edible oils rose by 14 percent y-o-y, at 13.38 LT compared with 11.49 LT in November 2014. Crude oil to refined oil ratio fell to 83 percent from 95 percent y-o-y. Palm oil imports were 8.74 LT (7.96 LT), higher by 9.8 percent y-o-y. CPO imports were 6.27 LT (7.13 LT), lower by 12 percent y-o-y. RBD Palmolein was at 2.32 LT (0.56 LT), up by 314

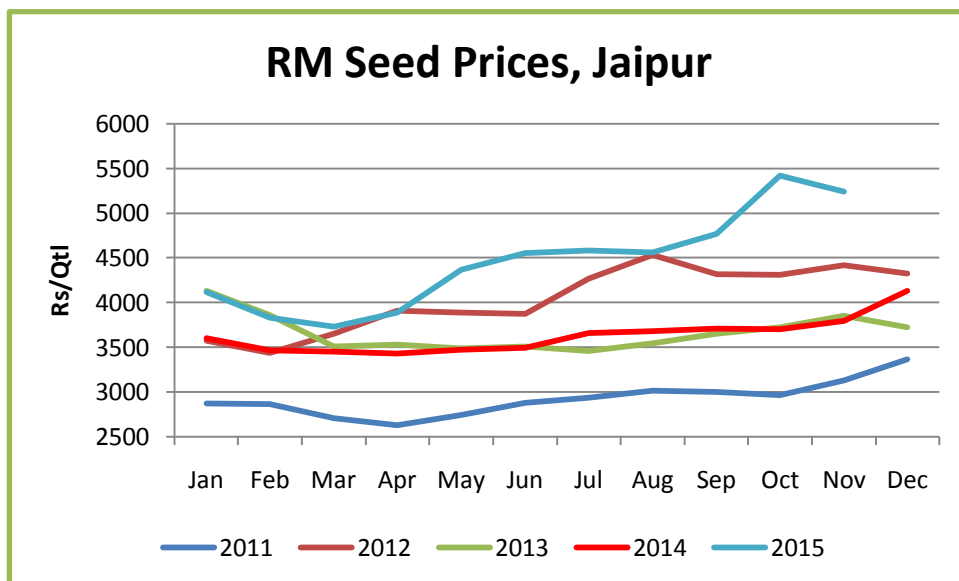


percent y-o-y. Crude Palm Kernel oil was at 0.15 LT (0.28 LT), lower by 46.42 percent y-o-y. Soy oil was at 2.62 LT (1.21 LT), higher by 117 percent y-o-y. Sunflower oil was at 1.78 LT (1.94 LT), lower by 8.24 percent y-o-y. Rapeseed (Canola) oil was at 0.25 LT (0.37 LT), down 32.4 percent y-o-y. Values in brackets are figures of November 2014.

India's edible oil at ports and in pipelines rose to 24.30 LT on 1st December 2015 compared to 23.70 LT on 1st November 2015, higher by 2.47 percent m-o-m. Stocks at ports are estimated at 10.2 LT (CPO 5 LT, RBD Palmolein 1.85 LT, Degummed Soybean Oil 1.55 LT, Crude Sunflower Oil 1.3 LT and 0.5 LT of Rapeseed (Canola) Oil) and about 14.10 LT in pipelines. India is holding stocks equivalent to 46 days of requirement in November 2015, up from 44 days in October 2015. India's monthly requirement is around 16 LT of edible oil for 30 days of stock.

Malaysia has kept palm oil export duty unchanged at zero. Tax is calculated at a reference price of 2,033.94 ringgit (\$472.24) per ton for January. Price above 2,250 ringgit per ton is taxed, starting from 4.5 percent to a maximum of 8.5 percent. Besides, Indonesia too has kept palm oil export duty to zero for January. Both have kept the export tax at zero since September 2014 to ease their palm oil stocks.

According to Societe Generale de Surveillance (SGS), Malaysia's December palm oil exports fell by 5.9 percent to 1,272,150 tons from 1,351,478 tons in November 2015. Top buyers were European Union at 297,015 tons (317,844 tons), India at 293,700 tons (287,590 tons), United States at 108,342 tons (82,505 tons), China at 92,055 tons (164,010 tons) and Pakistan at 39,500 tons (27,000 tons). Values in brackets are figures of November 2015.



However, Central and South America palm oil shipments increased sharply by 17% in Jan/Dec 2015, which clearly indicates the demand diversion from South East Asia to S. America.

