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# Oilseeds Monthly Research Report

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## Executive Summary

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Soybean futures at NCDEX witnessed the bearish trend on the cues from international market which remained under the new international trade scenario evolving after the fallout of US-China trade. Physical market also traded weak in the month as the sowing progressed indicating soybean acreages to come around 111-112 lakh hectares. CBOT Soybean witnessed blood bath recording 10 years low with the investors expecting the drastic fall in exports sales coupled with the above average crop progress in the ongoing soybean season in US. However higher weekly exports against market anticipation resulted in recovery in prices. The stage is set for upcoming WASDE report with speculations mainly over the yield and production numbers of US soybean. Market is expecting yield to be above 50 bushels per acre in the upcoming WASDE report. We are also expecting the yield to be around 50 bushels per acre.

In the domestic market, all eyes will be on the crop progress as the sowing reports has indicated good strides against last year and is at normal pace thus indicating an acreages at 112 lakh hectares or more. We are expecting acreages to be in between 111 to 112 lakh hectares which is a normal 5 year average area. This will be a rise of 5-6 lakh hectares against last year. There are concerns of prolonged dryness in Telangana, SI Karnataka and Vidarbha. Monsoon has also been very erratic in Gujarat but otherwise the spread of rain has been excellent indicative of above average production.

CBOT Soy meal continued to trade in range and could not able to find strong support as the meal price is quite high as compared to soybean. This has allowed the International meal to quote at higher rates and thus limiting the scope of Indian meal to fall aggressively to find the parity of exports. Current season exports market is underpinned by the demand from EU and satellite nations as the SE Asian nations have been away from Indian markets. It will be interesting to see SE Asian buyer's preference in buying soymeal in between South America and US.

Rapeseed prices is underpinned by the stocks held by NAFED and with NAFED started auctioning the same through e-platform of NeML the rate of offloading is going to determine the bearishness in the market. The market has discounted the news of NAFED offloading the stock. As the centre has increased the MSP of the crop there are food chances that the market prices will be lower than the MSP and in that event govt will procure most of the khatrif crop under PSS scheme. .

Overall market is expected to remain mixed with extended period of consolidation.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade range in between the range of 3350 to 3500. With the current situation of higher y-o-y acreages and forecast of favorable weather the old crop is expected to fall further as market is betting on new crop rather on old crop. This week the prices in the physical market has already fall by 150 rupees per 100 kg and thus prices is expected to inch down further in coming weeks to 3250. New crop futures and forwards however is going to reel under the impression of higher crop however as the Argentinean basis is tight and CME meal has not been as bearish as CME bean at current price new crop bean should trade in between 3200 to 3300 in Oct month.

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed range –bound with mixed price action across ex-mill price during the week amidst seasonal rise in demand in the domestic market coupled with tapering supplies of bean for crush. With Soybean under the influence of bear the the Indian meal should correct towards 25500-26000 which will be sufficient enough for finding exports parity and late will depend on the pace of soymeal exports

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** As NAFED has started auctioning the Mustard stock through auction NCDEX mustard is expected to find it difficult to break 4220 levels and the spot price is expected to limit its gains to 4340.

## IMD Monsoon Forecast and Current Rainfall Status

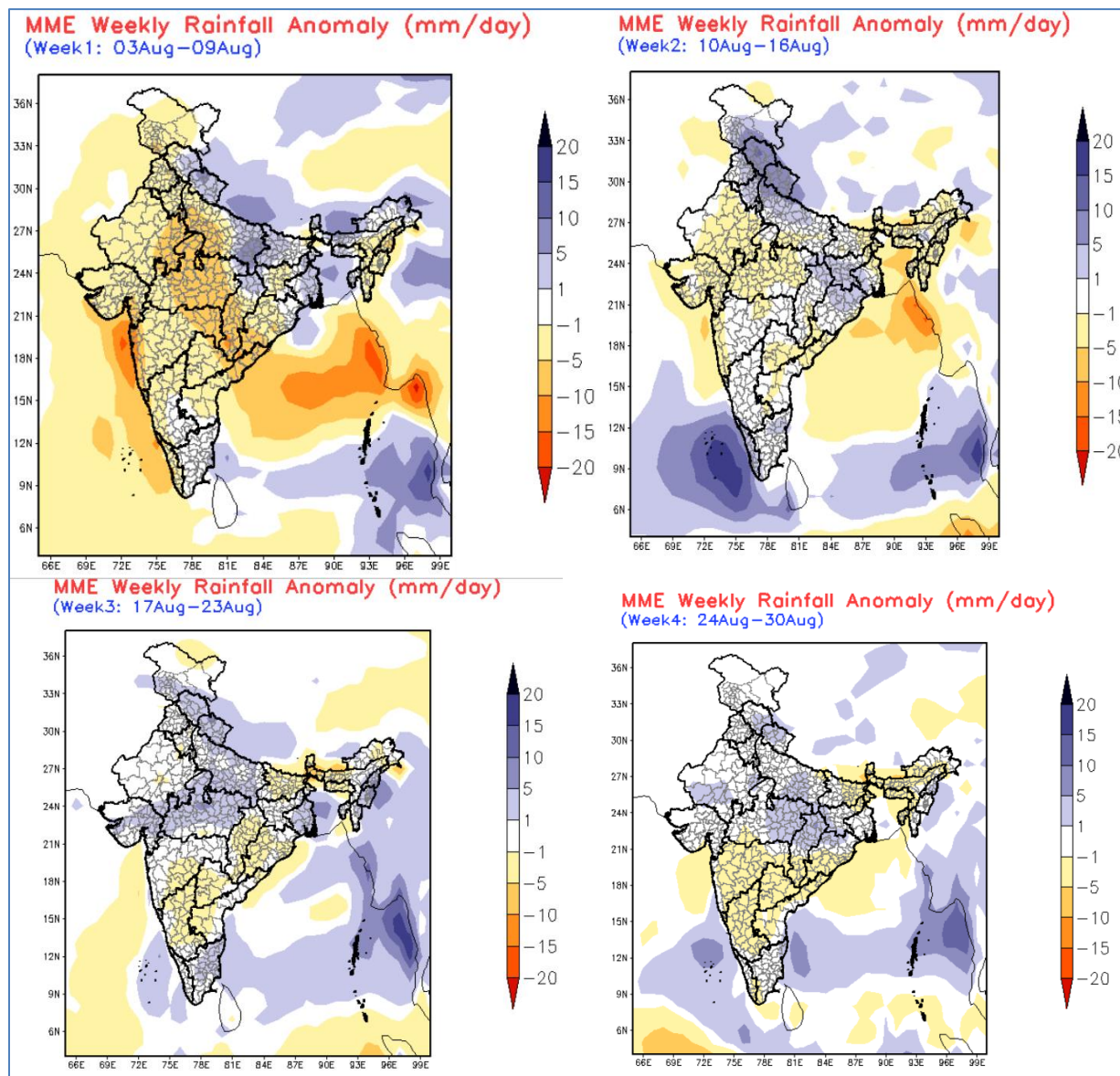
### Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- The rainfall during August 2018 is likely to be  $96 \pm 9\%$  of LPA and expected to be higher than predicted in June.
- Quantitatively, the rainfall for the country as a whole during the second half of the season (August and September) is likely to be 95% of LPA with a model error of  $\pm 8\%$ .
- The tercile probability forecasts for the rainfall over the country as a whole during the 2018 second half of the monsoon season are given in the table below.

