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# Oilseeds Monthly Research Report

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## Executive Summary

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Soybean, soy meal and rapeseed-mustard fell on slack in demand in the cash market from processors during the month in review.

The soybean buyers kept the bid prices lower to keep the meal prices attractive for the foreign buyers. The meal prices continued to remain weak primarily to compete with the South American meal prices and keep the exports window open for some more time.

Higher production of soybean has increased the availability of soy meal which needs to be exported to utilize the expected surplus with India.

However, improved overseas soy meal export demand remained supportive in recent weeks.

We feel the area covered under the rapeseed-mustard will be higher this season compared to the last year and this will prove bearish for the rest of the market season, ending in January.

Further, the rapeseed-mustard is expected to feature range bound movement with weak bias on expectation on higher acreage this season coupled with higher kharif oilseeds production.

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** The soybean continued to fall primarily on supply pressure and record US soybean production. Higher domestic soybean production this season, weak soy meal exports, record US soybean production will limit the gains in the domestic soybean to some extent. The prices are expected to feature range bound movement between the price band of 3,000 – 3,200 levels (Indore, Plant basis).

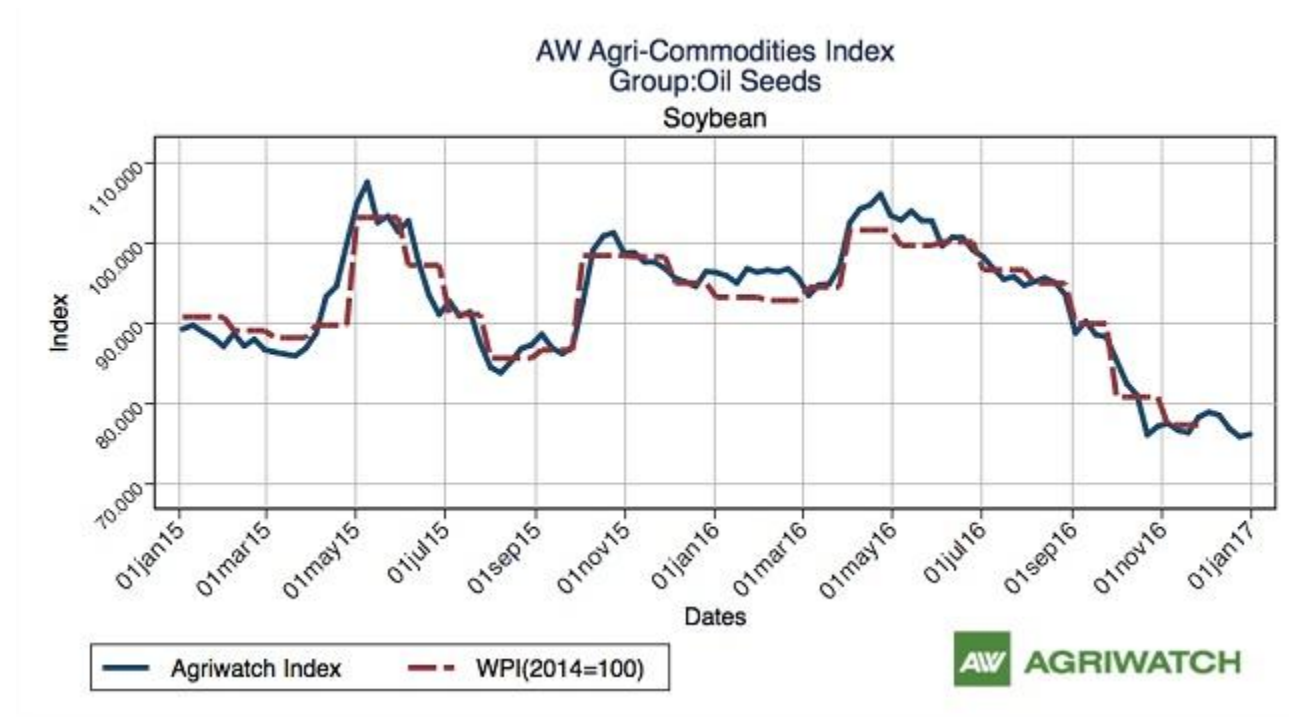
**Outlook – Soy meal:** Soy meal extended losses in tandem with soybean on bearish outlook this season. Expectation of higher crushing on improved soybean production on better distribution of seasonal rainfall in the key soybean domestic regions and weak soy meal exports is limiting the gains in the domestic soy meal. 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 including Japan in the upcoming season. The domestic meal prices are likely to feature range bound movement within near-term. Soy meal, Indore is expected to be in between the range of 23,000 – 25,000/MT levels during January.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard fell ahead new marketing season, during the month. Offloading of inventories ahead new season will pressure the seed market in upcoming days. The seed prices are likely to fall and witness the levels between 4,350 – 4,450 /Qtl; levels in January.

## AW Oilseeds Index – 01 January 2017

The Agriwatch Agri Commodities Index rose 11.55% during 2016 to close at 114.83 during the week ended Dec 31, 2016 from 102.94 a year ago (Jan 2, 2016). The base for the Index and all sub-Indices is 2014 (= 100).

In the commodity group sub-index, Oilseeds Index stood at 96.92 (-16.02%) week-on-week.



