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# Oilseeds Monthly Research Report

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## Executive Summary

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Soybean noticed firm tone during the month on lower arrivals in the mandis and good buying interest in the cash market. However upside was limited amid weakness in soybean at CBOT. Soybean at CBOT witnessed easy tone amid rains in the soybean growing regions of Brazil and Argentina. China's import of U.S. soybean could decline in 2018 on stringent import rules introduced by Chinese China. import rules introduced. The weekly export sales of soybean released by USDA in the last week of the month were lower compared to previous week.

In the domestic market, arrivals are declining in the mandis. Good buying interest added to the positive tone of the market. There is good demand for soybean from the crushers. All India soybean average arrival per day is reported to be around 3.0 -3.75 lakh bags during the last week of the month.

The weekly export sales of soybean at 0.975 MMT as reported by the USDA was lower compared to previous week. Good rainfall is expected in the soybean growing regions of Argentina and Brazil in the coming days. This is likely to support soybean crop development. According to data reviewed by Reuters, half of U.S. soybeans exported to China this year would not meet Chinese rules for routine delivery in 2018.

Soy meal prices witnessed firm tone following soybean and good demand in the export market. In the current oil year, soy meal exports are higher compared to corresponding period previous year.

Rapeseed prices witnessed easy tone during the month amid lack of demand from the retailers and stockists around current levels. Weakness in soya oil at CBOT and palm oil at BMD added to the weak tone of the market. Rabi mustard seed acreage till date is lower compared to same corresponding period previous year.

Prices are driven by overall bearish scenario of edible oils in the global market. Downside will be limited amid lower arrivals in the mandis and lower rabi oilseeds sowing progress till date.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed firm tone on lower arrivals and good buying interest in the cash market. However upside was limited on weakness in soybean at CBOT during the month. Soybean at CBOT witnessed easy tone amid rains in the growing regions of Argentina and Brazil. China's import of U.S. soybean could decline in 2018 amid stringent Chinese import rules introduced by China. The weekly export sales released by the USDA in the last week of the month were below previous week's level. The prices are expected to feature range bound movement with firm bias between the price band of 3000 – 3300 level (Indore, Plant basis).

**Outlook – Soy meal:** Soy meal witnessed positive tone during the month following soybean and good demand in the export market. Soy meal exports in the current oil year are higher compared to previous year's level. In the current oil year, meal production will be lower compared to previous year amid lower soybean production. Indian soy meal prices have to remain competitive to retain global share in the market. Soy meal, Indore is expected to be in the range of 23,000 – 25,000/MT levels during the month.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard noticed weak tone during the month amid lack of demand from the retailers and stockists around current levels. Weakness in soya oil at CBOT and palm oil at BMD added to the weak tone of the market. Rabi sowing of rapeseed, till date, is lower by around 8.0% till date compared to same corresponding period previous year. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 3850 – 4150/Qtl; levels during the month.

## International Highlights

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- ❖ According to consultancy, AgRural forecast of rains during next two weeks in most soy producing regions of Brazil is likely to support soybean crop. Weather in January will define the crop output and yield. Harvesting will be little later than usual due to delayed planting. Last year Brazil produced 114 MMT of soybean following favourable weather. In the current season it is expected to produce 109 MMT soybean according to Conab.
- ❖ According to the General Administration of Customs, China imported 458,959 metric tonnes of rapeseed in November 2017, an increase of 50.32 per cent compared to previous month. Imports were 33 per cent higher compared to the same corresponding period previous year. It imported 3,860 metric tonnes of soy meal in November 2017, an increase of 328.89 per cent compared to previous month. Imports were 303 per cent higher compared to the same corresponding period previous year.
- ❖ According to data reviewed by Reuters, half of U.S. soybeans exported to China this year would not meet Chinese rules for routine delivery in 2018. Stringent import restrictions for soybean imports from U.S. in China will be effective from 01 January, 2018.
- ❖ Net sales of 974,700 MT of soybean for 2017/2018 were down 44 percent from the previous week and 37 percent from the prior 4-week average. Increases were reported for China (928,700 MT, including 451,500 MT switched from unknown destinations and decreases of 266,500 MT), Japan (97,500 MT, including 45,200 MT switched from unknown destinations and decreases of 1,800 MT), the Netherlands (84,200 MT, including 76,000 MT switched from unknown destinations and decrease of 3,000 MT), Mexico (67,500 MT, including decreases of 200 MT), and Turkey (50,800 MT) during the week December 15 -21, 2017. Reductions were reported for unknown destinations (327,500 MT) and Spain (32,300 MT). For 2018/2019, net sales of 81,300 MT were reported for unknown destinations (72,900 MT), Japan (6,400 MT), and Thailand (2,000 MT). The current week's net sales are lower compared to net sales of 1,742,900 MT during the previous week.
- ❖ Informa increased soybean acreage to a record 91.387 million acres in 2018 compared to previous month's estimates of 89.627 million acres. Soybean yield has been estimated at 49.7 bushels per acre compared to USDA's figure of 49.5 bushels per acre. Soybean production has been estimated at 4.450 billion bushels.

- ❖ According to National Oilseed Processors Association (NOPA), U.S. November soybean crush rose 1.7 percent to 163.546 million bushels from 160.752 million bushels in November 2016. Crush of soybean in October 2017 was 164.242 million bushels. Soy oil stocks in U.S. at the end of November increased to 1.326 billion lbs compared to 1.224 billion lbs in end October 2017. Soy meal exports during the month increased to 896,145 metric tonnes, up from 643,199 metric tonnes in October and 804,322 tons during the same corresponding period previous year.
- ❖ According to consultancy Safras & Mercado, Brazilian soybean output is expected at 114.57 MMT in 2017 - 18 compared to 114.7 MMT estimated in the month of October. Safras has forecast a 5 percent rise in Brazil's soybean planted area at 35.49 million hectares (87.7 million acres) this season.
- ❖ According to meteorologists, Argentina's main farm belt received rainfall during the weekend, which brought relief to the parched soybean growing areas. Planting is expected to pick up in the coming days. Around 60 per cent of the central farm belt has received ample rain.
- ❖ According to USDA, China will reduce the amount of foreign material allowed in shipments of U.S. soybeans as on January 01, 2018. Shipments of U.S. soybeans arriving at Chinese ports and containing 1 per cent of foreign material will be expedited. Shipments with more than 1 per cent foreign material would be held back for testing. According to traders, this will make it difficult for U.S. shipments to compete with South American exports.
- ❖ According to Abiove, Brazil's soybean production has been kept unchanged at 109.5 MMT in 2018 compared to December 12 estimates. Soybean exports have been kept unchanged at 65 MMT.
- ❖ According to a report released by the agriculture ministry, China's soybean imports are expected to increase by 2.7 per cent to 95.97 MMT in 2017 -18 compared to previous year. Soybean output is expected to increase by 15.1 per cent to 14.89 MMT during the period. Consumption is expected to increase by 2.3 per cent to 111 MMT in 2017 -18 compared to previous year.