According to Solvent Extractors Association (SEA), India should increase import duty on refined edible oils from 20 percent to 27.5 percent. This will reduce import of refined edible oil due higher duty differential from crude edible oils and refined edible oils from 7.5 percent to 15 percent. Presently duty differential is 7.5 percent (present import duty on crude edible oil is 12.5 percent and 20 percent for refined edible oil).

This should increase the capacity utilization of Indian refiners. At present import of refined edible oils is cheaper than domestic produced edible oils especially RBD palmolein. This has led to surge in imports of RBD palmolein in November. SEA has continuously maintained that duty differential should be 15 percent between crude edible oils and refined edible oils.

China continues sales from rapeseed oil reserves to reduce stocks of rapeseed oil estimated at 5.8 MMT, including stocks accumulated in 2009 and 2010. China's efforts to reduce stocks in first half of the year had limited success.

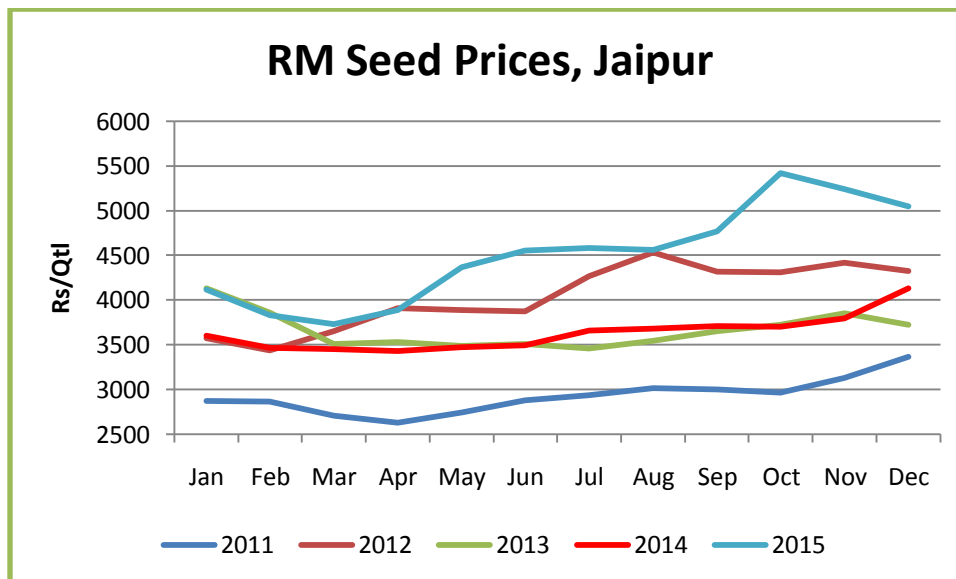
*Outlook: The rapeseed-mustard will continue to feature range-bound movement with weak bias, in near-term, sharp gains are ruled out ahead of new season, weakness in veg-oil complex in the international benchmark, BMD and CBOT and higher edible oil inventories with India will continue to pressure the seed market in near-term.*

### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals– Dec.	1 Month Ago	Corresponding Period Last Year
1,32,0000	9,50,000	1,67,0000

*The supplies are falling due to the lean season; they are lower than the corresponding period last season due to the lower production. The supplies are expected to fall further in coming weeks.*

### RM Seed Prices–Jaipur (Rajasthan)



## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Marketing Year (Mar-Feb)	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Carry In</b>	<b>0.75</b>	<b>1.25</b>	<b>0.28</b>	<b>0.20</b>	<b>0.20</b>
Production	7	6.5	7.2	7.74	5.9
Imports	0	0	0	0	0
<b>Total Availability</b>	<b>7.75</b>	<b>7.75</b>	<b>7.48</b>	<b>7.94</b>	<b>6.10</b>
<b>Crush</b>	<b>6.5</b>	<b>7.47</b>	7.28	7.74	5.90
Exports	0	0	0	0	0
Total Usage	6.5	7.47	7.28	7.74	5.9
<b>Carry Out/Ending Stock</b>	<b>1.25</b>	<b>0.28</b>	<b>0.20</b>	<b>0.20</b>	<b>0.20</b>
Monthly Use	0.54	0.62	0.61	0.65	0.49
<b>Stock/Consumption Ratio</b>	<b>0.19</b>	<b>0.04</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>
Stock to Month Use Ratio	2.31	0.45	0.33	0.31	0.41

(Source: Agriwatch)

- **Trade Observations: Short Supplies and better demand continued limited any sharp fall.**
- We have pegged India's 2015/16 RM seed outturn at 5.9 Mn T, 2015/16 production at 5.9 million tonnes, down by 24% at 7.7 million tonnes last season. The production fell compared to previous year due to decline in yield potential followed by unseasonal rains in the growing region and fall in sown area by 8.6% (6.52 million hectares vs 7.13 million hectares).
- The carry-in stands at 0.20 million tonnes, this season, which is at par with the previous year level.