"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website [www.agriwatch.com](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

## International Highlights

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- ❖ China's soybean imports reached 7.8 million tonnes in November 2016 which is up 6.1% year-on-year and 50.5% month-on-month.
- ❖ China is estimated to import 86 million tonnes of soybean in 2016/17 season, which will be highest ever.
- ❖ China's soybean imports stood at 74.2 million tonnes in the first eleven months of 2016, reported by the China's Customs.
- ❖ Conab, the Brazil's government crop supply agency has forecast Brazil's 2016/17 soybean production at 102.45 million tonnes, up 7% from the last season.
- ❖ Informa Economics has raised its projection for the U.S. 2017 soybean planting at 88.612 million acres surpassing the record high of 83.17 million acres planted in 2016. The projected U.S. 2017 area under corn is slashed to 90.841 million acre from 90.971 million previously, which will divert to soybean.
- ❖ Informa has kept the US 2016 soybean yield at 52.8 bushels per acre which is up from USDA's estimate of 52.5 bushels which is all time high.
- ❖ It has projected US 2016 soybean at 4.381 billion bushels, slightly up from USDA's figure of 4.361 billion.
- ❖ FCStone has raised its forecast for US 2016 soybean productivity to a record 52.8 bushels per acre from 52.5 in its October report.
- ❖ Further, FCStone has raised its US 2016 soybean production estimate to 4.386 billion bushels 4.357 billion bushels projected in October.
- ❖ U.S. Environmental Protection Agency (EPA) increased US biodiesel production target by 6.5 percent in 2017 to 19.28 billion gallons compared to previous mandate of 18.11 billion gallons. Conventional biodiesel use is raised to 15 billion gallons which is mainly corn based biodiesel. Rest 4.28 billion gallons is set for advanced biodiesel mandate where soy oil is the major contributor. This step will decrease soy oil end stocks in US.
- ❖ Brazil's 2016/17 soybean crop is forecast up at 102.6 million tonnes compared to 96.3 million tonnes in 2015/16 marketing season, reported by Agroconsult.

- ❖ Brazil's 2016/17 soybean production is projected at 106 million tonnes by CRF, the production is much higher than the previous season (96.4 Mn T), when Brazil was hit by drought during the soybean crop development stage.
- ❖ Brazil's 2017 soybean exports are projected at 60 million tonnes which is up from 51-52 million estimated for the current marketing year 2016, reported by the National Association of Exporters of Cereals (ANEC).
- ❖ Further, CRF has projected Paraguay's soybean production at 8.6 million tonnes against 6.4 million tonnes produced last year.
- ❖ Abiove has forecast Brazil's 2017 soybean production at record 101.3 million tonnes compared to 96 – 98 million tonnes estimated for 2016 by various agencies. Abiove has estimated that Brazil will be able to export 57 million tonnes of soybean in 2017.
- ❖ Brazil's soybean output growth is projected at average 4.1% per year in next 10 years and soybean output is expected to surpass 140 million tonnes by 2025 by FCStone.
- ❖ Heavy rains over Argentina in October had delayed the soybean planting but have improved the soil moisture which has boosted the 2016/17 soybean production estimate by 2% to 55.3 million tonnes compared to last year's estimates which stood between 45.8 million tonnes, estimated by various agencies.
- ❖ Argentina postpones its decision to slash the soy export taxes for this year and 2017. The Argentine government has decided to ease the tax by 0.5% per month from January 2018 to December 2019, stated the President Mauricio Macri early this week.
- ❖ Macri had already cut the export tax from 35% to 30% in December shortly after Macri was elected as President and taking over the office.
- ❖ Argentina's government has raised its 2015/16 soybean crop to 58 million tonnes from its previous forecast of 57.6 million tonnes followed by faster than expected recovery of area considered lost to floods hit area in Argentina.
- ❖ Rosario Gains Exchange have revised its forecast for Argentina's 2015/16 soybeans up to 55.3 million tonnes from 55 million tonnes previously. This is despite severe crop damage after flood in April.
- ❖ INTL FC Stone has slashed Brazil's 2015-16 production by 1 million tonnes to 96.5 million tonnes, in its recent report. Besides, Informa has lowered Brazil's and Argentina's 2015/16 soybean production from 100.5 vs 100.1 mln t and 55.0 vs 59.5 mln t respectively.

- ❖ Abiove has trimmed Brazil's 2015/16 soybean crop to 96.6 million tonnes (during Feb. – Jan.) from 97.3 million projected earlier. It has lowered Brazil's soybean exports estimate to 53 million tonnes from 53.8 million tonnes. Brazil had shipped 54.3 million tonnes in previous season.
- ❖ World supplies of soybeans are likely to increase sharply by 19 Mn T in 2015/16, despite a global prospective production decline by 3 Mn T, leading to another above-average increase in soybean crushing, reports Oil World.
- ❖ Agroconsult has projected Brazil's 2016/17 area under soybean higher by 600,000 hectares. The consultant has projected Brazil's 2015/16 soybean production at 101.7 million tonnes in its final estimate.
- ❖ Conab, the Brazil government's crop supply agency, has raised Brazil's 2015/16 soybean crop to a record 101.18 million tonnes, which is up from 100.93 million tonnes from its previous estimate in February followed by increase in planted area and yields.
- ❖ FCStone has increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.
- ❖ Again, Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month. It has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.
- ❖ Brazil's Congress has passed a bill that will increase the country's biodiesel blend from its current 7% to 10% over the next three years.
- ❖ AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains.
- ❖ Rosario Grains Exchange has raised Argentina's 2015/16 soybean production forecast to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.
- ❖ China is forecast to import 85 million tonnes of soybeans in 2016/17, up from the previous season, however, higher inventories is expected to limit the rise in buying.

## Sown Area – *Rabi* Oilseeds, India

In the official *Rabi* oilseeds planting report, by the Ministry of Agriculture, (week ending 30 Dec. 2016), the total coverage area under *Rabi* oilseeds is reported at 79.47 lakh hectares, up 10.6% from 71.84 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported up by 12.6% at 68.93 lha compared to 61.20 lha during the corresponding period of last year. Groundnut at 4.05 lha vs 3.26 lha, safflower at 0.99 lha vs 1.11 lha, sunflower at 1.31 lha vs 2.67 lha, sesamum 0.31 vs 0.34 and Linseed at 3.40 lha vs 2.58 lha during the same period last year.