## Soybean

Soybean noticed firm tone during the month on lower arrivals in the mandis and good buying interest in the cash market. However upside was limited amid weakness in soybean at CBOT during the month. Soybean at CBOT witnessed easy tone amid rains in the soybean growing regions of Brazil and Argentina. China's imports of U.S. soybean could decline in 2018 on stringent Chinese import rules introduced. The weekly soybean export sales released by USDA in the last week of the month were below previous week's level.

In the domestic market, arrivals are declining in the mandis. Good buying interest in the cash market added to the positive tone of the market. Average arrival in the domestic market per day was around 3.0 -3.75 lakh bags during the last week of the month. There is good demand for soybean from the crushers.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 36,30,000 bags compared to 82,11,000 bags reported in the previous month.

### **SOPA SOYEAN PRODUCTION ESTIMATES KHARIF 2017**

Area in Lakh Ha, Yield in Kg. Per Hectare, Production In Lakh MT

S.No.	Division/District	Kharif 2016			Kharif 2017		
		Area	Yield	Production	Area	Yield	Production
1	Madhya Pradesh	54.010	1058	57.168	50.100	905	45.359
2	Maharashtra	35.809	1102	39.456	34.484	925	31.894
3	Rajasthan	9.812	968	9.499	9.245	825	7.629
4	Andhra Pradesh (Telangana)	2.993	815	2.439	1.652	840	1.388
5	Karnataka	3.240	785	2.543	2.710	840	2.276
6	Chattisgarh	1.340	975	2.543	1.320	860	1.135
7	Gujarat	1.379	1005	1.307	1.290	905	1.167
8	Rest Of India	1.131	980	1.386	0.760	800	0.608
	<b>Grand Total</b>	109.714	1047	1.108	101.561	901	91.457

*As per Agriwatch estimates, soybean production in the current kharif season is expected to be 98 lakh metric tonnes compared to 115 lakh metric tonnes in the previous season. Lower soybean production will lend some support to the market. However comfortable carry-in stocks and record soybean crop in U.S. Midwest will continue to be the limiting factor.*

The total sown area under rabi oilseeds, as on 29<sup>th</sup> December 2017, is lower compared to the previous year's level which is down by 6.65% at 74.27 lakh hectares compared to 79.56 lakh hectares during the corresponding period last year.

**The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Kalapipal, Agrawal Neemuch, Adani Shujalpur, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, DivyaJyoti, G. Ambuja, Itarsi, Indian Soya (3-2-10 specification), Khandwa, Khyati, Kriti, K.P. Newari, Mahakali, M.S. Neemuch, Prakash, Oyster Exim, Prestige, Ruchi, Rama, RH Solvex, SSA Mandideep, Shanti Overseas, Sawariya, Itarsi, Sitashri, Vippy for Dewas and Mandsaur delivery during the week.**

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### **Previous Update**

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We expect India's soy meal exports to pick up in coming months. Seasonally India's soy meal exports are at high volume, during October thru February due to higher pace in crushing the bean.

Huge South American soy supplies continue to influence the market as the Indian soy meal price has been out-priced in the international market in recent weeks.

Lower soybean supplies this season, mean decline in crushing and eventually, availability of less soy meal, eventually leading to lower exports.

India's domestic soy meal consumption is around 5 million tonnes and the production is expected to be 7-7.5 million tonnes, the surplus 2.5 million needs to be exported for the good crush market during the season.

The soybean supplies were lower in the key markets of Madhya Pradesh, Maharashtra and Rajasthan during the month.

***The domestic soybean prices are likely to witness range –bound to firm tone amid good buying interest in the cash market and lower arrivals in the mandis.***

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**International:**

The international benchmark, CBOT soybean closed lower amid rains in the soybean growing regions of Brazil and Argentina and stringent Chinese import rules introduced for U.S. soybean.

At CBOT, the soybean, in the most active March contract, ended lower at US \$ 9.62/bushel compared to US \$ 9.98/bushel previous month.

Net sales of 974,700 MT for 2017/2018 were down 44 percent from the previous week and 37 percent from the prior 4-week average. Increases were reported for China (928,700 MT, including 451,500 MT switched from unknown destinations and decreases of 266,500 MT), Japan (97,500 MT, including 45,200 MT switched from unknown destinations and decreases of 1,800 MT), the Netherlands (84,200 MT, including 76,000 MT switched from unknown destinations and decrease of 3,000 MT), Mexico (67,500 MT, including decreases of 200 MT), and Turkey (50,800 MT) during the week December 15 -21, 2017. Reductions were reported for unknown destinations (327,500 MT) and Spain (32,300 MT). For 2018/2019, net sales of 81,300 MT were reported for unknown destinations (72,900 MT), Japan (6,400 MT), and Thailand (2,000 MT). The current week's net sales are lower compared to net sales of 1,742,900 MT during the previous week.

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**Previous updates**

In the USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on September 1, 2017 totaled 301 million bushels, up 53 percent from September 1, 2016.

On-farm stocks totaled 88 million bushels, up 110 percent from a year ago. Off-farm stocks, at 213 million bushels, are up 37 percent from a year ago.