Category	Rainfall Range (% of LPA)	Forecast Probabil (%)
Below Normal	<94	47
Normal	94 -106	41
Above Normal	>106	12

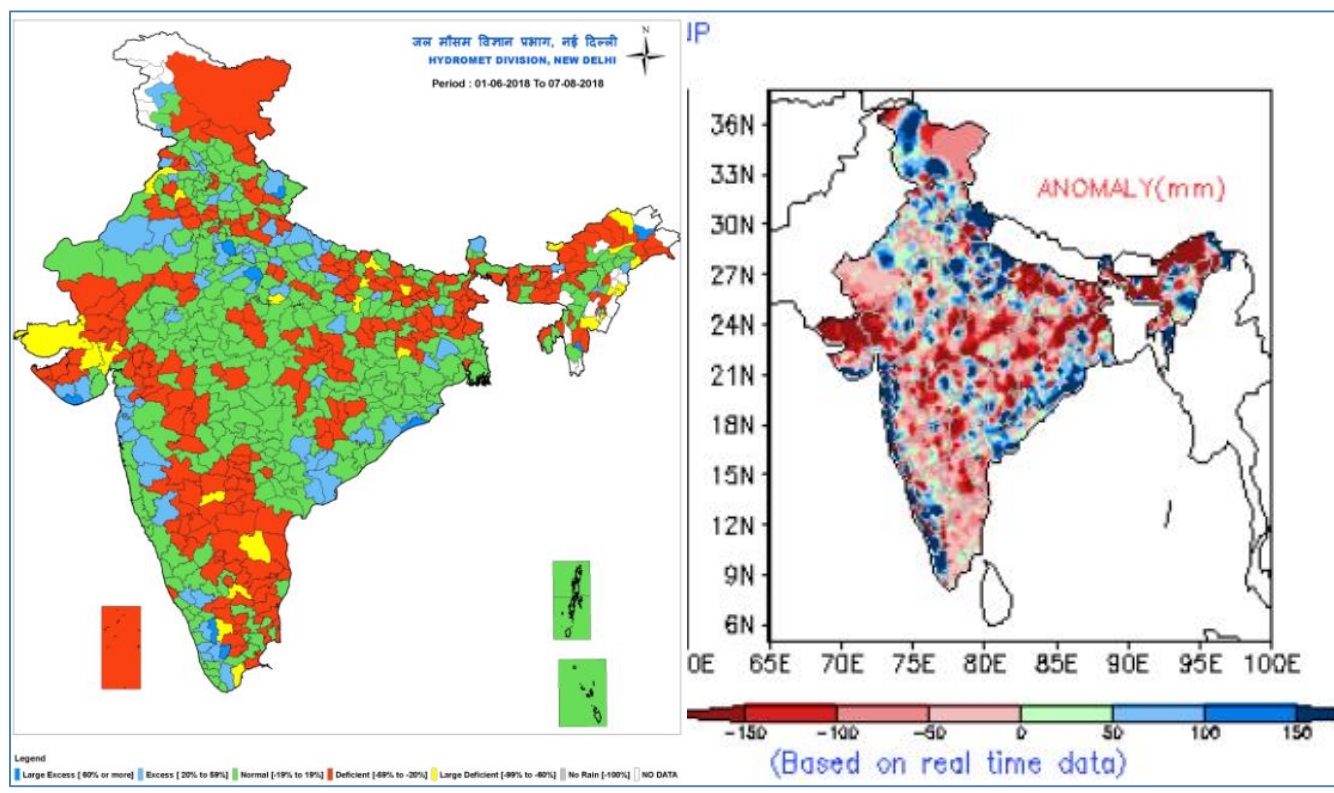
- Mid-season rainfall scenario realised over the country till the end of July 2018 suggests that distribution of rainfall is very good over all parts of the country except Bihar, Jharkhand and NE States. Such a scenario of favorable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favorable for agricultural operations.

### **Medium Range Forecast**



Revival of monsoon is forecasted throughout India in the second half of August.

### Monthly and Cumulative Rainfall Performance



On Spatial distribution of rainfall central India is still has not received sufficient rainfall. The regions are Marathwada, NI Karnataka, Telangana and Rayalseema.

### Sowing Status – Kharif Oilseeds 2018-19 as on 3<sup>rd</sup> Aug, India

Sowing Progress as on 3rd August 2018							
Oilseeds	Normal Area	Normal For Corresponding Week	2017-18	2018-19	% Change from Last Year	% of Normal Area 2017-18	% of Normal Area 2018-19
Groundnut	42	35.24	34.98	33.64	-4%	83%	80%
Soybean	112.5	107.19	98.99	109.5	11%	88%	97%
Sunflower	2.1	1.24	1.15	0.76	-34%	55%	36%
Sesame	14.5	11.59	10.52	11.63	11%	73%	80%
Niger	2.6	0.52	0.56	0.5	-11%	22%	19%
Castor	10.5	2.32	2.72	1.5	-45%	26%	14%
Total	184.2	158.1	148.92	157.53	6%	81%	86%



All figures in Lakh Hectares
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Source: Agricoop

## Soybean

Kharif Soybean MSP for 2018-19 has been increased from Rs.3050/Qtl to Rs.3325/Qtl. According to industry sources earlier, acreage under soybean is expected to increase by around 10 -15% this season. Farmers are likely to shift from cotton and pulses towards soybean. Higher soybean production will translate into higher soy meal production. This is likely to increase soy meal exports in the coming season. In 2017, soybean acreage was reported at 105.92 lakh hectares according to the Ministry Of Agriculture.

According to SOPA, the total supply of soybean has been estimated at 96.50 lakh metric tonnes for the oil year 2017 -18 in its latest estimates released in April. For the period October -April of the current oil year, the production is estimated at 83.50 lakh metric tonnes, while the carryover from the previous year is put at 13.00 lakh metric tonnes.

The demand for crushing is likely to be around 80.00 lakh metric tonnes, while exports are projected at 2 lakh metric tonnes.

With 12 lakh metric tonnes retained for sowing and 1.5 lakh metric tonnes for direct consumption, the carryover for the coming year is estimated at 1.00 lakh metric tonnes.

Soybean is in the flowering stage in the early sown crops and thus any severe soil and air dryness in this period can result in the flower shedding and thus has the potential to impact yields severely. Further dryness can result in shedding of pods. On an average there are 18-20 pods per plant and which may end up in 10-12 pods per plant.

As on 3<sup>rd</sup> August Soybean sowing has been completed in 109.5 lakh hectares against 98.99 lakh hectares last year and thus by this pace the total acreages is expected to come around 11-12 lakh hectares or at max to 114 lakh hectares. The normal sown area is 112 lakh hectares which is an average of last 5 year soybean acreages.

With continued dryness in Telangana soybean crop is expected to come under moisture stress. Almost all districts are facing deficit by 20% on an average. Rainfed soybean crop may face lower yield this season. The exports of soymeal in the coming two months are important in terms of the stock number that we are seeing at the end of marketing season.

International cues are going to have limited impact on Indian soy complex unless there are aggressive rallies or fall. The trump card is the US president next move in the soy international trade and US China trade war.

As of now soybean prices is going to edge down further with the exports parity match up potential. Further development in weather with another two months of -crop development should remain under vigil in determining the 2018-19 crop numbers for soybean.