Area in Lakh Hectares

| <b><i>Crop</i></b>    | <b><i>As on 30 Dec. 2016</i></b> | <b><i>As on 30 Dec. 2015</i></b> | <b><i>% Change</i></b> |
|-----------------------|----------------------------------|----------------------------------|------------------------|
| Rapeseed/Mustard      | 68.93                            | 61.20                            | <b>12.6</b>            |
| Groundnut             | 4.05                             | 3.26                             | <b>24.2</b>            |
| Safflower             | 0.99                             | 1.11                             | <b>-10.8</b>           |
| Sunflower             | 1.31                             | 2.67                             | <b>-50.9</b>           |
| Sesamum               | 0.31                             | 0.34                             | <b>-8.8</b>            |
| Linseed               | 3.40                             | 2.58                             | <b>31.8</b>            |
| Others                | 0.48                             | 0.68                             | <b>-29.4</b>           |
| <b>Total Oilseeds</b> | <b>79.47</b>                     | <b>71.84</b>                     | <b>10.6</b>            |

Source: MoA, GOI



## Soybean

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The domestic soybean extended previous month's losses as the soybean processors are not eager bid high for the bean to keep the meal prices attractive for the foreign meal buyers. Further, weak domestic demand in soy meal after demonetization of high value currency has curbed the poultry demand.

The soy meal exporters are offering the meal at competitive price to the foreign buyers on bearish medium-term outlook. Hence to keep the meal prices lower the soybean prices are quoted low by the solvent extractors.

The soybean supplies at the cash market are gradually falling but they are still higher than the corresponding period last year.

Currently, about 1.15 – 1.3 lakh bags of soybean are arriving in cash markets of Madhya Pradesh against 0.45 – 0.65 lakh bags during the corresponding period last year.

Higher soybean supplies mean increase in crushing and eventually availability of more soy meal, which if not exported in time will lead to huge disparity in crushing.

India's domestic soy meal consumption is around 5 million tonnes and the production is expected to be 8 million tonnes, the surplus 3 million needs to be exported for the good crush market during the season.

The lower soy meal prices have increased the exports prospects which is expected to recover this season, after 3-years of weak soy meal exports of Indian origin.

The oilseeds processors want the meal prices to be lower so that the soy meal exports window remains open for some more time, especially when India has produced higher soybean this season.

The soybean supplies are higher not only in Madhya Pradesh but also in the key cash markets of Maharashtra and Rajasthan.

The major buyers in Madhya Pradesh who resumed the trade during the week are as follows: Amrit Mandsaur, Ambika Joara, Agrawal Neemuch, Adani, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, Divya Jyoti, G. Ambuja, Itarsi, Indian Soya, Khandwa, Khyati, Kriti, K.P. Newari, Mahakali, M.S. Neemuch, Prakash, Oyster Exim, Prestige, Ruchi, Rama, RH Solvex, SSA Mandideep, Shanti, Sawariya Itarsi, Sitashri, Vippy (10-2-2 specification) for Dewas and Mandsaur delivery during the week.

***The domestic soybean prices are likely to feature range-bound movement with firm bias on fresh buying by the solvent extractors and stockiest. However, higher soybean production this season, weak soy meal export sales will limit the gains in soybean in near-term.***

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**International:**

The CBOT soybean edged-up and closed the year up by 14%, first yearly rise since 2012 in the last week of December.

However, the gains were limited due to technical selling and expected South American crop prospects.

The CBOT soybean edged-up in the last session of December, January contract soybean prices witnessed high at US \$ 10.18/bushel and finally settled at US \$ 9.96/bushel compared to US \$ 9.896/bushel last week.

Forecast of heavy rains in Brazil in January is expected to hamper the soybean harvesting of 2016/17 crop, hurdle the logistics, deteriorate the quality of the bean just before harvesting leading to weakness in remained bullish for the international soybean.

The recent rains over Brazil's key soybean growing region have proved beneficial to the 2016/17 soybean crop in Rio Grande do Sul.

Conab, the Brazil's government crop supply agency has forecast Brazil's 2016/17 soybean production at 102.45 million tonnes, up 7% from the last season.

Wide spread rains showers in Argentina's has boosted the soybean planting pace which was lagging behind the normal pace. By mid December Argentina's soybean planting were reported at 67% by Buenos Aires Grain Exchange.

Earlier in December dry weather in Argentina had raised the concern in planting and crop development, Argentina is the major soy meal exporter in the world. Argentina will receive beneficial rains during the week.

Argentina's 2016/17 area under soybean is forecast at 20.3 million hectares which is up from the previous forecast of 20.2 million hectares, by the agriculture ministry in the monthly crop progress report. There was a fear that Argentina will grow less soybean if the country does not receive rains in time.

China's soybean imports reached 7.8 million tonnes in November 2016 which is up 6.1% year-on-year and 50.5% month-on-month.

China is estimated to import 86 million tonnes of soybean in 2016/17 season, which will be highest ever.

China's soybean imports stood at 74.2 million tonnes in the first eleven months of 2016, reported by the China's Customs.

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**Previous updates:**

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The soybean harvesting will gain momentum in Brazil with the end of Christmas. By the end of January, the state will harvest about 7 million tonnes, 25% of the state soybean area vs 10 – 15% of the normal.

However, forecast of above normal rains in Brazil this week may risk to rust fungus in the soybean crop and hit the soybean yield.

Safras & Mercado has raised its production forecast Brazil's 2016/17 soybean to 106.1 million tonnes, up 9.2% above the 2015/16 season and 2.5% above its previous projection in October.

It has projected the country's area under soybean to 1.2% from last year's crop to 33.57 million hectares. The soybean yield is projected substantially higher at 3176 kg per hectares in compared to 2943 kg per hectares in the previous season's crop.

Informa Economics has increased their 2017 US soybean plantings to 88.862 million acres and slashed the corn plantings projection to 90.151 million acres.