Informa increased soybean acreage to a record 91.387 million acres in 2018 compared to previous month's estimates of 89.627 million acres. Soybean yield has been estimated at 49.7 bushels per acre compared to USDA's figure of 49.5 bushels per acre. Soybean production has been estimated at 4.450 billion bushels.

According to National Oilseed Processors Association (NOPA), U.S. November soybean crush rose 1.7 percent to 163.546 million bushels from 160.752 million bushels in November 2016. Crush of soybean in October 2017 was 164.242 million bushels. Soy oil stocks in U.S. at the end of November increased to 1.326 billion lbs compared to 1.224 billion lbs in end October 2017. Soy meal exports during the month increased to 896,145 metric tonnes, up from 643,199 metric tonnes in October and 804,322 tons during the same period previous year.

According to consultancy Safras & Mercado, Brazilian soybean output is expected at 114.57 MMT in 2017 -18 compared to 114.7 MMT estimated in the month of October. Safras has forecast a 5 percent rise in Brazil's soybean planted area at 35.49 million hectares (87.7 million acres) this season.

According to USDA, China will reduce the amount of foreign material allowed in shipments of U.S. soybeans as on January 01, 2018. Shipments of U.S. soybeans arriving at Chinese ports and containing 1 per cent of foreign material will be expedited. Shipments with more than 1 per cent foreign material would be held back for testing. According to traders, this will make it difficult for U.S. shipments to compete with South American exports.



According to Abiove, Brazil's soybean production has been kept unchanged at 109.5 MMT in 2018 compared to December 12 estimates. Soybean exports have been kept unchanged at 65 MMT.

According to consultancy AgRural, Brazilian farmers are expected to produce 12.9 MMT of soybeans in the 2017-18 season. The forecast is higher compared to 110.2 MMT estimates in November. Production estimates have increased as soybean acreage has been increased by 108,000 hectares to 34.8 million hectares.

According to a report released by the agriculture ministry, China's soybean imports are expected to increase by 2.7 per cent to 95.97 MMT in 2017 -18 compared to previous year. Soybean output is expected to increase by 15.1 per cent to 14.89 MMT during the period. Consumption is expected to increase by 2.3 per cent to 111 MMT in 2017 -18 compared to previous year.

According to IMEA (Mato Grosso Institute of Agricultural Economics), Brazilian farmers have sold 38.6 per cent of the 2017/18 soybean crop as on 11 December, 2017 in Mato Grosso. This is 5.84 per cent higher from the start index of November. Mato Grosso is expected to produce 30.60 MMT of soybean in 2017/18.

According to Conab, Brazilian soybean output is expected at 109.2 MMT in 2017 -18 season compared to 114.1 MMT during the previous season.

The U.S. Department of Agriculture's monthly supply and demand report for the month of December forecasts U.S. soybean stocks at 445 million bushels, up 20 million bushels from last month due to lower exports. Total U.S. oilseed production for 2017/18 is projected at 132.2 MMT, up 0.1 MMT from previous month amid higher cottonseed production. Global oilseed production is forecast at 579.5 MMT, up 0.7 MMT mostly reflecting higher rapeseed, peanut, and palm kernel production. Global soybean ending stocks for 2017/18 are forecast at 98.32 MMT up from previous month's forecast of 97.90 MMT, mostly reflecting increases for United States and European Union.

According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in November rose 14.9 percent to 5.4 lakh tons compared to 4.7 lakh tons in October. Imports rose 5.9 percent compared to corresponding period last year which was reported at 5.1 lakh tons. Year to date imports of edible vegetable oil rose 8.5 percent to 51.7 lakh tons.

Argentina will put an 8 percent tax on biodiesel exports starting next year according to government sources. According to the U.S. International Trade Commission (ITC), biodiesel imports from Argentina and Indonesia harm U.S. producers as imports coming to the country are below the cost of production. It announced that anti-dumping and anti-subsidy duties would remain for at least five years.

According to a latest long –term crop forecast report released by the USDA, soybean acreage in 2018 is forecast at a record 91.0 million acres compared to 90.2 million acres in 2017. It will be another year of bumper soybean supply, assuming weather remains favourable in the growing regions.

According to data released by the trade ministry, Brazil exported 2.14 MMT soybean in November 2017 compared to 2.49 MMT in October and 0.32 MMT during the same period previous year. Soy meal exports stood at 1.07 MMT in November compared to 1.28 MMT in October and 0.87 MMT during the same period previous year.

According to the latest monthly estimates from Strategie Grains, soybean production estimates have been increased to 2.7 MMT in 2017/18 from 2.6 MMT in previous season.

According to the General Administration of Customs, China imported 8.68 MMT of soybeans in November 2017, an increase of 48 per cent compared to previous month. Imports were 11 per cent higher compared to the same corresponding period previous year. Imports were higher in November as a backlog of shipments from United States arrived at the ports.

According to Argentine Ministry of Agriculture, soybean acreage in 2017/18 is likely to decline to 16.8 million hectares in 2017/18 compared to 18 million hectares previous season.

According to official sources, Argentina is likely to start cutting its 30 per cent export tax on soybean exports from next year onwards. This should help in augmenting soybean planting area. Argentina is the world's third largest exporter of soybeans and started planting its 2017/18 crop this month, with harvesting expected between March and June. According to Rosario exchange, soybean planting area in 2017/18 will be 18.1 million hectares compared to 20.1 million hectares in 2015/16. If export tax is eliminated, area will increase from 2018/19 season.

The IGC has kept the global soybean output in 2017/18 unchanged from its previous estimates. Global soybean production in 2017/18 was put at 348 million metric tonnes which is unchanged from previous projection and up from previous forecast of 347 million but still below the 2016/17 record crop of 351 million metric tonnes. Soybean consumption is likely to increase to 353 million metric tonnes up from previous forecast of 351 million metric and higher compared to 338 million metric tonnes in 2016/17.

According to the Buenos Aires Grains Exchange, Argentine 2017/18 soybean crop is expected at 54 million tonnes compared to 57.5 million tonnes in 2016 -17 as farmers have shifted to wheat and corn. Soy planting area in the 2017/18 season is seen at 18.1 million hectares, down from 19.2 million in 2016/17.