Crush Margin in the July month is positive on an average basis indicating of the good crush demand. Export as well as domestic demand has also been in line with supplies and thus there hasn't been any supply surpluses neither bean and meal for aggressive falls. Overall Indian crushers have made good profit this year too consecutively.

tribution of rainfall is very good overall parts of the country except Bihar, Jharkhand and NE States. Such a scenario of favourable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favourable for agricultural operations

In the latest data from Central Water Commission (CWC) showed that water level in the 91-odd reservoirs continued to rise and during the week ended August 2 was 45 per cent of their full capacity level.

Since, July 19, the water level in the reservoirs have increased by over 13 per cent, which should augur well for coming rabi season mainly in those parts which are dependent on reservoirs for irrigation.

There has been intermittent report of floods and soybean crop submerged in the heavy rains. The assessment by govt has yet to be done. Further there has been forecast if heavy rains to continue in the East and North MP with heavy rains also forecasted for East Rajasthan and Chhattisgarh which is going to keep the crop status in Ovigil especially in low lying areas. The major belt of soybean i.e the Malwa belt will be reprieved from the current monsoon fury and thus the overall production prospects is still bright.

As Indonesia is planning to bring back Import tariff on US soybean which was earlier scrapped in 2013, Indian soybean/meal exports can find a chance to increase its exports volume to Indonesia. Indonesia used to be on of the largest importer of Indian soymeal but after the Indian meal got out priced in the US market after back to back lower crop In India the trade direction shifted towards American countries which didn't revived later even when the Indian meal was competitive.

#### **SOPA SOYEAN REVISED PRODUCTION ESTIMATES KHARIF 2017 As on 07.02.2018**

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

S.No.	Division/District	Kharif 2016 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh & Telangana	2.99	1.06
5	Karnataka	3.24	1.73
6	Chattisgarh	1.34	0.86
7	Gujarat	1.38	0.89
8	Rest Of India	1.13	0.46
	<b>Grand Total</b>	109.71	83.50

***The domestic soybean prices are likely to notice range –bound to firm tone amid lower availability in the domestic market.***

#### **International:**

According to data released by the Trade Ministry, Brazil's exports of soybean decreased to 10.42 MMT in June 2018 compared to 12.35 MMT in May 2018 and 9.18 MMT in June 2017. Exports of soy meal fell to 1.56 MMT in June 2018 compared to 1.65 MMT in May 2018 and 1.39 MMT in June 2017.

In the latest report released by Buenos Aires Grain Exchange (Bolsa DeCereals) Argentina's 2017/18 soy harvest ended at 36 million tonnes, much below the 54 million tonnes estimated at the beginning of the season due to a severe drought. This is the smallest crop of the past nine years, according to the exchange.

The trade dispute between US and China has boosted prices in Brazil, the top shipper, forcing EU processors to look elsewhere for supplies. However US will not be able to replace the GM Soybean market in EU. It is noted that US is 100% GM soybean producer whereas with Government encouragement Brazil GM Soybean is at 70% only. EU is the top buyer of Non GM soybean and many nations are 100% Non GM soybean importer.

According to Rabo bank, China could replace around 4 million metric tons of U.S. soybeans with Brazilian supplies in the fourth quarter if tariffs are implemented. Those losses would be partially offset by 2 million tons of non-China demand moving from Brazil to the U.S., driven largely by the EU.

According to international FC Stone projected the Soybean production at 4.574 billion bushels at an average yield of 51.5 bushels per acre, whereas has kept the US soybean yield at 48.5 bushels per acre in the last WASDE report.

Informa Economics raised its forecast for the U.S. 2018 soybean yield to 50.0 bushels per acre (bpa), from 49.8 previously. WASDE July estimates for Soybean yield is at 48.5 bushels per acre.

Soybean old crop sales are beginning to fade as the 2017/18 marketing year wraps up, finding only 3.4 million bushels last week. With another 20.0 million bushels in new crop sales, that brought total sales to 23.4 million bushels.

According to Safras and Mercado, sales of soy from the 2017/18 campaign, which is nearing its end, have reached 84 percent of the production compared to 74 percent at this time last year. Sales of soy yet to be produced in the new, 2018/19 season are at 18 percent of expected production versus 8 percent last year.

The Argentinean officials expects to export significant amounts of soymeal to China starting after the next harvest in May, a top agriculture ministry official said on Friday, as the South American grains powerhouse moves to take advantage of U.S.-China trade strife. Argentine officials were in Beijing on Friday finalizing the paperwork needed to ship the country's livestock feed to China.

U.S. farmers could receive cash payments from a planned \$12 billion aid package as soon as late September, United States Agriculture Secretary Sonny Perdue told Reuters on Saturday.

According to study by bank Banco Itaú BBA., falling margins for soy growers in Brazil from currency swings and rising transport costs is not expected to derail farmers' plans to plant a record crop come September, as strong Chinese demand is expected to buoy the market.

Farmers' margins on soy are expected to fall to half of the previous crop cycle or to between 1,200 reais and 1,500 reais (about \$325-\$400) per hectare, as the weaker Brazilian currency boost the cost of imported farm inputs like fertilizers.

According to Agriculture Minister of Brazil, the country is vying for a million tonnes export quota to sell soymeal and soyoil to China. The agriculture minister is expected to make a request to China's president in the upcoming meeting. According to govt data China bought 78 percent of Brazil's soybean exports in the first half of the year.

Further the Brazil's president also wants to export soybean oil and meal and also looking forward towards the possibilities of doing so.



The United States and the European Union agreed to work toward zero tariffs, barriers and subsidies. Thus paving the way for increased exports of US soybean in EU.

Analysts also opined that the latest emergency aid to the farmers of 12 billion dollar, highest since 1998 will result in higher stocking by farmers. US president also said that China has deliberately targeted US farmers by applying higher duty over US agricultural products.

There have been problems in terms of farmers selling in Brazil after the government raised the truck freight rate by 150% as floor price which has sharply declined the farmer's margin. Farmers have left their soybean piled up in silos. The traders who buy from producers and export the crop discount freight costs from prices paid to growers. As the farmers are not willing to sell at such price traders are exporting from stockpiled supplies. Thus the middleman is reaping the lion's share of the wealth as domestic soybean premiums surge on robust Chinese demand although the premiums and exchange rates are favoring a rise in farmer's income.

Further, higher truck freight rates have resulted in input costs rising by 20% according to IMEA. Farmers may apply less fertilizers and thus can have an impact in terms of yield. Thus farmers will go for soybean planting with uncertainties on the margins they will get and especially if US-China trade spat fades away quickly.

China continues to offload its temporary soybean reserve and on 18th July 28.29% of it has been sold in the market. China also has not bought new contracts as of now but has to step in Sep-Oct as there will be a gestation period for the adjustments in new trade matrix.

In Uruguay the acreages are falling y-o-y as farmers stopped planting on unproductive land and the acreage has fallen to 12 million hectares from 1.5 million hectares. The production this year has been just 1.3 million tons against 3.9 million tons last year due to drought.

Pakistan has booked 199,500 metric tons of soybean for the delivery in 2018-19 marketing year. As the prices have plunged to historic low the Asian buyers are in hurry to book volumes from US rather than South American countries. India might feel the pinch as Bangladesh which as of now has been steadily importing Indian soymeal might book heavy amount of soybean from US.

Safras & Mercado expects 2018/19 Brazilian acreage for soybeans to jump 2.3% from last year, to ~88.958 million acres (36 million hectares). With this Brazil production would reach 119.78 million tons in 2018-19 up by .3%.

In the first six months of the year, Brazil exported 35.9 million tonnes of soybeans to China, according to government data, 1.8 million tonnes more than in the same period last year, suggesting demand from the world's top buyer of the oilseeds remained strong.

