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# Oilseeds Monthly Research Report

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## Executive Summary

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Domestic soybean fell in association with soymeal on subdued demand from millers due to the higher soyoil imports and sluggish overseas demand in the soymeal of Indian origin.

Further, expectation of higher soybean production with increase in the sown area under the crop, weighed on the domestic soy prices.

All these factors together have led to the bad crush margin in soybean, discouraging the millers to crush aggressively.

In the last official progressive kharif planting report, India's area under oilseeds coverage is reported up by 17%. This year the country's soybean area is up as expected and area coverage under soybean is 116.62 lha, up 5% from 111.49 lha normal area. The newly planted soybean crop is in the good condition across the key growing regions.

However, the rapeseed-mustard posted gains on continued good demand from millers supported by good demand in rapeseed-mustard and improved rapeseed-mustard oilcake exports.

We expect soybean and soymeal to feature range-bound movement with weak-bias on bearish supply outlook. However, the rapeseed-mustard prices will remain strong on good demand.

## Outlook – Cash Market

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**Outlook - Soybean (Spot, Indore):** The soybean prices will feature range-bound movement with weak bias, given the weak soymeal demand and higher soyoil imports. Further, expectation of higher soybean production this season will continue to weigh on the soy prices. The prices (Indore, Plant basis) are expected to feature range bound movement in the price band of 3600 – 3800 level.

**Outlook – Soy meal:** Persistent weak demand from poultry sector and poor overseas demand with expectation of higher stock during the season will continue pressuring the domestic soymeal. Soymeal prices are likely to witness range-bound movement with weak bias Indian meal exporters are advised to explore new markets aggressively and try to regain the lost markets especially traditional South and Far-East Asian destinations including Japan in the coming days. The domestic meal prices are likely to remain under supply pressure and feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of 28,000 – 29,000/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard is expected to feature range-bound movement with firm bias, on good crushing demand backed by good demand in rapeseed-mustard oil and improved exports in rapeseed-mustard oilcake. The seed arrivals are gradually falling week-on-week. The seed prices are likely to feature gains and witness the levels between 5,100 – 5,300/Qtl; levels during the week.

## International Highlights

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- ❖ In the weekly USDA crop progress report released on 03 August 2020; The US Soybean is blooming 85% up from 68% same period last year and 82% from 5 year average. Soybeans setting pods at 59% up from 32% same period last year and 54% from 5 year average. About 58% of the crop is under good condition, 15% at excellent condition and 22% at fair condition.
- ❖ US soybean export sales in July totaled 7.6 million tonnes, which is double the 10-year average for July and well above the exports of any previous July.
- ❖ USDA data showed US soybean export sales at 3.34 million tonnes of new-crop for the week ended July 23, combined with old-crop bookings (7.6 Mn T) the export remained strongest week for US soybean sales in last eight year. China accounted for 59% of those imports.
- ❖ Anec has pegged July soybean shipments at 8.4 million tonnes, well below 2018's record of 10.2 million tonnes. This would place shipments since February, when the new season harvest started arriving at ports touching the mark of 67.4 million tonnes, 23% higher than 2018's high for the period.
- ❖ Industry estimates suggest this year's Brazilian soybean export to reach around 80 million tonnes or even more, which means another 12 million tonnes would be exported over the next few months. Shipping lineup, in the last week of July, showed 5.3 million tonnes of soybeans scheduled to depart in August.
- ❖ Brazilian agriculture consultancy Datagro has pegged Brazil's 2020/21 soybean at 131.69 million tonnes up 6% from the last season.
- ❖ Brazil's 2020/21 soybean planted area is seen at 37.99 million hectares, up 2.5% from previous season, said Datagro.
- ❖ Rabobank has projected the Brazilian 2020/21 soybean crop at 127.3 million tonnes, up 5.3% from the previous season. The planted area under soybean is forecast to increase by 3% from 2019/20 to 38 million hectares.
- ❖ Agribusiness consultancy Celeres, in its first Brazilian soybean output projection for the 2020/21 season, starting September, has pegged it at 130.8 million tonnes, based on higher farmers' planting intention.