*The international soybean prices are expected to witness range –bound to weak tone amid expectation of rains in the soybean growing regions of Brazil and Argentina and stringent Chinese import rules introduced for U.S. soybean effective January 2018.*

## Balance Sheet – Soybean, India

*Fig. in MnT*

Soybean (Fig in Mn T) MY- Oct.-Sep.			Q3	Q4	Q1	Q2
	2016- 17E	2017- 18F	Oct-Dec'17 F	Jan-Mar'18 F	Apr-Jun'18 F	July-Sep 18 F
Carry In	0.23	0.23	0.23	5.85	3.99	2.91
Production	11.50	9.80	11.5	0	0	0
Imports	0.00	0.00	0	0	0	0
Total Availability	11.73	10.03	11.73	5.85	3.99	2.91
Processing/Crushing	10.00	7.80	5.38	1.36	0.58	0.48
Exports & Direct Consumption	0.50	1.00	0.50	0.50	0.00	0.00
Seeding/Retained for Sowing	1.00	1.00	0	0	0.5	0.5
Total Usage	11.50	9.80	5.88	1.86	1.08	0.98
Carry Out	0.23	0.23	5.85	3.99	2.91	1.93
Monthly Use	0.96	0.78				
Stock/Consumption Ratio	0.02	0.02				
Stock to Month Use Ratio	0.23	0.29				

Source: Agriwatch

- **Trade Observations: Traders are mostly doing need based buying on higher edible imports at competitive prices.**
- India's 2017/18 soybean production is projected at 9.80 million metric tonnes against 11.5 million metric tonnes last season.
- We expect India's 2017/18 soybean crush at 7.80 million metric tonnes vs 10.0 million metric tonnes in 2016/17.
- This translates into availability of 6.2 million metric tonnes of soy meal and 1.4 million metric tonnes of soy oil in 2016/17.
- Lower crushing mean decrease in the availability of soy meal. India's soy meal prices have to compete with the meal prices of South America in 2017/18 also.

## Soy meal

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The domestic meal prices witnessed positive tone during the month amid good demand in the cash market and spillover support from soybean. However upside was limited amid weakness in soy meal at CBOT.

Soy meal for delivery in the next 10 days at Latur was quoted at 24800+GST by Octagon in the last week of December. This is with 46% protein content. However, it was quoted at 25300+GST for 47% protein content and 25800+GST for 48% protein content.

Through export promotion scheme (MEIS), govt. would provide additional 2% incentive over and above existing incentives ranges from 2 to 5% for various export products including soya meal. This will make Indian oil meal more competitive in the world market and may result in to larger export of oil meals during current year.

Exports of oil meals in the current oil year are higher compared to previous year. Prices have to remain competitive to retain the global market share. Lower soybean production this season will translate into lower meal production in 2017 -18 oil year.

Further, competitive price offer by South America for soy meal has reduced demand for Indian soy meal in the global market.

***On a financial year basis, India's export of oil meals during April 2017 to November 2017 stands at 1,813,037 metric tonnes as compared to 868,358 metric tonnes in the same corresponding period of previous year showing an increase of 109% according to data released by the Solvent Extractor's Association of India.***

***In the month of November 2017, export of oil meals increased by 93% to 328,091 metric tonnes compared to the same corresponding period previous year. Soy meal exports during the period April 2017 to November 2017 was reported at 768,981 metric tonnes compared to 204,860 metric tonnes during the same corresponding period previous year.***

Currently, the domestic meal prices are higher compared to the corresponding period last year.

Soy meal declined in international market, during the month.

CBOT soy meal March contract settled at US \$ 316.80 per short ton compared to US \$ 329.80 per short ton previous month.

Net sales of 288,300 MT for 2017/2018 were up 57 percent from the previous week and 17 percent from the prior 4-week average. Increases were reported for Mexico (40,200 MT), Italy (40,000 MT), Morocco (37,000 MT, including 5,000 MT switched from unknown destinations), Guatemala (31,800 MT, including decreases of 100 MT), Jordan (20,000 MT), Honduras (19,400 MT), and El Salvador (18,000 MT, including 2,500 MT switched from Honduras, 4,000 MT switched from Nicaragua, and 400 MT switched Costa Rica) during the week December 15 -21, 2017. Reductions were reported for Nicaragua (4,000 MT) and Colombia (800 MT). For 2018/2019, net sales of 17,600 MT were reported for Guatemala (7,700 MT), Honduras (6,600 MT), and El Salvador (3,300 MT). The current week's net sales for 2017/18 are higher compared to net sales of 184,100 MT during the previous week.

The domestic soy meal prices at Indore, were quoted at Rs 23,200 – 23,500/MT in the last week of December compared to Rs. 23,000/MT -23,300/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed steady to firm tone and were quoted at Rs 24,600/MT and 24,500/MT respectively compared to Rs 23,500/MT in Indore and Rs 24,300/MT in Kota.

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**Previous Updates**

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India has registered gains in the soy meal exports in the current season. Recovery in INR against dollar will eventually make India's soy meal export prices unattractive and help South American soy meal to gain market share.

India is expected to produce 7-7.5 million metric tonnes of soy meal this season;. Out of which 5 million metric tonnes will be consumed domestically but another 2 -2.5 million metric tonnes must be shipped overseas, failing which, the disparity on soybean crushing soybean will increase.

We expect India's soy meal exports to decline slightly in the new season with lower 2017/18 soybean production leading to lower crushing eventually decreasing the meal supplies.

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

India's Y-o-Y soy meal prices, Indore, are currently slightly higher. Soy meal Indore was quoted lower between Rs 23,200 – 23,500/MT during the last week of December compared to Rs 22,425 – 23,400/MT during the corresponding period last year.