Chinese imports of soybeans during June totaled 8.7 MMT according to customs data, down 10.1% from May. Port congestion has been an issue, with vessels seeing extended wait times to unload.

Argentina may delay implementing elements of a tax reform passed last year to meet its fiscal deficit goals as part of a deal with the International Monetary Fund (IMF). Thus this may lead to withdrawing of the phase wise lowering of export duty on soybean with .5% lowering every month promised in the election by president Mauricio Macri.

According to CONAB Brazil's 2017/18 soybean crop seen at 118.88 mln tons vs 118.05 mln tonnes in its previous estimate and 114.08 mln tons last season.

Under the new scenario building up the Ministry of Agriculture's Chinese Agricultural Supply and Demand Estimates (CASDE) is pessimistic on y-o-y growth in the China Soybean Imports with imports of 93.5 new crop year (2018-19) starting this Oct. In the July estimate CASDE has estimated imports of 95.97 million tons for the 2017-18 marketing year.

China will produce 15.37 million tonnes of soybeans in the 2018/19 crop year, up 5.6 percent from last year, according to the latest report from the nation's Ministry of Agriculture and Rural Affairs

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According to the latest USDA WASDE report U.S. soybean supplies were forecast to rise to the highest ever as a trade war with China, , will cut into exports, for the 2018-19 marketing year. USDA pegged soybean ending stocks for the 2018/19 crop year at 580 million bushels, up from its estimate of 385 million bushels issued a month ago before China imposed tariffs on imports of U.S. soybeans. The government cut its export projections for soybeans by 250 million bushels to 2.040 billion bushels.

USDA also lowered its end stocks outlook for the 2017/18 crop year, which ends on Aug. 31, to 465 million bushels from 505 million bushels, due to increases in demand by crushers and higher exports in the current marketing year.

As the US Soybean is turning to out to be the cheapest importers are running towards opportunity of booking US soybean heavily. Argentina and Brazilian Soybean basis are high enough to route the bean trade from South America to US. All importers' advanced purchases of the next U.S. soybean crop shot up 127 percent through June, at 8 million tonnes,

Mexico has booked nearly 1 million tonnes in advanced purchases of U.S. soybeans - four times more than last year - while Pakistan's 273,000 tonnes in forward purchases are up 44 percent from a year earlier, the USDA data shows. Thailand's record 221,400 tonnes in advance deals are nearly 10 times larger than the average over the prior six years.

USDA also raised its outlook for the 2018/19 soybean harvest to 4.310 billion bushels, up 30 million bushels from its previous outlook. It left its yield forecast unchanged at 48.5 bushels per acre.

According to exporters association Anec, Brazil, the world's top soybean exporter, is prepping for major purchases of U.S. soybeans to feed its domestic processors as it diverts more of its own crops to China at premium prices,. Brazil may import up to 1 million tonnes of U.S. soybeans, with purchases likely ramping up in October.

Representatives of the U.S. Soybean Export Council have been meeting with buyers in Asia and Europe to encourage them to buy U.S. soy.

According to data from the China's General Administration of Customs, the country brought in 8.7 million tonnes of soybeans last month, up from 7.687 million tonnes a year ago. However, shipments were down 10.1 percent from last month's 9.68 million tonnes.

*The international soybean prices are likely to witness range –bound to weak tone on favourable weather in U.S. Midwest in the coming days.*

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## 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	4.15	2.29	1.21
Production	11.50	9.80	9.8	0	0	0
Imports	0.00	0.00	0	0	0	0
Total Availability	11.73	10.03	10.03	4.15	2.29	1.21
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	4.15	2.29	1.21	0.23
Monthly Use	0.96	0.78				
Stock/Consumption Ratio	0.02	0.02				
Stock to Month Use Ratio	0.23	0.29				

Source: Agriwatch

## Soy meal

Indian soymeal was offered in international market at a premium of \$55-58 per ton over Argentinean soymeal thus the premium is more or less competitive enough and extent of correction by \$20-30 per ton will mostly depends on the upcoming production number and thus exportable surplus.

Oil meal ratio has been well above 2.3 since May indicating the higher soy oil share and thus crushers may tends towards crushing bean even for oil if the import duty remains consistently high.

US weekly export was recorded at 247663 tons against 215368 tons last week. The net sales for the old crop meal was low at 79016 thd tons against 166397 thd tons last week. New crop meal net sales however were high at 57290 tons against 37620 tons last week

However the major concern for Indian is the capacity by which US can eat India's soymeal exports market since it is offered at discount over South American part and India might not offer at competitive price against US soymeal.

Much will dependent on how much exportable surplus India is going to produce and so far the scenario is looking rosy for y-o-y higher production numbers. A 100 lakh tons production is also on cards with weather will be on the way for the ride till harvest.

The government raised incentives on agricultural commodities by three per cent under Merchandise Export from Indian Scheme (MEIS) from seven per cent to 10 per cent including soymeal apart from bringing in a number of other commodities under the MEIS net. The Directorate General of Foreign Trade (DGFT) notified it in a circular released on this Friday.

SEA is requesting to raise the incentive from 5% to 10 per cent on all oil meals (Only Soymeal is enjoying 7% incentive) and that (the MEIS) benefit be extended to groundnut meal.

India is looking for Chinese market after China removed the 5% import duty on south east Asian nations. As among the SE Asian Nations India is the largest producer of soybean and hence is looking forward towards exporting soymeal to China. According to market sources, India could export up to 5 lakh metric tonnes oil meals after the recent removal of import duty. This will lend some support to the market in the coming days especially over the booking conditions of the new crop.

COFCO is in view that China can increase soybean imports from other countries. China can also buy more rapeseed, sunflower seeds, and bring in more soybean meal, rapeseed meal, sunflower meal and fishmeal to fill any supply gaps.

According to SOPA the meal stocks at the end of June was at .84 lakh tons down by .45 lakh tons from the previous month. In June month the production was 4.86 lakh tons up by .81 lakh tons from previous month. Exports of meal were at 1.36 lakh tons against .45 lakh tons of May. And also high from previous year in June month which was 1.11 lakh tons.

According to SOPA estimates India would be able to export 15 lakh tons of soymeal through SEA and Land with food consumption of 5 lakh tons and 45 lakh tons of feed uses. Which results total disposals of 65 lakh tons of soymeal. The end stock at the end of 17-18 marketing year is projected at .88 lakh tons.

Some of the major importers of Indian meal has been Bangladesh, France and Germany. Bangladesh has been consistently importing soy meal in the range of 10-30 lakh tons as against last year when the same imported most of its requirements in the first four months of 207-18 marketing year. Bangladesh has an appetite of soymeal nearly 3 lakh tons.

France too has been consistently buying Indian meal. Interestingly Germany imported 57.6 thd tons in June. In May June most of the countries has not shown interest in Indian meal to the premium over Argentinean counterpart.

India is also eyeing Iran for exports as US Threatened to impose sanctions again. Also US threatened other nations to follow him and thus as of now the exports to Iran doesn't seems to possible. However India will look opportunity once the matter cools off. In earlier sanction Iran imported heavily Indian meal after imposition.

Nepal has imported exceptionally well this marketing year and as of now has imported 1.4 lakh tons against on average import of 70 thd tons which is almost double. Growth in Nepal poultry Industry has helped in the increasing the import of Indian soymeal.