Informa has kept the US 2016 soybean yield at 52.8 bushels per acre which is up from USDA's estimate of 52.5 bushels which is all time high. It has projected US 2016 soybean at 4.381 billion bushels, slightly up from USDA's figure of 4.361 billion.

U.S. November soybean crush fell to 160.742 million bushels from 164.641 million bushels in October, up by 2.4 percent m-o-m. Crush of soybean in November 2015 was 156.134 million bushels, reported by NOPA.

Pre-sales of 2016/17 soybean crop in Mato Grosso have touched 47.5% of the total expected production volume which is higher compared to 55.4% during corresponding period of the 2015/16 crop. .

Brazil's soy group Abiove has projected country's soybean exports at 58 million tonnes of soybean in 2017.

The group has estimated 2 million tonnes of additional soy meal production from March 2017 on biodiesel blend.

It has projected Brazil's 2016/17 soybean crop at 101.7 million tonnes and 41 million tonnes of soybean crush in 2017.

China's 2016/17 soybean imports growth are expected to slow down on higher state reserve or inventories and increase in China's soybean production this season.

China's soybean production is up 13% to 13.1 million tonnes, highest in last 5 years, reported by China National Grain and Oils Information Center (CNGOIC).

Oil World is considering that US exporters will increase shipments to China by 4 Mn T in next six months.

Paraguay's area under soybean is expected to increase in 2016/17 due to favorable soy prices and expected better returns. Production is forecast up at 8.6 million tonnes compared to 6.4 million tonnes last season.

*The international soybean prices are expected to feature range bound movement with firm bias on strong export demand for US soybean and strength in crude oil.*

## Balance Sheet – Soybean, India

*Fig. in MnT*

| Soybean (Fig in Mn T) MY-<br>Oct.-Sep. |              |              | Q3              | Q4              | Q1              | Q2               |
|--|--------------|--------------|-----------------|-----------------|-----------------|------------------|
|  | 2015-<br>16E | 2016-<br>17F | Oct-Dec'16<br>F | Jan-Mar'17<br>F | Apr-Jun'17<br>F | July-Sep 17<br>F |
| Carry In                               | 0.23         | 0.23         | 0.23            | 4.83            | 2.65            | 1.38             |
| Production                             | 9.00         | 11.50        | 11.5            | 0               | 0               | 0                |
| Imports                                | 0.00         | 0.00         | 0               | 0               | 0               | 0                |
| Total Availability                     | 9.23         | 11.73        | 11.73           | 4.83            | 2.65            | 1.38             |
| Processing/Crushing                    | 7.50         | 10.00        | 6.65            | 1.94            | 0.77            | 0.65             |
| Exports & Direct Consumption           | 0.50         | 0.50         | 0.25            | 0.25            | 0.00            | 0.00             |
| Seeding/Retained for Sowing            | 1.00         | 1.00         | 0               | 0               | 0.5             | 0.5              |
| Total Usage                            | 9.00         | 11.50        | 6.90            | 2.185           | 1.265           | 1.15             |
| Carry Out                              | 0.23         | 0.23         | 4.83            | 2.65            | 1.38            | 0.23             |
| Monthly Use                            | 0.75         | 0.96         |                 |                 |                 |                  |
| Stock/Consumption Ratio                | 0.03         | 0.02         |                 |                 |                 |                  |
| Stock to Month Use Ratio               | 0.30         | 0.23         |                 |                 |                 |                  |

Source: Agriwatch

- **Trade Observations: Active buying is featured in soybean at various key cash markets. The solvent extractors and stockists are covering their stock future and to meet the soy meal commitments both at overseas and domestic front.**
- India's 2016/17 soybean production is projected at 11.5 million tonnes against 9.0 million last season.
- We expect India's 2016/17 soybean crush at 10.0 million tonnes vs 7.5 million in 2015/16.
- This translates into availability of 8 million tonnes of soy meal and 1.8 million tonnes of soy oil in 2016/17.
- Higher crushing mean increase in the availability of soy meal. India's soy meal prices have to compete with the meal prices of South America in 2016/17 also.

## Soy meal

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The domestic soy meal featured losses in sync with soybean and continued to remain under pressure in December on higher domestic soybean production and eventually surplus soy meal supplies this season.

Further, the domestic soy meal demand is dull due to the weak demand in poultry demand followed by demonetization of high value currency in recent month by the government of India.

Besides, the exporters are offering the soy meal to the foreign buyers at the competitive price to compete with the South American meal prices and keep the exports window open for some more time to utilize the likely higher meal supplies this season.

India is expected to produce 8 million tonnes of soy meal this season. Out of which 5 million will be consumed domestically but another 3 million needs to be shipped to overseas, failing which will increase the disparity on crushing soybean.

India's forward booking for soy meal are better than the corresponding period last year, further sharp fall in the export prices in recent weeks in soy meal have made the imports from India lucrative.

The meal prices are unlikely to post sharp gains to keep the exports window open at least for the period when India's soybean crushing is at a higher pace for first 4 - 5 months (Oct-Feb) of the new marketing season.

Higher domestic soybean production in 2016/17 will eventually increase the soybean crushing which will further increase the availability in soy meal this season.

We expect India's soy meal exports to recover slightly in the new season with higher 2016/17 soybean production leading to higher crushing eventually increasing the meal supplies.

India's 2016/17 soy meal exports are expected to witness 3 year high and expected to jump 2 million tonnes from 2,61,051 exported last year, stated industry officials.

The exporters have contracted to ship around 500,000 tonnes soy meal for December-March delivery.

However, currently the domestic soy meal demand is sluggish due to weak demand from poultry owing to fall in poultry demand after demonetization.

Soy meal witnessed gains in the last week of December in the international market and January CBOT soy meal settled at US \$ 312.9 per short ton compared to US \$ 308.0 per short ton last week.