*The soy meal prices are likely to feature range-bound movement with firm bias on good demand in the cash and export market.*

## Soy Meal Export (In MT)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Jan</b>	521243	240318	574996	474993	619793	364443.7	103934	28400	155160
<b>Feb</b>	375098	220552	540360	344240	577589	183551	64514	29951	207977
<b>Mar</b>	224639	163666	410537	460464	302131	232176	46670	26645	107059
<b>Apr</b>	100106	60264	305033	313832	100312	75884	18017	12295	124374
<b>May</b>	77018	60575	176819	142588	97547	8226	14045	10400	48900
<b>Jun</b>	109923	98400	117600	180987	213564	2636	2098	17930	45975
<b>Jul</b>	58268	166632	139547	168341	107038	6682	929	12270	80797
<b>Aug</b>	127299	176138	165510	10005	183555	2778	768	10615	87668
<b>Sep</b>	171955	290868	225921	6525	173381	868	6886	12210	102212
<b>Oct</b>	219721	404960	223594	49840	182724	29071	4237	31390	71425
<b>Nov</b>	297340	443488	397659	517103	503269	110806	8909	97750	207630
<b>Dec</b>	328225	611157	798041	510698	451314	193832	5667	241250	
<b>Total</b>	<b>2610835</b>	<b>2937018</b>	<b>4075617</b>	<b>3179616</b>	<b>3512217</b>	<b>843874</b>	<b>276674</b>	<b>531106</b>	<b>1239177</b>

Source: SEA

India's soy meal exports have started the current season with commendable growth with attractive price offer, after multi-year fall in exports due to the led by demand shift to South America, owing to the competitive meal price of South America over India's. Prices have to must remain competitive this season to gain global market share.

## Soybean Crush Margin

Avg Crush Margin – Dec. 2017		Avg Crush Margin – Nov. 2017		Avg Crush Margin – Dec. 2016	
<b>-645</b>		<b>-1099</b>		<b>-128</b>	
Min	Max	Min	Max	Min	Max
<b>-1220</b>	<b>-300</b>	<b>-2110</b>	<b>470</b>	<b>-950</b>	<b>600</b>

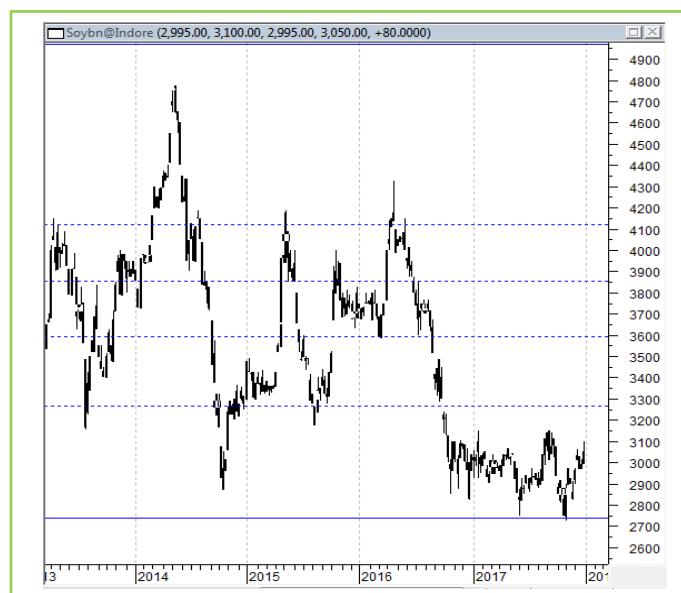
The domestic soybean crush margins in December 2017 were lower from the corresponding period last year owing to the lower soybean and meal prices in December '17.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Feb. contract

S1	S2	PCP	R1	R2
3000	2900	3115	3250	3300

- Soybean noticed range –bound to weak tone, during the month.
- Prices closed below 18-day EMA.
- RSI is increasing and stochastic is declining in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature gain during the month.
- Trade Recommendation (NCDEX Soybean – Feb.): **BUY** Above 3100. Levels: T1 – 3200; T2- 3250, SL - 3040.

## Rapeseed - Mustard Seed

The domestic rapeseed-mustard witnessed easy tone during the month amid lack of demand from the retailers and the stockists around current levels. Weakness in soya oil at CBOT and palm oil at BMD added to the weak tone of the market.

According to industry sources, India's rapeseed and mustard output in 2017/18 is likely to decline by 10 per cent compared to previous season. According to Government of India figures, rapeseed and mustard seed has been sown in 62.80 lakh hectares as on 22 December 2017 compared to 68.22 lakh hectares during the same corresponding period previous year.

Farmers have reduced the area in Rajasthan amid higher temperatures and lack of moisture at the time of sowing. According to Solvent Extractor's Association of India, India produced a record 6.73 MMT rapeseed in the 2016/17 marketing year.

The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2017-18 season are as follows: The MSP of Rapeseed/Mustard is raised (8.1%) by Rs. 300/Qtl to Rs. 4,000/Qtl from Rs. 3,700/Qtl earlier.

The all India seed supplies were reported between 1.20 – 1.55 lakh bags in a day during the last week of December compared to around 1.20 – 1.65 bags a day, previous week. The supplies were 0.40 lakh bags a day 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
38,70,000	45,10,000	13,80,000

The seed prices are still lower at spot market and are quoted at around Rs 4,070 – 4,125 a quintal in the last week of December compared to Rs 4,400 – 4,520 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at April contract ended lower at 4113/Qtl compared to 4236/Qtl previous month.



The area coverage under rapeseed, as on 29 December, is reported down 7.77% at 63.58 lakh hectares compared to 68.94 lakh hectares at the same corresponding period last year.

<b>Crop</b>	<b>As on 29 Dec. 2017</b>	<b>As on 29 Dec. 2016</b>	<b>% Chg.</b>
Rapeseed/Mustard	63.58	68.94	-7.77
Groundnut	4.33	4.04	7.18
Safflower	0.72	0.97	-25.77
Sunflower	1.39	1.31	6.11
Sesamum	0.32	0.39	-17.95
Linseed	3.63	3.44	5.52
<b>Total Oilseeds</b>	<b>74.27</b>	<b>79.56</b>	<b>-6.65</b>

Source: Government of India

The total sown area under *rabi* oilseeds, as on 29 December, is lower compared to the previous year's level which is down by 6.65% at 74.27 lakh hectares compared to 79.56 lakh hectares during the corresponding period last year.