***India's export of oil meals during April to May 2018 stands at 321,179 metric tonnes as compared to 348,222 metric tonnes in the same period of previous year showing a decline of 8% according to data***

*released by the Solvent Extractor's Association of India. The exports of rapeseed meal have increased by nearly 56% to 143,699 metric tonnes during the period.*

*In the month of May 2018, export of oil meals declined to 97,036 metric tonnes compared to 144,524 metric tonnes during the same period previous year. Soy meal exports during the period April –May 2018 was reported down at 109,716 metric tonnes compared to 173,274 metric tonnes during the same period previous year.*

*The soy meal prices are likely to notice range –bound to firm tone amid expected good demand in the market.*

## Soy Meal Export (In Thousand Tons)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Oct</b>	405	224	50	183	29	4	31	71
<b>Nov</b>	443	398	517	503	111	9	98	208
<b>Dec</b>	611	798	511	451	194	6	241	169
<b>Jan</b>	575	475	620	364	104	28	155	106
<b>Feb</b>	540	344	578	184	65	30	208	74
<b>Mar</b>	411	460	302	232	47	27	107	39
<b>Apr</b>	305	314	100	76	18	12	124	68
<b>May</b>	177	143	98	8	14	10	49	41
<b>Jun</b>	118	181	214	3	2	18	46	104
<b>Jul</b>	140	168	107	7	1	12	81	64
<b>Aug</b>	166	10	184	3	1	11	88	
<b>Sep</b>	226	7	173	1	7	12	102	
<b>Total</b>	4116	3521	3453	2015	592	180	1331	
<b>Till July</b>	3724	3505	3096	2011	584	157	1141	944

Source: SEA

India's soy meal exports in Oct- July is short by 17% y-o-y as India could not bale to exports soymeal to Bangladesh to an extent of last year due to limited availability of railway racks. At this pace India could hardly able to exports 12 lakh tons by the end of the 2017-18 marketing season.

### Technical Analysis:

#### **NCDEX Soybean Futures C1 Chart**



#### **Soybean Spot, Indore**



#### **Support & Resistance NCDEX Soybean –Sep. contract**

S1	S2	PCP	R1	R2
3270	3310	3392	3410	3540

- A 61.8% retracement of the impulsive rally takes the prices towards 3189.5 and which is also close to the support of 3120. Soybean is trading within the descending channel.
- MACD has been in the negative zone and RSI has been in the oversold region.
- Trade Recommendation (NCDEX Soybean – Sep.): Sell on rise. Trades are advised to go short at 3410 and opt for add on every 10 rupees with a target of 3340 and 3310 and can liquidate half of their positions at 3340 and the rest at 3310.

## Rapeseed - Mustard Seed



NAFED started auctioning mustard seed stock that they have procured under PSS scheme to a tune of 8.73 lakh tons from 3rd August in the open market. The auctioning process is at the NeML platform through e-auction. The auction will be on daily basis, twice in a day. NAFED has started the auction for the deliveries in Gujarat, MP and Rajasthan stocks.

At Mustard front arrivals has been higher as compared to last year in the same time frame and which might be indicating for higher crop or higher offloading by farmers. Things might be even clearer as we move into coming months as there exist an ambiguity over production numbers. Down the line the production might be again revised based on arrival numbers.

NAFED has procured 8.73 lakh tons of Mustard this year and the procurement window has closed. Market will also be looking towards the tender issued into the market.

As Nafed has procured huge quantities of mustard under PSS scheme farmers may get assured of getting prices at MSP. Thus guaranteeing their income and there are good possibility that the MSP of Mustard will also rise given that we are heading towards general election and the centre has promised 150% income against the cost.

According to Marudhar Trading Agency in Rajasthan Mustard crop is estimated at 70 lakh tons with March-Jun arrivals at 47.65 lakh tons and crush of 32.5 lakh tons. Thus the meal availability is decent enough and all depends on exports pace in disposing this stock.

In the SEA Sponsored Mustard conclave held this weekend the production number according to SEA/COOIT has been at 65.8 lakh tons up by 63.5 lakh tons from the Feb estimate in Globoil conference. However Marudhar Trading Agency has kept the production number at 70 lakh tons unchanged from his previous estimate.

SEA has also downsized previous marketing year production to 66.5 lakh tons from the earlier estimate of 70.5 lakh tons.

*Outlook: The rapeseed-mustard is likely to notice range –bound to firm tone amid lower arrivals in the domestic market.*

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2017-18	2018-19	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.10	0.10	0.10	3.17	1.66	0.87
Production	6.80	6.30	6.30	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	6.90	6.40	6.40	3.17	1.66	0.87
Processing/Crushing	6.80	6.30	3.18	1.46	0.68	0.67
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	6.80	6.30	3.23	1.51	0.78	0.77

Carry Out/Ending Stock	0.10	0.10	3.17	1.66	0.87	0.10
Monthly Use	0.57	0.53				
Stock/Consumption Ratio	0.01	0.02				
Stock to Month Use Ratio	0.18	0.19				

(Source: AgriWatch)

### Technical Analysis:

**NCDEX RM Seed Futures Weekly C1 Chart**



**RM Seed Spot, Jaipur Weekly Chart**



### **Support & Resistance NCDEX RM Seed - Aug. contract**

S1	S2	PCP	R1	R2
4000	4046	4124	4130	4170

- Mustard weekly chart made a double top and thus hesitated to break the 4250 and retraced back towards 38.2% retracement of 4046. Last weekly closing was at 4177 with August first week closing at 4124

- A 38.2% retracement will lead the prices to be at 4046 which also forms a support and thus a short term reversal can be seen from this point.
- As of now the prices are trading in the ascending channel with strong resistance at 4240
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug and Sep): **Buy on Dips**  
**Any weakness in the prices is an buying opportunity. Traders can go long whenever the prices falls below 4050 and subsequent fall can be taken as add on opportunity. Traders further can exit 50% of their positions at 4150 and wait for 4200 and above for further liquidation. A short stop loss 4000 can be used for minimizing the losses. Traders can roll over their positions if their targets are not achieved before the expiry of the contract.**  
**BUY** Below 4050. Levels: Target – 4150; T2- 4200, SL –4000.

## Groundnut

The domestic groundnut prices gained as limited stocks has been offloaded from the NAFED warehouses, which has kept the supplies tight in the market. NAFED as on 4<sup>th</sup> Aug has 7.05 lakh tons of in shell groundnut stocks in their warehouses.

Groundnut sowing has revived significantly and all India acreages as on 3rd August the sown area has been at 33.64 lakh hectares as against the 34.98 lakh hectares last year.

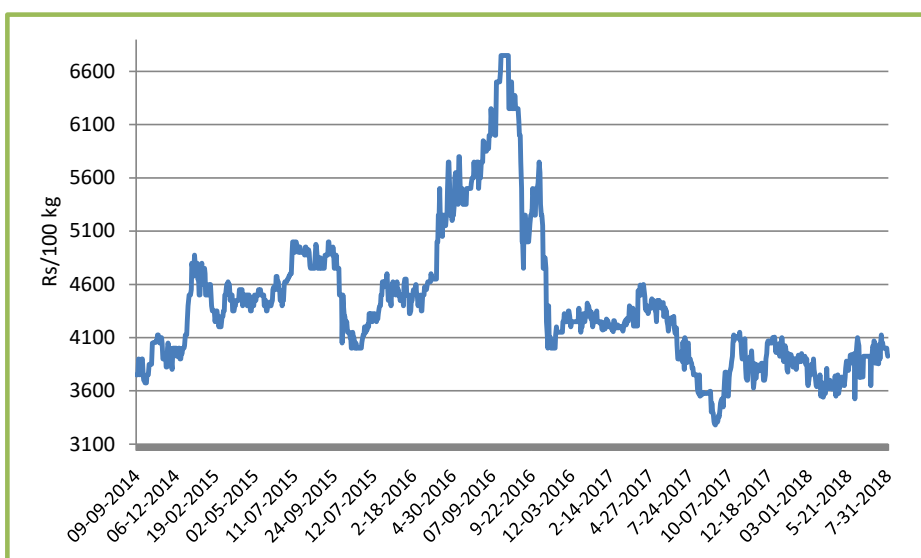
Sowing in Gujarat has been completed in 14.15 lakh hectares which is the highest weekly increase in the past 5 years for the concerned week and thus shattering the expectations of drastic fall in groundnut acreages in Gujarat due to prolonged driers spell in the initial one and half months of SW monsoon.