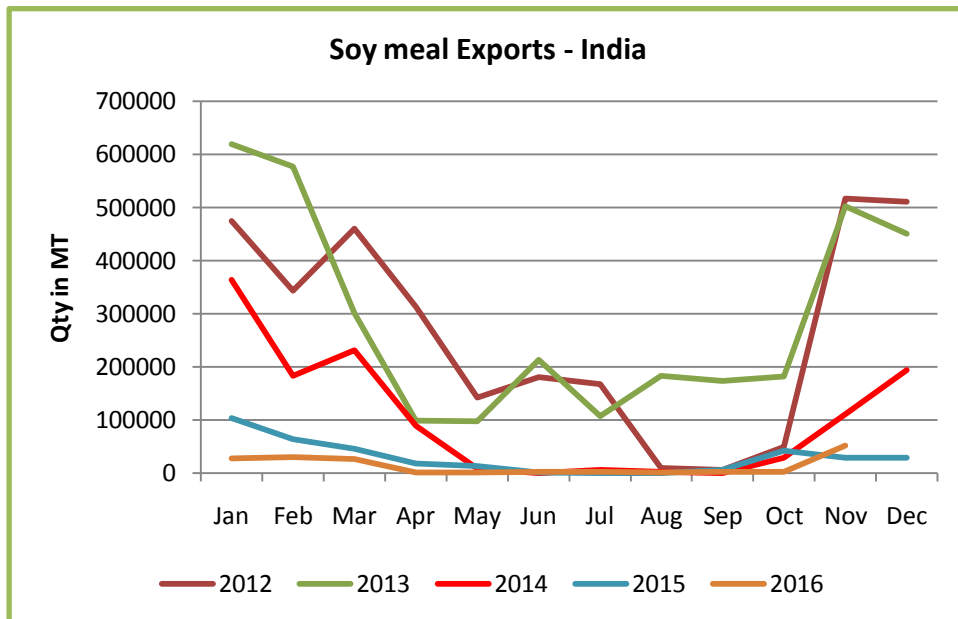
The domestic soy meal prices at Indore, fell and were quoted at Rs 22,425 – 23,400/MT in the last week of December compared to Rs 22,450 – 23,500/MT a fortnight back.

At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 23,400/MT and 23,500/MT respectively compared to Rs 23,100/MT in Indore and Rs 24,300/MT in Kota.

**India's soy meal exports and its other value added products (HS Code 2304) during November 2016 is 61,003 tons compared to 29,801 tons in November 2015 showing an increase of 104% over the corresponding period of last year.**

**On a financial year basis, the export during April'2016 to November'2016 is 1,55,874 tons as compared to 2,73,433 tons in the corresponding period of previous year showing a decrease of 43%.**

**During current Oil year, (October – September), total exports during October 2016 to November, 2016 is 80,142 tons as against 71,905 tons last year, showing an increase by 11.45%, as reported by SOPA.**



**Japan (14542.5 MT), Myanmar (8083.546 MT), Sri Lanka (7435.076 MT), Thailand (6744.31 MT) and Kuwait (3262.56 MT) were the key buyers of Indian origin meal in November.**

Recovery in exports is primarily due to drastic fall in the Indian soy meal prices making it price competitive to South America.

Indian meal prices need to be highly competitive against the South American and China's meal prices to regain the lost markets it lost in previous seasons.

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 are likely to feature range-bound movement with firm-bias on likely fresh buying by the poultry and feed manufacturing industry. However, higher domestic and international soybean production will limit the gains market, in near-term.

India's Y-o-Y soy meal prices, Indore, are currently lower. Soy meal Indore was quoted lower between Rs 22,425 – 23,400/MT in the last week of December compared to Rs 33,000– 33,500/MT during the corresponding period last year.

## Soy Meal Export (In MT)

|              | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014          | 2015          | 2016          |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|
| <b>Jan</b>   | 521243         | 521243         | 240318         | 574996         | 474993         | 619793         | 364443.7      | 103934        | 7707          |
| <b>Feb</b>   | 375098         | 375098         | 220552         | 540360         | 344240         | 577589         | 183551        | 64514         | 1127          |
| <b>Mar</b>   | 224639         | 224639         | 163666         | 410537         | 460464         | 302131         | 232176        | 46670         | 430.1         |
| <b>Apr</b>   | 539175         | 100106         | 60264          | 305033         | 313832         | 100312         | 75884         | 18017         | 1442          |
| <b>May</b>   | 326875         | 77018          | 60575          | 176819         | 142588         | 97547          | 8226          | 14045         | 1015          |
| <b>Jun</b>   | 241508         | 109923         | 98400          | 117600         | 180987         | 213564         | 2636          | 2098          | 2672          |
| <b>Jul</b>   | 282438         | 58268          | 166632         | 139547         | 168341         | 107038         | 6682          | 929           | 3290          |
| <b>Aug</b>   | 205890         | 127299         | 176138         | 165510         | 10005          | 183555         | 2778          | 768           | 1726          |
| <b>Sep</b>   | 68443          | 171955         | 290868         | 225921         | 6525           | 173381         | 868           | 6886          | 3343          |
| <b>Oct</b>   | 88723          | 219721         | 404960         | 223594         | 49840          | 182724         | 29071         | 4237          | 3177          |
| <b>Nov</b>   | 647400         | 297340         | 443488         | 397659         | 517103         | 503269         | 110806        | 8909          | 51805         |
| <b>Dec</b>   | 655882         | 328225         | 611157         | 798041         | 510698         | 451314         | 193832        | 5667          | -             |
| <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>276674</b> | <b>153464</b> |

Source: SEA

India's soy meal exports seen improving after 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. 2016 |            | Avg Crush Margin – Nov. 2016 |            | Avg Crush Margin – Dec. 2015 |             |
|------------------------------|------------|------------------------------|------------|------------------------------|-------------|
| <b>-128</b>                  |            | <b>-503</b>                  |            | <b>-1343</b>                 |             |
| Min                          | Max        | Min                          | Max        | Min                          | Max         |
| <b>-950</b>                  | <b>615</b> | <b>-1510</b>                 | <b>250</b> | <b>-1820</b>                 | <b>-810</b> |