### Technical Analysis:

#### NCDEX RM Seed Futures



#### RM Seed Spot, Jaipur



\*Daily Chart

#### Support & Resistance NCDEX - RM Seed Apr. Contract

S1	S2	PCP	R1	R2
4050	3950	4244	4535	4600

- The RM edged-lower featured losses, during the month.
- Prices closed below 40-day SMA
- RSI and stochastic are falling in neutral region.
- Prices are likely to feature losses in January.
- Trade Recommendation (NCDEX RM SEED-Apr.) – 1 Month: **SELL** Below 4300 levels.T1 – 4100; T2 - 3950; SL - 4420.

## Annexure

### Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
<b>Soybean</b>	<b>31-Dec-15</b>		<b>30-Nov-15</b>		
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	
Indore –Plant	3675	3800	3725	3775	25
Indore–Mandi	3500	3700	3500	3700	Unch
Nagpur-Plant	3850	3900	3650	3700	200
Nagpur – Mandi	3210	3700	3200	3650	50
Latur – Mandi	3400	3830	3440	3880	-50
Kota-Plant	3675	3700	3700	3750	-50
Kota – Mandi	3500	3550	3500	3600	-50
Bundi-Plant	3625	3650	3650	3675	-25
Bundi-Mandi	3575	3600	3600	3650	-50
Baran-Plant	3600	3650	3600	3650	Unch
Baran-Mandi	3300	3600	3300	3600	Unch
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3675	3700	3650	3675	25
Jhalwar-Mandi	3500	3650	3400	3600	50
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)	4915	4920	4980	4985	-65
Alwar-(Condition)	4550	4600	4800	4900	-300
SriGanganagar-(Non-Condition-Unpaid)	4500	4550	4675	4700	-150
New Delhi–(Condition)(New Crop)	-	-	5000	5050	-
Kota-Non-(Condition)	4200	4300	4300	4450	-150
Agra-(Condition)	5150	5200	5600	5700	-500
Neewai	4575	4625	4650	4700	-75
Hapur (UP)(New Crop)	4600	4675	5100	5150	-475
<b>Groundnut Seed</b>					
Rajkot	940	940	860	860	80
<b>Sunflower Seed</b>					
Gulbarga	3258	3445	3344	3654	-209
Latur	3300	3700	NA	NA	-
Sholapur(New Crop)	3700	3750	3750	3800	-50
<b>Sesame Seed</b>					

Mumbai (White98/2/1	6000	6000	6450	6450	<b>-450</b>
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Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C –Condition (42%),  
\*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/Qtl

#### Oilseed Cumulative Arrivals in Key Centres

Commodity	Centre	Monthly Arrivals in Bags/Qtl		Change
Soybean		<b>Dec,15</b>	<b>Nov,15</b>	
	Madhya Pradesh	1855000	2557000	<b>-702000</b>
	Maharashtra	1680000	2235000	<b>-555000</b>
	Rajasthan	930000	1175000	<b>-245000</b>
	Bundi (Raj)	8150	17100	<b>-8950</b>
	Baran (Raj)	68600	124000	<b>-55400</b>
	Jhalawar (Raj)	46100	45000	<b>1100</b>
Rapeseed/Mustard	Rajasthan	1320000	950000	<b>370000</b>
<b>*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg</b>				

## MSP of 2015/16 Kharif Oilseeds

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The Cabinet Committee on Economic Affairs has given its approval for the Minimum Support Prices (MSPs) for Kharif Crops of 2015-16 season. The decision is based on recommendations of Commission for Agricultural Costs and Prices (CACP) for the Price Policy for Kharif Crops for the Marketing Season 2015-16. The MSP of all the kharif oilseeds have been increased.

The MSP of soybean is raised by Rs. 40/qtl from previous season to Rs2600/qtl, Groundnut by Rs 30/qtl to Rs 4030/qtl, sunflower and niger seed by Rs 50/qtl to Rs 3800/qtl and Rs 3650/qtl respectively. The MSP of sesamum is increased by Rs 100/qtl to Rs 4700/qtl.

## MASP of 2014/15 Rabi Oilseeds

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The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2014-15 season to be marketed in 2015-16 as follows: The MSP of Rapeseed/Mustard is raised by Rs. 50/Qtl to Rs. 3100/Qtl from Rs. 3050/Qtl earlier. For Safflower too it is increased by Rs. 50/Qtl to Rs. 3050/Qtl from Rs. 3000/Qtl in 2013-14.

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