However the sown area in Gujarat is still low y-o-y as 16.15 lakh hectares was brought under groundnut by the 3rd of August last year. There is nominal increase in acreages after July month in Gujarat thus Gujarat acreage is expected to come around 14.5 lakh hectares this kharif season. .

We are expecting the groundnut sown area to come around 40.0-40.5 lakh hectares which are lakh hectares down from last year.

In Andhra Pradesh sowing is done in 3.84 lakh a hectare which is high as compared to last year sowing of 3.56 lakh hectares by 3rd of August. However the sowing is way below the normal sowing pace of 5.81 lakh hectares and thus achieving govt target of 9.23 lakh hectares is challenging with the given weather condition and persistent drier spells in Rayalseema.

Rainfall in Rayalseema region which forms the major groundnut producing areas is in dismal state with cumulative rainfall deficiency stands at 43% as against the LPA as on 3rd of August. Continuous drier spells is forecasted to continue for another two week for the subdivision.



The early sown groundnut crop is in the vegetative phase and only traces of pests has been reported by department of Agriculture Andhra Pradesh.

At the exports front as per APEDA report India shipped 40 thd tons of groundnut which is high by 58% y-o-y for the month. Cumulative exports in the period Oct-Jun is still down by 23.6% y-o-y.

As of 4th of August NAFED is holding a stock of 7.054 lakh tons of In shell groundnut in their warehouses with 4033 tons of 2016 crop.

NAFED has started auctioning its GN stocks through NeML on daily basis and twice per day.

Government has increased the MSP of In Shell groundnut by 9.89% to INR 4890 per quintal for kharif 2018-19 season against last kharif season of INR 4450 per quintal.

India is eyeing larger exports to China in 2018-19 season as China imposes 25% import duty on the US goods. According to USDA China will import 3 lakh tons of groundnut in 2018-19.

In 2017 US exported 69 thd tons of groundnut to China and thus India might be hoping for 30-40 thd tons of additional demand in coming season.

However according to USDA, China production is projected to rise to 18.1 million tons in 2018-19 from 17.8 million in 2017-18, which in turn is going to limit any aggressive import demand. Y-o-y higher production in 2017-18 already impacted Indian exports to China. Thus exports declined from 22.38 thd tons in 16-17 FY to mere 627 tons in 18-19 FY.

Centre is expected to try its best too offload the stocks in order to vacate the godowns for the new season. Thus center has already ordered offloading chana stocks and other crop such as mustard and other pulses are in line. NAFED is already offloading the groundnut stocks with limited success.

## Groundnut Exports (In Thousand Tons)

Groundnut Exports (Thousand Tons)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Oct	21.8	21.0	22.9	25.8	30.4
Nov	71.1	92.6	50.0	80.9	109.6
Dec	79.1	135.9	91.3	145.1	69.4
Jan	47.3	82.2	67.7	105.2	31.7
Feb	48.0	54.0	53.7	78.8	30.7
Mar	52.6	61.7	55.7	67.5	54.8
Apr	48.6	50.4	54.5	45.0	40.2
May	55.2	38.6	41.3	19.1	46.0
Jun	50.0	30.7	58.4	25.4	40.0
Jul	42.7	25.0	39.2	37.2	
Aug	40.8	35.8	16.8	30.6	
Sep	23.8	16.1	12.2	20.1	

## Groundnut Prices in Shell

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	31-Jul-18	30-Jun-18	31-Jul-17	30-Jul-16
Rajkot	GN in Shell (Rs/20kg)	4.4%	7.5%	785	730	752	1350
Saurashtra	GN Seed Kernel (Rs/MT)	-8.7%	0.0%	42000	42000	46000	55500

(Source: AW)

## Annexure

### Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	30-Jul-18		30-Jun-18		
	Low	High	Low	High	
Indore –Plant	3500	3550	3500	3600	-50
Indore–Mandi	3200	3350	3300	3500	-150
Nagpur-Plant	3650	3680	3550	3700	-20
Nagpur – Mandi	3200	3450	3300	3500	-50
Latur – Mandi	3170	3630	3300	3635	-5
Kota-Plant	3400	3450	3500	3550	-100
Kota – Mandi	3300	3400	3300	3450	-50
Bundi-Plant	3400	3470	3350	3400	70
Bundi-Mandi	3300	3340	3275	3350	-10
Baran-Plant	3400	3450	3300	3400	50
Baran-Mandi	3250	3315	3000	3200	115
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3400	3425	3450	3550	-125
Jhalwar-Mandi	3400	3500	3400	3500	Unch
Rapeseed/Mustard					
Jaipur-(Condition)	4365	4370	4120	4125	245
Alwar-(Condition)	4200	4250	3950	4000	250
SriGanganagar-(Non-Condition-Unpaid)	3950	4000	3650	3780	220
New Delhi–(Condition)	4200	4225	3950	3985	240
Kota-Non-(Condition)	3750	3850	3600	3650	200
Agra-(Condition)	4800	4850	4400	4425	425
Neewai	4200	4310	4025	4060	250
Hapur (UP)	4200	4225	3950	4000	225

<b>Groundnut Seed</b>					
Rajkot	785	785	730	730	55
<b>Sunflower Seed</b>					
Gulbarga	2840	3500	2850	3450	50
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	3500	3600	NA	NA	-
<b>Sesame Seed</b>					
Mumbai (White98/2/1	9000	9000	8700	8700	300

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C –Condition (42%),  
\*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/Qtl

**Oilseed Cumulative Arrivals in Key Centres**

Commodity	Centre	Monthly Arrivals in Bags/Qtl		Change
Soybean		July,2018	June,2018	
	Madhya Pradesh	1172000	888500	283500
	Maharashtra	716000	747000	-31000
	Rajasthan	315000	256000	59000
	Bundi (Raj)	1440	2420	-980
	Baran (Raj)	27715	27300	415
	Jhalawar (Raj)	27200	13100	14100
Rapeseed/Mustard	Rajasthan	1475000	2200000	-725000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

**Oil Meal Prices at Key Spot Markets:**

Soy DOC Rates at Different Centers			
Centers	Ex-factory rates (Rs/ton)		
	31-Jul-18	30-Jun-18	Parity To
Indore (MP)	28500	28800	Gujarat, MP
Kota	29000	29200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	30700	3000	Mumbai, Maharashtra
Nagpur (42/46)	29500	29500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30200	31500	Andhra, AP, Kar, TN
Latur	31000	31500	-
Sangli	31000	31300	Local and South
Sholapur	31200	30300	Local and South
Akola	28800	29500	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	31000	31000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	28500	29200	-



Soy DOC at Port			
Centers	Port Price		
	30-Jul-18	30-Jun-18	Change
Kandla (FOR) (INR/MT)	30200	30400	-200
Kandla (FAS) (USD/MT)	440	442	-2