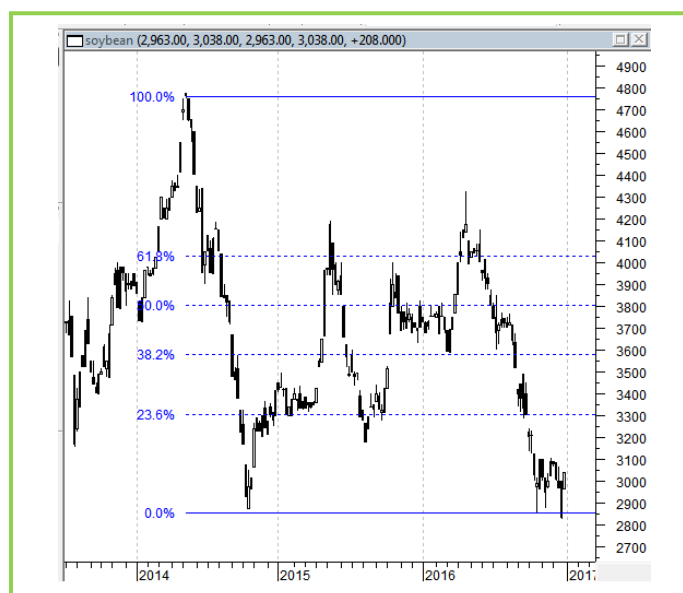
The domestic soybean crush margins in December 2016 have significantly recovered from the corresponding period last year and also from November 2016.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Daily Chart

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

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 2900 | 2850 | 3078 | 3465 | 3700 |

- Soybean fell for 6 consecutive months. Feb. contract hit low at 3001 levels on strong selling pressure in the market.
- Prices closed below 40-day EMA.
- MACD is falling in the negative territory.
- RSI and stochastic are easing in oversold zone.
- Trade Recommendation (NCDEX Soybean – Feb.) – 1 Month: **BUY** Above 2980. T1 – 3180; T2 - 3280; SL –2860.



## Rapeseed - Mustard Seed

The domestic rapeseed-mustard extended losses on feeble demand from the solvent extractors during the period under review.

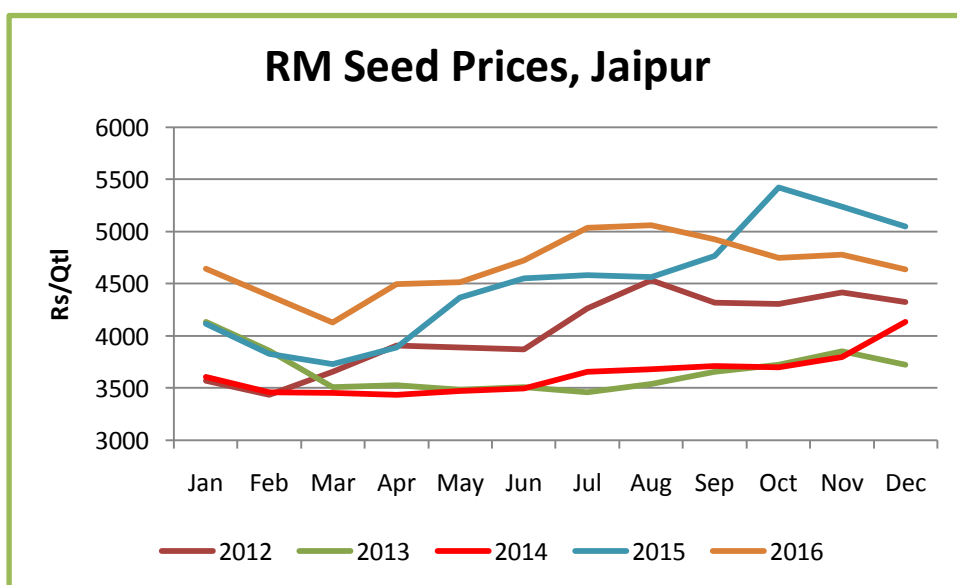
Higher area coverage under rapeseed-mustard this season remained bearish for the seed.

The RM seed crop is in the flowering stage in most of the key growing belts and the crop is considered to be in good health. There are no reports of crop loss or damage in any key growing belt.

In the recent government update on rabi crop planting, India's rapeseed-mustard sowing is reported up by 13% at 68.93 lha compared to 60.20 lha during the corresponding period of last year.

The seed prices, during the week, at benchmark, Jaipur was quoted lower between Rs. 4,400 – 4,525 per quintal in the last week of the month in review compared to Rs. 4,815 – 5,030 per quintal witnessed in the corresponding periods last year.

The all India daily arrivals of the seed continued to ease and were reported between 0.5 – 0.60 lakh bags and are lower compared to 0.65 – 0.95 lakh bags during the corresponding period last year.



### RM Seed Supply, Pan India

| RM Seed Arrivals Pan India in Bags (85 kg each). |             |                                |
|--|-------------|--------------------------------|
| Monthly Arrivals– Dec.                           | 1 Month Ago | Corresponding Period Last Year |
| 13,80,000  | 11,05,000   | 24,70,000                      |

Malaysia's December palm oil exports fell 1.8 percent to 1,109,606 tons compared to 1,130,172 tons in the corresponding period last month. Top buyers were European Union at 257,808 tons (215,995 tons), China at 176,477 tons (215,655 tons), India at 154,525 tons (118,010 tons), Pakistan at 46,150 tons (22,000 tons) and United States at 43,620 tons (55,556 tons). Values in brackets are figures of corresponding period last month, reported cargo surveyor Societe Generale de Surveillance (SGS).

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**Previous Updates**

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Higher rabi oilseeds planting and improved kharif oilseed production have pressured the seed markets in recent days.