India's total area under rapeseed in 2017 was 70.56 lakh hectares which was higher by 9.3% from 2016.

According to United States Department of Agriculture (USDA) in its December review, India's 2017/18 imports of palm oil is hiked 0.4 MMT to 9.9 MMT from 9.5 MMT in its earlier review. Consumption of palm oil in India in 2017/18 is increased to 10.1 MMT from 9.8 MMT in its earlier review. End stocks of palm oil in India in 2017/18 is increased 0.1 MMT to 0.449 MMT from 0.349 MMT.

The rapeseed-mustard prices are driven by India's edible oil imports, Chinese veg. oil demand and Malaysian palm oil. India's edible oil imports increased in November.

## Previous Updates

Agriwatch had projected India's 2016/17 rapeseed production at 7.0 million tonnes with an average yield of about 1000 kg/ha compared to 5.8 million tonnes in 2015/16 while Solvent Extractors of India had estimated India's seed production at 7.2 million tonnes.

According to Solvent Extractors Association (SEA), India's November edible oil imports rose 5.97 percent y-o-y to 12.25 lakh tons from 11.56 lakh tons in November 2016. Palm oil imports in November fell 10.5 percent y-o-y to 7.17 lakh tons from 8.01 lakh tons in November 2016. CPO Imports rose marginally y-o-y to 5.60 lakh tons from 5.57 lakh tons in November 2016. RBD palmolein imports fell 39 percent y-o-y to 1.47 lakh tons from 2.41 lakh tons in November 2016. Soy oil imports rose 67 percent y-o-y to 2.74 lakh tons from 1.64 lakh tons in November 2016. Sunflower oil imports rose 32.99 percent y-o-y to 1.94 lakh tons from 1.58 lakh tons in November 2016. Rapeseed (canola) oil imports in November rose 28.1 percent to 0.41 lakh tons compared 0.32 lakh tons in November 2016.

According to Solvent Extractors Association (SEA), India's November edible oil stocks at ports and pipelines fell 3.28 percent m-o-m to 22.67 lakh tons from 23.44 lakh tons in October 2017. Stocks of edible oil at ports fell to

847,000 tons (CPO 345,000 tons, RBD Palmolein 115,000 tons, Degummed Soybean Oil 200,000 tons, Crude Sunflower Oil 180,000 tons and 7,000 tons of Rapeseed (Canola) Oil) and about 1,420,000 tons in pipelines.

India is presently holding 38 days of edible oil requirement on 1st December, 2017 at 22.67 lakh tons compared to 39 days of requirements last month at 23.44 lakh tons. India's monthly edible oil requirement is 18.0 lakh tons.

According to United States Department of Agriculture (USDA) in its December review, India's 2017/18 imports of sunflower oil is hiked 0.15 MMT to 1.85 MMT from 1.7 MMT in its earlier review. Consumption of sunflower oil in India in 2017/18 is increased to 2.1 MMT from 1.9 MMT in its earlier review.

Rapeseed oil production forecasts for 2017/18, declined 240,000 tonnes to 28.45m tonnes in December 2017, from 28.69m tonnes in November the same year according to USDA. Consumption forecasts fell 130,000 tonnes to 29.22m tonnes in December 2017, compared to 29.35m tonnes in November.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's December palm oil exports rose 6.7 percent to 1,422,070 tons compared to 1,332,342 tons last month. Top buyers are European Union at 437,097 tons (306,636 tons), India & subcontinent at 222,870 tons (177,510), tons and China at 190,600 tons (280,926 tons). Values in brackets are figures of last month.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's December palm oil exports rose 9.8 percent to 1,439,477 tons compared to 1,311,012 tons last month. Top buyers are European Union at 340,262 tons (246,561 tons), China at 198,728 tons (236,606 tons), India at 87,260 tons (112,960 tons), United States at 97,705 tons (69,225 tons), and Pakistan at 42,000 tons (69,450 tons). Values in brackets are figures of last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's November palm oil stocks rose 16.02 percent to 25.57 lakh tons compared to 22.03 lakh tons in October. Production of palm oil in November fell 3.29 percent to 19.43 lakh tons compared to 20.08 lakh tons in October. Exports of palm oil in November fell 11.94 percent to 13.54 lakh tons compared to 15.38 lakh tons in October. Imports of palm oil in November rose 124 percent to 0.30 lakh tons compared to 0.13 lakh tons in October. Rise in palm oil end stocks in October was above trade estimates.

According to Malaysian Government circular, Malaysia decreased January crude palm oil export duty to 5.5 percent from 6 percent in December. Tax is calculated at reference price of 2,625.31 ringgit per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Malaysian government, Malaysia's palm oil production is expected to rise 2.5 percent in 2018 to 20.5 MMT after rise of 15.5 percent rise in production in 2017 at 20 MMT. Malaysia palm oil output was 17.3 MMT in 2016. Average prices of palm oil in 2018 are estimated at 2,750 ringgits per ton due to higher demand by China, EU and India. Average prices of palm oil in 2017 are estimated at 2,700 ringgits (USD 638) per ton.

According to Indonesia Palm Oil Association, Indonesia's 2017 crude palm oil production is estimated to rise 12.7 percent to 35.5 MMT compared to 31.1 MMT in 2016. Heavy rains in 2016 will support palm oil production and growth in plantation in 2013 will bear fruit in 2017.

According to Indonesia Palm Oil Association (GAPKI), Indonesia's October palm oil (excluding biodiesel and oleochemicals) exports fell 5.6 percent to 2.6 MMT from 2.79 MMT in September and 2.41 MMT in October 2016.

End stocks of palm oil in Indonesia in October rose 16 percent to 3.38 MMT from 2.92 MMT in September 2017. Production of palm oil in Indonesia in October rose 3 percent to 4.16 MMT from 4.03 MMT in September 2017.

According to Indonesia trade ministry, Indonesia keeps January crude palm oil export duty to zero, unchanged from last month. This is the ninth consecutive month of zero tax. Reference prices of export tax are set at USD 750 per ton.

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 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).