- ❖ Brazil's soybean planted area is expected to rise by 1.3 million hectares to 38.2 million hectares in the 2020/21 season. As per the estimates of Celeres, Brazil's produced 124.7 million tonnes of soybean, making the country world's largest producer.
- ❖ Consultancy StoneX has projected increase in Brazil's soybean planted area for 2020/21 to over 38 million hectares, from 37 million in 2019/20, backed by strong demand for the oilseed, the planting will kick off in mid-September.
- ❖ It is evident all eyes are on the Brazilian next soybean crop. Given the Brazil's 2020/21 soybean production figures by various agencies there will be a bumper all time high soybean production in the country which will once again prove to be competitive in the soybean market, in 2020/21 season.
- ❖ Argentina's 2019/20 soybean yield is estimated an average of 2.96 tonnes per hectare and the country's soybean production is pegged at 49.5 million tonnes, said the Buenos Aires Grains Exchange. The reduction is mainly due to the dry weather during the crop development phase.
- ❖ Rapeseed harvesting has commenced in European Union, which is expected to be a smaller crop than last year. Torrential autumn rain, pest and insect attack, mild winter and very dry spring remained adverse for the rapeseed crop.
- ❖ Rapeseed production in the EU plus Britain is seen around last year's outturn of 17 million tonnes which was smallest since 2006.
- ❖ Recent rains in Germany and Poland could boost the rapeseed yield. Poland's rapeseed crop could reach between 2.75 million and 2.8 million tonnes, up 3-4% on last year assuming average yields.
- ❖ Germany's main winter rapeseed crop will rise 13.7% from last year's poor harvest to 3.21 million tonne.

## IMD Monsoon Forecast and Current Rainfall Status

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In the IMD's Operational 2nd stage Long Range forecast Summary for the 2020:

- Rainfall over the country as a whole for the 2020 southwest monsoon season (June to September) is most likely to be NORMAL (96% to 104% of long period average (LPA)).
- Quantitatively, monsoon season rainfall for the country as a whole is likely to be 102% of the LPA with a model error of  $\pm 4\%$ .
- Region wise, the season rainfall is likely to be 107% of LPA over North-West India, 103% of LPA over Central India, 102% of LPA over South Peninsula and 96% of LPA over North-East India, all with a model error of  $\pm 8\%$ .
- The monthly rainfall over the country as whole is likely to be 103% of its LPA during July and 97% of LPA during August, both with a model error of  $\pm 9\%$ .
- Currently, ENSO Neutral conditions are prevailing over the equatorial Pacific and Neutral IOD conditions are prevailing over the Indian Ocean. Global models are indicating cool ENSO conditions are likely to prevail during the monsoon season with some possibility of development of weak La Niña conditions in the later part of the monsoon season.

## Sown Area – *Rabi* Oilseeds, India

In the progressive official Kharif oilseeds planting report dated 31st July 2020, by the Ministry of Agriculture, the total coverage area under Kharif oilseeds is reported at 175.34 lakh hectares, surge by 16.8% from 150.11 lakh ha in the corresponding period of last year. Of the major oilseeds, soybean sowing is reported up by 8.3% at 116.62 lha compared to 107.64 lha during the corresponding period of last year, groundnut at 45.45 lha vs 30.53 lha, sesamum 10.51 lha vs 9.65 lha, castor seed at 1.51 lha vs 1.09 lha and niger at 0.49 lha vs 0.47 lha, during the same period last year. We feel country's final area under oilseeds to be above normal by 08-10% this season.