In the official planting report on 30 Dec. 2016, rapeseed-mustard sowing is reported up by 12.6% at 68.93 lha compared to 61.20 lha during the corresponding period of last year.

India's November edible oil imports fell 13.3 percent y-o-y to 11.56 lakh tons from 13.33 lakh tons in November 2015. Palm oil imports fell 8.5 percent y-o-y to 7.98 lakh tons y-o-y from 8.72 lakh tons in November 2015. CPO Imports fell 11.16 percent y-o-y to 5.57 lakh tons from 6.27 lakh tons in November 2015. RBD palmolein imports rose 3.9 percent y-o-y to 2.41 lakh tons from 2.32 lakh tons in November 2015.

Soy oil imports fell 36.2 percent y-o-y to 1.64 lakh tons from 2.57 lakh tons in November 2015. Sunflower oil imports fell 11.2 percent y-o-y to 1.58 lakh tons from 1.78 lakh ton in November 2015. Rapeseed (Canola) oil imports rose 21.9 percent y-o-y to 0.32 lakh tons from 0.25 lakh tons in November 2015, reported by the Solvent Extractors Association (SEA).

India's November edible oil stocks at ports and pipelines fell 7.4 m-o-m to 18.25 lakh tons from 19.35 lakh tons in October 2016. Stocks of edible oil at ports fell to 655,000 tons (CPO 220,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 180,000 tons, Crude Sunflower Oil 90,000 tons and 15,000 tons of Rapeseed (Canola) Oil) and about 1,170,000 tons in pipelines (stocks in pipelines were at 1,230,000 tons in October). India is presently holding 33 days of edible oil requirement on 1st December, 2016 at 18.25 lakh tons compared to 35 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons, as per Solvent Extractors Association (SEA).

China's edible vegetable oil imports rose 64.5 percent in November at 5.1 LT compared to 3.1 LT in October. Imports fell 12.1 percent to 5.8 in LT compared to November 2015, said China General Administration of Customs (CNGOIC). Indonesia is expected to produce 32-33 MMT of palm oil in 2017 compared to estimated production of 28.5-30 MMT in 2016, higher by 16 percent y-o-y. Production in 2015 was 33 MMT. Wet condition in 2016 in Indonesia is primary reason for higher production in 2017. Exports are expected to in grow to 23-25 MMT in 2017 compared to 23 MMT estimated in 2016. Palm oil prices rose in 2016 due to lower stocks of palm on El Nino, crude oil prices and biodiesel mandates in Indonesia and Malaysia, said Indonesia Palm Oil Association (GAPKI).

Indonesia has imposed crude palm oil duty for January at USD 3 per ton. The reference price of CPO is set at USD 788.26 per ton. Tax will be charged when the prices rise above USD 750 per ton, Indonesia government.

Malaysia increased crude palm oil export duty to 7 percent for January from 6 percent in December. Tax is calculated at reference price of 3,119.48 ringgit (\$696.62) per ton. Prices above 2,250 are taxed starting from 4.5 percent to a maximum of 8.5 percent, Malaysia Palm Oil Board (MPOB).

India's rapeseed-mustard is driven by Malaysian palm oil, India's edible oil imports and Chinese vegoil demand.

*Outlook: The rapeseed-mustard is expected to feature range-bound movement with weak-bias ahead new marketing season on likely higher domestic acreage under rapeseed-mustard and better kharif oilseeds production and their supplies.*

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

| Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan. | 2015-16 | 2016-17*F | Feb-Apr | May-Jul | Aug-Oct | Nov-Jan |
|---|---------|-----------|---------|---------|---------|---------|
| Carry In                                    | 0.20    | 0.20      | 0.10    | 2.92    | 1.53    | 0.81    |
| Production                                  | 5.90    | 5.80      | 5.80    | 0.00    | 0.00    | 0.00    |
| Imports                                     | 0.00    | 0.00      | 0.00    | 0.00    | 0.00    | 0.00    |
| Total Availability                          | 6.10    | 6.00      | 5.90    | 2.92    | 1.53    | 0.81    |
| Processing/Crushing                         | 5.70    | 5.90      | 2.93    | 1.34    | 0.62    | 0.61    |
| Exports                                     | 0.00    | 0.00      | 0.00    | 0.00    | 0.00    | 0.00    |
| Retained for Sowing & Direct Consumption    | 0.30    | 0.30      | 0.05    | 0.05    | 0.10    | 0.10    |
| Total Usage                                 | 5.70    | 5.90      | 2.98    | 1.39    | 0.72    | 0.71    |
| Carry Out/Ending Stock                      | 0.20    | 0.10      | 2.92    | 1.53    | 0.81    | 0.10    |
| Monthly Use                                 | 0.48    | 0.49      |         |         |         |         |
| Stock/Consumption Ratio                     | 0.04    | 0.02      |         |         |         |         |
| Stock to Month Use Ratio                    | 0.42    | 0.20      |         |         |         |         |

(Source: Agriwatch)

- We have pegged India's 2016/17 Rapeseed-mustard outturn at 5.8 million tonnes, slightly lower by 1% compared to the 2015/16 production at 5.9 million tonnes.
- India's production is below 5 year average of around 7.0 million tonnes. This is mainly due to the fall in sown area in last couple of years.
- **Trade Observations: India is an import dependent country in edible oils, hence the oilseeds produced almost gets crushed fully, prices to remain strong in 2016-17 season due to the sharp demand in the seed.**
- India's rapeseed-mustard prices hit all time high at cash market in 2015-16 season to Rs 5,575/Qtl in Jaipur, surpassing the previous high registered in 2012 at around Rs 4,653/Qtl, Jaipur basis.

### Technical Analysis:

#### NCDEX RM Seed Futures



#### RM Seed Spot, Jaipur



\*Daily Chart

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

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3800 | 3700 | 3974 | 4200 | 4300 |

- Rapeseed-mustard fell on selling pressure in the market.
- Prices closed below 40-day EMA.
- MACD is easing in negative territory.
- RSI and stochastic are falling in neutral zone.
- Trade Recommendation (NCDEX RM Seed – Apr.) – 1 Month: **SELL** Below 4050. T1 – 3850; T2 - 3800; SL –4170.