International Soy DOC			
Argentina FOB USD/MT	30-Jul-18	30-Jun-18	Change
Soybean Pellets	375	376	-1
Soybean Cake Flour	375	376	-1
Soya Meal	Unq	Unq	-
Soy Expellers	Unq	Unq	-

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	31-Jul-18	30-Jun-18	Change
Adoni	21500	20200	1300
Khamgaon	Unq	Unq	-
Parli	Unq	Unq	-
Latur	Unq	Unq	-

Groundnut Meal (Rs/MT)	31-Jul-18	30-Jun-18	Change
Basis 45%, Saurashtra	21200	20000	1200
Basis 40%, Saurashtra	18700	17500	1200
GN Cake, Gondal	21000	19500	1500

Mustard DOC/Meal	31-Jul-18	30-Jun-18	Change
Jaipur (Plant delivery)	13800	13200	600
Kandla (FOR Rs/MT)	14600	14000	600
Sri Ganganagar	1800	1705	95

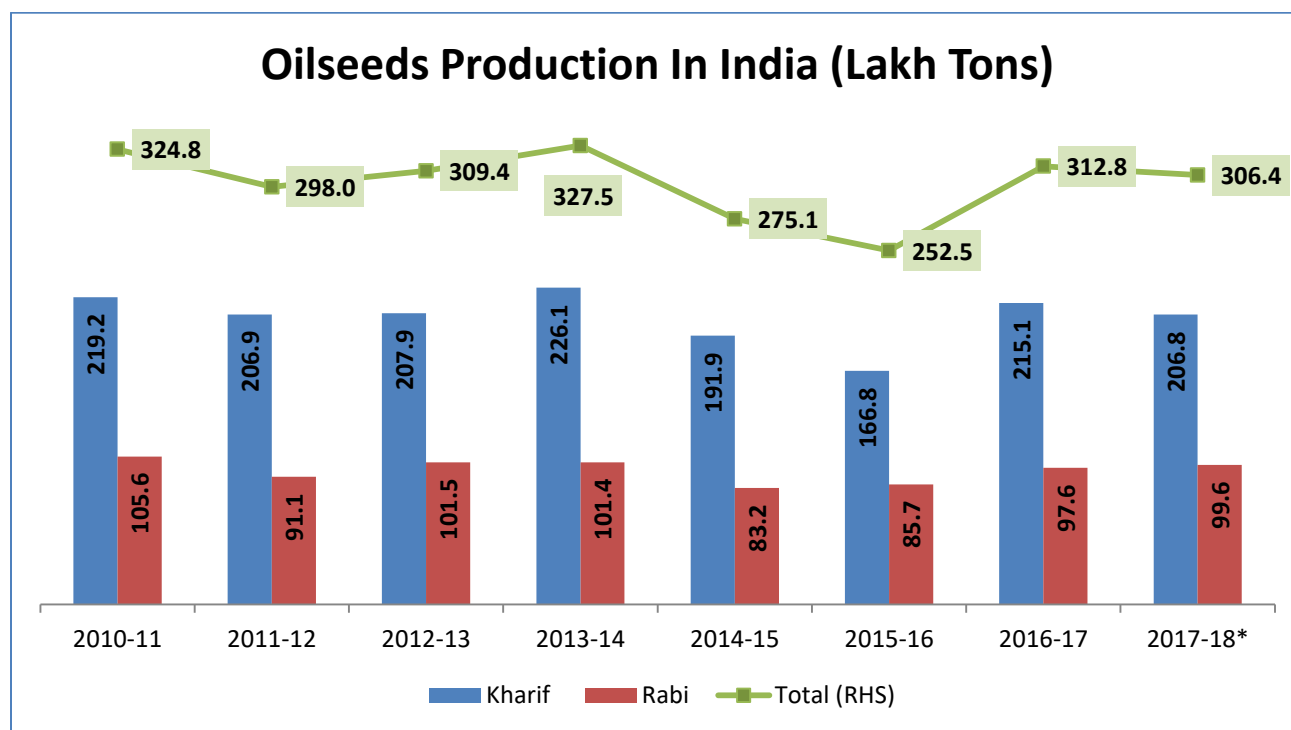
India's Kharif Oilseeds Production Seen at 30.638 Mn T in 2017-18 vs 31.276 Mn T in 2016-17 final estimates in 3<sup>rd</sup> Adv Est. - GOI

The 3<sup>rd</sup> Advance Estimates of production of major crops for 2017-18 have been released on 16 May, 2018 by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of floods and erratic rainfall during monsoon 2017, the country has witnessed lower oilseeds production in the current year compared to previous year.

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

Oilseeds – 30.638 million tonnes

- Soyabean – 109.34 Lakh tonnes
- Groundnut – 89.42 Lakh tonnes
- Castorseed – 14.9 Lakh tonnes
- Sesame/Sesamum/Gingelly/Til – 7.44 Lakh tonnes
- Nigerseed – .75 Lakh tons
- Sunflower – 1.9 Lakh tons
- Linseed - 1.73 Lakh Tons



Source: Ministry of Agriculture

Note: 2017-18 is based on 3<sup>rd</sup> Adv estimates.

Year includes Kharif, rabi and summer (i.e. 2017-18 means kharif harvested in 2017, Rabi in 2018 and summer in 2018 and should not be considered as marketing year)

Oilseed Wise production in India (Kharif+Rabi) Lakh Tons								
Oilseed	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Soybean	127.4	122.1	146.7	118.6	103.7	85.7	131.6	109.3

<b>Groundnut (In Shell)</b>	82.7	69.6	47.0	97.1	74.0	67.3	74.6	89.4
<b>Rapeseed &amp; Mustard</b>	81.8	66.0	80.3	78.8	62.8	68.0	81.0	80.4
<b>Castorseed</b>	13.5	23.0	19.6	17.3	18.7	17.5	13.8	14.9
<b>Sesamum</b>	8.9	8.1	6.9	7.2	8.3	8.5	7.5	7.4
<b>Sunflower</b>	6.5	5.2	5.4	5.0	4.3	3.0	3.0	1.9
<b>Linseed</b>	1.5	1.5	1.5	1.4	1.6	1.3	2.0	1.7
<b>Nigerseed</b>	1.1	1.0	1.0	1.0	0.8	0.7	0.9	0.8
<b>Safflower</b>	1.5	1.5	1.1	1.1	0.9	0.5	1.0	0.5