According to the latest monthly estimates from Strategie Grains, rapeseed production estimates have been increased to 22.60 MMT in European Union for 2017/18 compared to previous estimates of 21.86 MMT and 20.34 MMT in 2016/17.

According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in November rose 14.9 percent to 5.4 lakh tons compared to 4.7 lakh tons in October. Imports rose 5.9 percent compared to corresponding period last year which was reported at 5.1 lakh tons. Year to date imports of edible vegetable oil rose 8.5 percent to 51.7 lakh tons.

According to China's General Administration of Customs (CNGOIC), China's November palm oil imports rose 22.57 percent to 5.47 lakh tons compared to November 2016. Year to date imports of palm oil rose 18.77 percent to 45.12 lakh tons compared to corresponding period last year. Imports from Indonesia in November rose 42.47 percent to 3.75 lakh tons compared to November 2016. Year to date imports of palm oil from Indonesia rose 31.37 percent to 28.51 lakh tons compared to corresponding period last year. Imports from Malaysia in November fell 49.59 percent to 6.13 lakh tons compared to November 2016. Year to date imports rose 2.23 percent from Malaysia to 16.60 lakh tons compared to corresponding period last year.

*Outlook: The rapeseed-mustard is likely to notice range –bound to weak tone on lower demand from the stockists and the retailers around current levels and weakness in palm oil at BMD.*

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2016-17	2017-18	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.20	0.10	0.10	3.41	1.78	0.94
Production	5.80	6.80	6.80	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	6.00	6.90	6.90	3.41	1.78	0.94
Processing/Crushing	5.90	6.80	3.44	1.58	0.74	0.74
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	5.90	6.80	3.49	1.63	0.84	0.84
Carry Out/Ending Stock	0.10	0.10	3.41	1.78	0.94	0.10
Monthly Use	0.49	0.57				
Stock/Consumption Ratio	0.02	0.01				
Stock to Month Use Ratio	0.20	0.18				

(Source: AgriWatch)

- We have pegged India's 2017/18 Rapeseed-mustard outturn at 6.8 million tonnes, higher by more than 17% compared to the 2016/17 production at 5.8 million tonnes.
- India's production is slightly above 5 year average of around 6.7 million tonnes.
- **Trade Observations: India is an import dependent country in edible oils, hence the oilseeds produced, almost gets crushed, almost fully. Prices to remain weak due to overall supply pressure.**
- India's rapeseed-mustard prices fell at cash market in 2016/17 season and they are at 36-month low in benchmark Jaipur.

### Technical Analysis:

#### NCDEX RM Seed Futures



\*Note: Daily Chart

#### RM Seed Spot, Jaipur



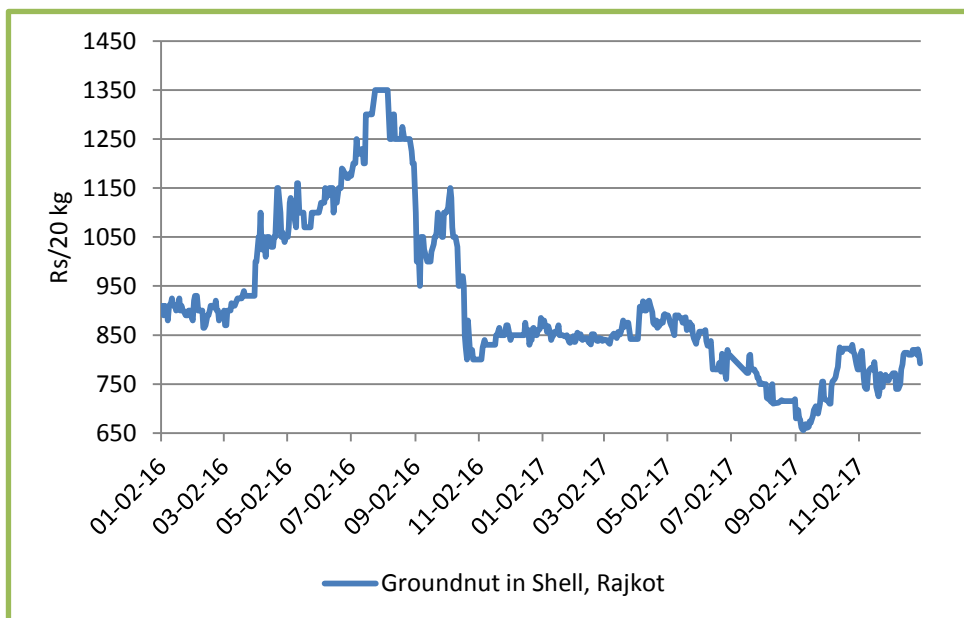
#### Support & Resistance NCDEX RM Seed – Apr. contract

S1	S2	PCP	R1	R2
4000	3800	4113	4250	4300

- Downward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI is increasing and stochastic is declining in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature range-bound movement with weak bias, during the month.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr) Month: **SELL** Below 4200. Levels: Target – 4100; T2- 4050, SL –4260.

## Groundnut

The domestic groundnut prices noticed firm tone during the month amid lower arrivals in the mandis, procurement by Government and good demand for groundnut oil. Harvesting of groundnut is over and this will lend some support to the market. According to government sources, around 6.6 lakh metric tonnes of groundnut has been procured in Gujarat till date and another 5 -6 lakh metric tonnes of groundnut is likely to be procured in the current season. The initial hassles have been sorted and currently farmers are getting payment for their crop at MSP. The groundnut production in Gujarat this year is expected to touch 31.40 lakh metric tonnes (MT) compared to 29.40 lakh MT in previous year and 14.99 lakh MT in 2015-16.



The groundnut prices (in shell - Rajkot) increased by 4.5% in December compared to November and witnessed the monthly average price of Rs 792 per 20 kg compared to Rs 758 per 20 kg in November.

The groundnut prices in Kernel, Saurashtra are higher compared to the same corresponding period last year. Lower arrivals in the mandis is cited for the increase. The average monthly price of nuts in Saurashtra was Rs. 46000 per metric ton in December 2017 vs Rs 45000 per metric ton in November 2017.