Area in Lakh Hectares

<b>Crop</b>	<b>Normal Area (5 Year Avg.)</b>	<b>As on 31 Jul 2020</b>	<b>As on 31 Jul 2019</b>	<b>% Change</b>
Groundnut	42.43	45.45	30.53	<b>48.9</b>
Soybean	111.49	116.62	107.64	<b>8.3</b>
Sunflower	1.84	0.76	0.73	<b>4.1</b>
Sesamum	14.13	10.51	9.65	<b>8.9</b>
Niger	2.41	0.49	0.47	<b>4.3</b>
Castor	9.65	1.51	1.09	<b>38.5</b>
<b>Total Oilseeds</b>	<b>181.95</b>	<b>175.34</b>	<b>150.11</b>	<b>16.8</b>

Source: MoA, GOI

## Soybean

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Soybean fell in sync with soymeal on slow-down in soymeal export sales and increase in soyoil imports.

Further, DGFT has blocked the online registration of Merchandise Export from India Scheme Claims (MEIS), this will deny the soymeal exporters the benefit of 5% incentive which helped to compete in the world market to some extent.

SOPA has written to the government to revoke the suspension of the MEIS benefit immediately.

Country's area coverage under soybean crop has surpassed the normal area by 5% under soybean last week.

In the last progressive planting report by the Ministry of Agriculture dated July 31st, 2020, India's soybean sowing is reported up by 8.3% at 116.62 lha compared to 107.64 lha during the corresponding period of last year. Country's normal area under the soybean is estimated at 111.49 lha.

If the weather favours the crop, country will harvest bumper bean crop this season.

All the key soybean growing regions have received deficit monsoonal rainfall during 01 June 2020 to 03 August 2020.

IMD's subdivision rainfall data of 3 August 2020 reveals that the West Madhya Pradesh has received 377 mm of rainfall vs 424 mm (-11% departure), Vidarbha 445.4 mm vs 508.1 mm (-12% departure) and East Rajasthan received 210.6 mm rainfall vs 308.6 mm normal (-32% departure).

This shows none of the soybean growing region received normal rains and most of the standing soy crop is under flowering stage. The crop immediately needs rainfall to overcome the moisture stress.

Besides, the country is expected to start the new marketing year with soybean carry-in stocks of 1.3-1.5 million tonnes, up from 150,000 - 170,000 tonnes a year ago.

Need based buying in soybean continues across key soybean mandis like, Indore, Nagpur, Latur and Akola on poor crush margin.

The crush margin of the soy crushers are badly hurt and they are not eager to quote higher for the bean in a bid to keep the meal prices attractive for domestic as well as the foreign buyers and keep the exports prices competitive which are already struggling to match the South American soymeal prices.

Soybean plant delivery price fell in Indore cash market to Rs 3,600 - 3,800 a quintal from Rs 3,700 - 3,800 a quintal previous week, on subdued buying.

The supplies of bean further fell in various cash market yards of Madhya Pradesh to 3,45,000 bags during the week from 3,75,000 bags a week ago.

Government has set the MSP of soybean for kharif marketing season at Rs. 3880/Qtl vs Rs. 3710/Qtl last season. This will lend some support to the bean.



*The major buyers are as follows: Agrawal, Neemuch, Shanti Overseas, Living Food, Goyal Protein, Bansal-Bhopal, Vippy-Dewas, ABIS, Sneha, Ruchi Soya, Shalimar Katol, Vippy Dewas, Dhanuka Neemuch, Avi Agri Ujjain, M.S. Neemuch, RH Seoni, Prakash, Kriti Dewas, Mahakali, Prestige Dewas, Itarsi Oil, Sanwaria Itarsi, MS Solvex Neemuch, MS Soya Pachore, during the week.*

***The domestic soybean prices are likely to feature range-bound movement with weak bias on slack in soymeal demand, higher soybean oil imports and expectation of good crop this season.***

## **International:**

In the Jul'20 WASDE report by USDA, the US 2020/21 soybean area is projected up at 83.8 million acres compared to 76.1 million acres in 2019/20. US soybean yield for 2020/21 is projected at same at 49.8 bushels per acre vs 47.4 bushels per estimated in 2019/20 and the total US soybean production is pegged up at 4135 million bushels compared to 3557 million bushels (96.79 Mn T) estimated in 2019/20.

The above scenario suggests bearish global supply scenario in the new season.

Anec has also increased its Brazil's annual exports projection for 2020 to 78 million tonnes of soybeans, up from 73 million tonnes predicted in April.