Source: Ministry of Agriculture

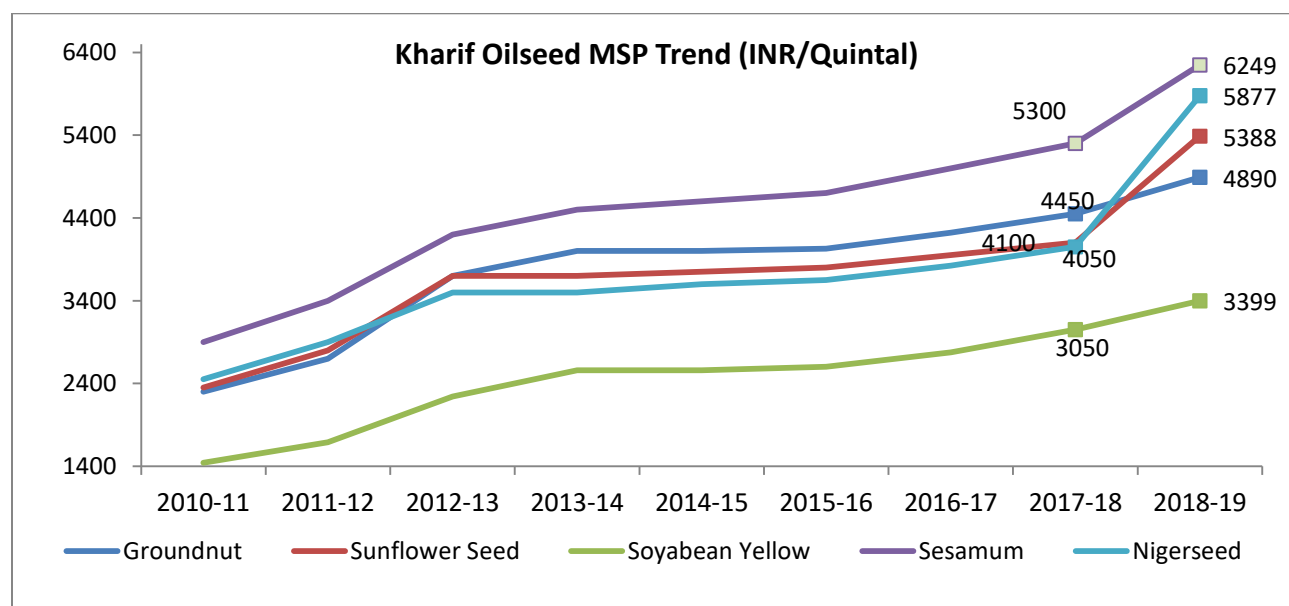
Note: 2017-18 is based on 3<sup>rd</sup> Adv estimates.

## MSP for 2018/19 Kharif Oilseeds

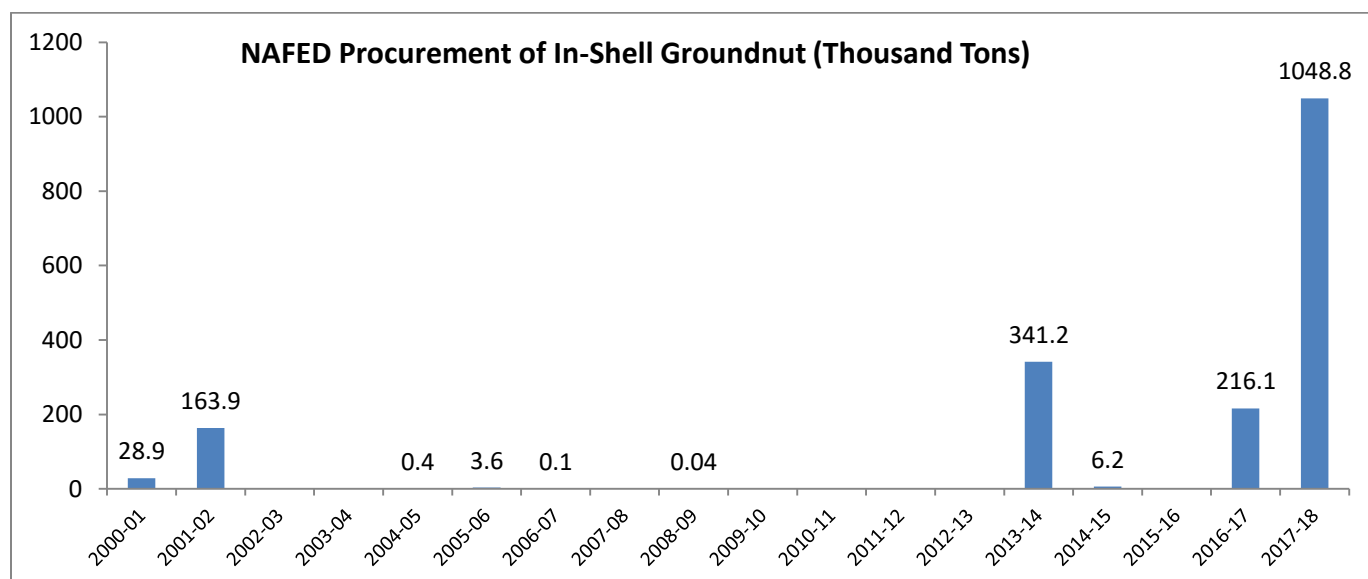
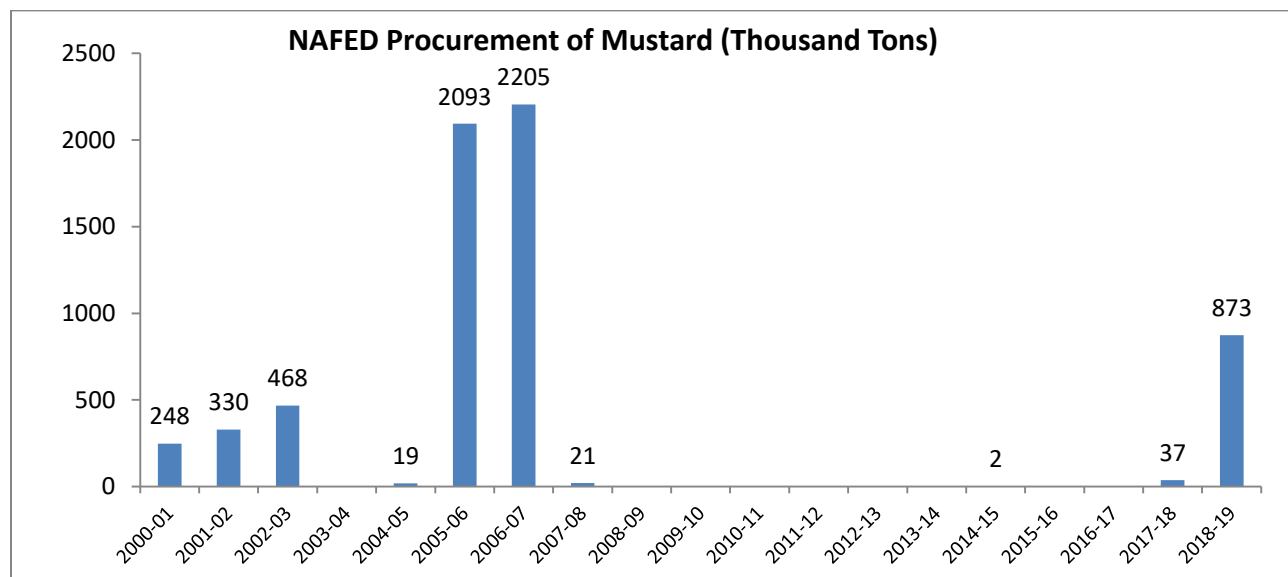
The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for Minimum Support Prices (MSPs) for Kharif Crops of 2018-19 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.0% to Rs 3325/Qtl for 2018-19 season from Rs. 3050/Qtl (including Rs 100 bonus) in 2017-18, Groundnut -in- shell by 5.2% to Rs 4,680/Qtl from Rs 4,450/Qtl (including Rs 100 bonus), Sunflower seed by 3.7% to Rs 4,250/Qtl from Rs 4,100/Qtl (including Rs 200 bonus), Nigerseed by 5.5% to 4,275/Qtl from Rs 4,050/Qtl (including Rs 100 bonus) and Sesamum by 5.7% to Rs 5,600/Qtl from Rs 5,300/Qtl (including Rs 200 bonus).

Source: MoA, GOI



## NAFED Procurement of Oilseeds (Mustard and Groundnut) Historically



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