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	30-Dec-17	30-Nov-17	30-Dec-16	30-Dec-15
Rajkot	GN in Shell (Rs/20kg)	-8.2	4.5	792	758	863	930
Saurashtra	GN Seed Kernel (Rs/MT)	7.0	2.2	46000	45000	43000	48500

(Source: AW)

## Annexure

### Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
<b>Soybean</b>	<b>30-Dec-17</b>		<b>30-Nov-17</b>		
	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	
Indore –Plant	3080	3100	2950	3000	100
Indore–Mandi	2800	3050	2750	2970	80
Nagpur-Plant	3050	3100	2850	3000	100
Nagpur – Mandi	2550	2960	2410	2960	Unch
Latur – Mandi	2550	2985	2530	2885	100
Kota-Plant	3000	3150	2850	2950	200
Kota – Mandi	2950	3050	2750	2850	200
Bundi-Plant	3050	3100	2850	2900	200
Bundi-Mandi	2950	3060	2750	2850	210
Baran-Plant	3000	3220	2820	2975	245
Baran-Mandi	2900	2970	2850	2900	70
Bhawani Mandi Jhalawar–Kota-Plant Delivery	2950	3100	2840	2930	170
Jhalwar-Mandi	2900	2950	2725	2920	30
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)(New Crop)	4070	4075	4200	4205	-130
Alwar-(Condition)(New Crop)	3850	3900	3950	4000	-100
SriGanganagar-(Non-Condition-Unpaid)	3550	3620	3700	3760	-140
New Delhi–(Condition)(New Crop)	3800	3850	3890	3980	-130
Kota-Non-(Condition)(New Crop)	3400	3450	3740	3800	-350
Agra-(Condition)(New Crop)	4350	4400	4525	4575	-175
Neewai(New Crop)	3950	3980	4000	4120	-140
Hapur (UP)(New Crop)	3750	3800	3950	3975	-175
<b>Groundnut Seed</b>					
Rajkot	792	792	758	758	34
<b>Sunflower Seed</b>					
Gulbarga	2165	2845	2560	3210	-365
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	NA	NA	3200	3250	-
<b>Sesame Seed</b>					
Mumbai (White98/2/1	8300	8300	7400	7400	900

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/QtI		Change
		December,2017	November,17	
<b>Soybean</b>				
	Madhya Pradesh	3630000	8211000	<b>-4581000</b>
	Maharashtra	3550000	5515000	<b>-1965000</b>
	Rajasthan	988000	2335000	<b>-1347000</b>
	Bundi (Raj)	8450	48500	<b>-40050</b>
	Baran (Raj)	80500	228500	<b>-148000</b>
	Jhalawar (Raj)	52800	198900	<b>-146100</b>
<b>Rapeseed/Mustard</b>	Rajasthan	1675000	1750000	<b>-75000</b>
<b>*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg</b>				



## India's Kharif Oilseeds Production Seen at 20.68 Mn T vs 22.40 Mn T in 1<sup>st</sup> Adv Est. - GOI

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The 1<sup>st</sup> Advance Estimates of production of major crops for 2017-18 have been released on 22 September, 2017 by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of floods and erratic rainfall during monsoon 2017, the country has witnessed lower food grain production in the current year compared to previous year.

The estimated production of major Kharif Oilseeds during 2017-18 is as under:

Oilseeds – 20.68 million tonnes

- Soyabean – 12.22 million tonnes
- Groundnut – 6.21 million tonnes
- Castorseed – 1.40 million tonnes

With a decline of 1.72 million tonnes over the previous year, total kharif Oilseeds production in the country is estimated at a level of 20.68 million tonnes. It is lower by 1.93 million tonnes than the all time record production of 22.61 million tonnes achieved during 2013-14.

The production of Oilseeds during 2017-18 is higher by 0.346 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 22.40 million tonnes during 2016-17.

## **MSP for 2017/18 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 2017-18 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.9% to Rs 3050/Qtl (including Rs 100 bonus) for 2017-18 season from Rs 2,775/Qtl in 2016-17, Groundnut -in- shell by 5.5% to Rs 4,450/Qtl (including Rs 100 bonus) from Rs 4,220/Qtl, Sunflower seed by 3.8% to Rs 4,100/Qtl (including Rs 200 bonus) from Rs 3,950/Qtl, Nigerseed by 5.9% to 4,050/Qtl (including Rs 100 bonus) from Rs 3,825/Qtl and Sesamum by 6.0% to Rs 5,300/Qtl (including Rs 200 bonus) from Rs 5,000/Qtl.

## **MSP for 2017/18 Rabi Oilseeds**

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The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2017-18 season are as follows: The MSP of Rapeseed/Mustard is raised (8.1%) by Rs. 300/Qtl to Rs. 4,000/Qtl from Rs. 3,700/Qtl earlier. For Safflower too it is increased (10.8%) by Rs. 400/Qtl to Rs. 4,100/Qtl from Rs. 3,700/Qtl in 2016-17.

## Sown Area – *Rabi* Oilseeds, India

In the official Rabi oilseeds planting report, by the Ministry of Agriculture, the total coverage area under Rabi oilseeds is reported at 84.35 lakh hectares, up 6.2% from 79.42 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported up by 9.3% at 70.56 lha compared to 64.53 lha during the corresponding period of last year. Groundnut at 6.16 lha vs 5.96 lha, safflower at 0.95 lha vs 1.17 lha, sunflower at 1.69 lha vs 3.21 lha, sesamum 0.57 vs 0.71 and Linseed at 3.84 lha vs 2.93 lha during the same corresponding period last year.

Area in Lakh Hectares

<b>Crop</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Rapeseed/Mustard	70.56	64.53	9.3
Groundnut	6.16	5.96	3.4
Safflower	0.95	1.17	-18.8
Sunflower	1.69	3.21	-47.4
Sesamum	0.57	0.71	-19.7
Linseed	3.84	2.93	31.1
Others	0.58	0.91	-36.3
<b>Total Oilseeds</b>	<b>84.35</b>	<b>79.42</b>	<b>6.2</b>

Source: MoA, GOI

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