## Annexure

### Oilseed Prices at Key Spot Markets:

| Commodity / Centre                         | Prices (Rs/Qtl)  |             |                  |             | Change |
|--|------------------|-------------|------------------|-------------|--------|
| <b>Soybean</b>                             | <b>31-Dec-16</b> |             | <b>30-Nov-16</b> |             |        |
|  | <b>Low</b>       | <b>High</b> | <b>Low</b>       | <b>High</b> |        |
| Indore –Plant                              | 3000             | 3075        | 3080             | 3100        | -25    |
| Indore–Mandi                               | 2850             | 3050        | 2850             | 3000        | 50     |
| Nagpur-Plant                               | 2925             | 3040        | 3050             | 3150        | -110   |
| Nagpur – Mandi                             | 2600             | 2880        | 2600             | 2960        | -80    |
| Latur – Mandi                              | 2550             | 3025        | 2550             | 3019        | 6      |
| Kota-Plant                                 | 3050             | 3100        | 3100             | 3120        | -20    |
| Kota – Mandi                               | 3000             | 3080        | 2900             | 3000        | 80     |
| Bundi-Plant                                | 3000             | 3100        | 3100             | 3200        | -100   |
| Bundi-Mandi                                | 2900             | 2950        | 3050             | 3100        | -150   |
| Baran-Plant                                | 2850             | 3100        | 3100             | 3180        | -80    |
| Baran-Mandi                                | 2900             | 3025        | 3020             | 3080        | -55    |
| Bhawani Mandi Jhalawar–Kota-Plant Delivery | 3060             | 3100        | 3000             | 3100        | Unch   |
| Jhalwar-Mandi                              | 3000             | 3080        | 3025             | 3050        | 30     |
| <b>Rapeseed/Mustard</b>                    |                  |             |                  |             |        |
| Jaipur-(Condition)                         | 4515             | 4520        | 4880             | 4885        | -365   |
| Alwar-(Condition)                          | 4225             | 4350        | 4700             | 4750        | -400   |
| SriGanganagar-(Non-Condition-Unpaid)       | 3800             | 3900        | 4100             | 4225        | -325   |
| New Delhi–(Condition)(New Crop)            | 4250             | 4350        | 4600             | 4650        | -300   |
| Kota-Non-(Condition)                       | 3600             | 3800        | 3925             | 4220        | -420   |
| Agra-(Condition)                           | 4750             | 4800        | 5200             | 5225        | -425   |
| Neewai                                     | 4140             | 4170        | 4675             | 4710        | -540   |
| Hapur (UP)(New Crop)                       | Closed           | Closed      | 4675             | 4700        | -      |
| <b>Groundnut Seed</b>                      |                  |             |                  |             |        |
| Rajkot                                     | 885              | 885         | 860              | 860         | 25     |
| <b>Sunflower Seed</b>                      |                  |             |                  |             |        |
| Gulbarga                                   | 2655             | 3312        | 2855             | 3102        | 210    |
| Latur                                      | NA               | NA          | NA               | NA          | -      |
| Sholapur(New Crop)                         | 3100             | 3200        | 3200             | 3300        | -100   |
| <b>Sesame Seed</b>                         |                  |             |                  |             |        |

|                     |      |      |      |      |    |
|---------------------|------|------|------|------|----|
| Mumbai (White98/2/1 | 6700 | 6700 | 6650 | 6650 | 50 |
|---------------------|------|------|------|------|----|

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   |
|---|----------------|------------------------------|-------------|----------|
|   |                | December,16                  | November,16 |          |
| Soybean   |                |                              |             |          |
|   | Madhya Pradesh | 3920000                      | 5730000     | -1810000 |
|   | Maharashtra    | 3193000                      | 4650000     | -1457000 |
|   | Rajasthan      | 1112000                      | 1528000     | -416000  |
|   | Bundi (Raj)    | 11050                        | 19400       | -8350    |
|   | Baran (Raj)    | 80200                        | 139900      | -59700   |
|   | Jhalawar (Raj) | 54400                        | 127300      | -72900   |
|   |                |                              |             |          |
| Rapeseed/Mustard                                | Rajasthan      | Closed                       | 250000      | -        |
| *Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg |                |                              |             |          |

## MSP for 2016/17 Kharif Oilseeds

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The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for Minimum Support Prices (MSPs) for Kharif Crops of 2016-17 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 6.7% to Rs 2775/Qtl (including Rs 100 bonus) for 2016-17 season from Rs 2600/Qtl in 2015-16, Groundnut -in- shell by 4.7% to Rs 4220/Qtl (including Rs 100 bonus) from Rs 4030/Qtl, Sunflower seed by 3.9% to Rs 3950/Qtl (including Rs 200 bonus) from Rs 3800/Qtl, Nigerseed by 4.8% to Rs 3825/Qtl (including Rs 100 bonus) from Rs 3650/Qtl and Sesamum by 6.4% to Rs 5000/Qtl (including Rs 200 bonus) from Rs 4700/Qtl.

## MSP for 2016/17 Rabi Oilseeds

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The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2016-17 season are as follows: The MSP of Rapeseed/Mustard is raised (10.4%) by Rs. 350/Qtl to Rs. 3,700/Qtl from Rs. 3,350/Qtl earlier. For Safflower too it is increased (12.1%) by Rs. 400/Qtl to Rs. 3,700/Qtl from Rs. 3,300/Qtl in 2014-15. Further, to incentivise cultivation of oilseeds, the Cabinet has decided to give a bonus of Rs 100/- per quintal each for Rabi oilseeds including Rapeseeds/Mustards and Safflower, over and above the recommendations of the CACP.

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