Brazil's solvent extractors' group ABIOVE has raised the country's soybean export forecast at 79.5 million tonnes from 78 million from its previous forecast. It has also raised Brazil's 2020 soybean production estimate to 125 million tonnes compared to 124.5 million tonnes in previous forecast.

Traders expected soybean arrivals for China to top 9 million tonnes a month in May, June and July, which is well above normal levels. China's soybean imports are forecast at 92.48 million tonnes this year, rising to 96.62 million tonnes in 2025 and 99.52 million tonnes in 2029, by the agriculture ministry conference on the outlook for agriculture. China has so far booked over 90 million tonnes of soybeans this year.

China's domestic soybean production is seen at 18.81 million tonnes in 2020, up 3.9% from the previous year, according to forecasts of the agriculture ministry. The country's soybean crushing volumes were pegged at 85.98 million tonnes this year.

The strong Chinese buying will continue to lend support to the international soy prices during the season.

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

Brazil 2020 soybean export forecast has been revised to 76 million tonnes vs 74.07 million tonnes in previous forecast by INTL FCSTONE. China will be the largest buyers from Brazil.

Rosario Grains Exchange may have to reduce Argentine soybean crop estimates 50.5 million tonnes from its previous forecast of 51.5 million tonnes. This was after soybean crop was damaged by periods of dry, hot weather in March, when harvesting was just hitting the ground. Still the global supply will remain bearish thanks to higher production estimates for US and Brazil.

Strategie Grains has slashed its forecast for 2020/21 rapeseed production in European Union plus Britain to 16.54 million tonnes compared with 16.68 million tonnes estimated previous month. It has also raised its projection of EU rapeseed imports in 2020/21 to a record 6.2 million tonnes, but reduced the volume of expected crush in the bloc.

Ukraine's APK-Inform agriculture consultancy has raised its forecast for Ukraine's sunflower seed output in 2020 to 16.0 – 16.2 million tonnes from its previous forecast of 15.5 million tonnes.

Precipitation in the month of May is the reason cited for the increase. Ukraine's sunseed production was estimated at 15.45 million tonnes in 2019. India is the largest importer of sunflower oil from Ukrain.

*The international soybean prices are expected to feature range bound movement with weak bias on better US soybean crop prospect and South American supply scenario. However, strong Chinese buying will limit the downside.*

## Balance Sheet – Soybean, India

*Fig. in MnT*

Soybean (Fig in Mn T) MY- Oct.-Sep.			Q3	Q4	Q1	Q2
	2018-19 E	2019-20 F	Oct- Dec'19 F	Jan- Mar'20 F	Apr- Jun'20 F	July-Sep 20 F
Carry In	1.91	1.97	1.97	5.47	3.81	2.90
Production	12.59	8.74	8.74	0	0	0
Imports	0.00	0.10	0	0	0.05	0.05
Total Availability	14.50	10.82	10.72	5.47	3.86	2.95
Processing/Crushing	11.40	8.27	5.00	1.41	0.46	0.37
Exports & Direct Consumption	0.13	0.05	0.25	0.25	0.00	0.00
Seeding/Retained for Sowing	1.00	1.00	0	0	0.5	0.5
Total Usage	12.53	9.32	5.25	1.66	0.96	0.87
Carry Out	1.97	1.50	5.47	3.81	2.90	2.07
Monthly Use	1.04	0.78				
Stock/Consumption Ratio	0.16	0.16				
Stock to Month Use Ratio	1.89	1.93				

Source: Agriwatch

- **Trade Observations: Limited buying is featured in soybean at various cash markets, due to weak soymeal demand from poultry sector attributed to COVID-19 pandemic and ongoing lockdown. The solvent extractors and stockists are buying to cover their stock for future.**
- India's 2019-20 soybean production is projected at 8.75 million tonnes against 12.59 million last season.
- We expect India's 2019-20 soybean crush at 8.27 million tonnes vs 11.40 million in 2018-19.
- This translates into availability of 6.62 million tonnes of soy meal and 1.49 million tonnes of soy oil in 2019/20 MY.
- 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 2019/20 to keep continued overseas supplies.

## Soy meal

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The domestic soymeal fell in sync with soybean on sluggish domestic and overseas demand coupled with bearish soybean supply scenario.

The domestic soymeal demand continues to be weak mainly due to the weak demand in poultry attributed to the COVID-19 pandemic.

Further, India's soymeal export sales are weak after being outpriced in the global market by South America. India has gradually lost the traditional South East Asian markets to South America in recent years.

Soymeal exports to SE Asian countries are continued to remain weak and given the bumper South American soybean crop and expectation of good US bean crop and it is unlikely India's soymeal export prices could compete with them.

In a major blow to the domestic soymeal market, which was already reeling under pressure, DGFT has blocked the online registration of Merchandise Export from India Scheme Claims (MEIS), this week, on its portal from exports undertaken 01.04.2020 onwards.

This will result in further decline in soymeal exports from India, as MEIS benefit of 5% is a significant incentive to compete in the world market. SOPA has made a representation to the government to revoke the suspension of the MEIS benefit immediately.

The revenue department have argued against continuing the MEIS, calling it wasteful and inefficient.

Instead of extending the Merchandise Exports of India Scheme, which cost Rs 43,500 crore in 2019-20, the NITI Aayog and the Ministry of Finance have called for putting financial resources into new Production-Linked Incentive (PLI) schemes in select sectors with core competency and potential for global exports.

Contrary to this SOPA has urged the government to restore 10% incentive for soymeal exports to support soybean prices, a couple of weeks back. Besides, the SOPA members in a letter addressed to Ministry of Agriculture and Farmers Welfare have demanded exemption of GST on soybean and soymeal, the same time.

The domestic average soymeal prices at Indore, witnessed losses to Rs. 28,533/MT and was quoted between Rs 28,300 – 28,700/MT compared to the average of Rs 28,817/MT traded between the price range of Rs 28,500 – 29,000/MT previous week.

At Latur soymeal fell to Rs 31,500 – 32,000/MT from Rs 31,800 – 32,200/MT a week ago and in Nanded it was quoted low at Rs. 31,700 - 32,000/MT compared to Rs. 32,000 - 32,500/MT a week ago. Besides, in Kota, the meal witnessed some gains and was quoted at Rs 29,500 – 30,000/MT compared to Rs 29,300 – 29,800/MT previous week.

India's Y-o-Y soy meal prices, Indore, are currently lower. Soy meal Indore was quoted lower between Rs 28,300 – 28,700/MT during the week compared to Rs 30,000– 30,500/MT during the corresponding period last year.

*The soy meal prices (Indore) are likely to feature range-bound movement between Rs. 28,500 – 29,000/MT on slack in demand from poultry sector, in near to medium-term.*

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**Previous updates:**

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We feel the manufacturing of feed will be negatively impacted in Tamil Nadu, as the state has re-imposed lockdown amidst the COVID-19. There are several large feed manufacturers in Tamil Nadu.

India's oilmeal shipments fell 60% in April from a year earlier, as higher government-set oilseed MSP made the shipments uncompetitive.

India exported 102,001 tonnes of oilmeal in April 2020, said the Solvent Extractors' Association of India.

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

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

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

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

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

## Soy Meal Export (In Thd T)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Oct</b>	405	224	50	183	29	4	31	71	150	63
<b>Nov</b>	443	398	517	503	111	9	98	208	186	69
<b>Dec</b>	611	798	511	451	194	6	241	169	170	72
<b>Jan</b>	575	475	620	364	104	28	155	106	86	41
<b>Feb</b>	540	344	578	184	65	30	208	74	132	20
<b>Mar</b>	411	460	302	232	47	27	107	39	193	
<b>Apr</b>	305	314	100	76	18	12	124	68	41	26
<b>May</b>	177	143	98	8	14	10	49	41	53	47
<b>Jun</b>	118	181	214	3	2	18	46	104	62	
<b>Jul</b>	140	168	107	7	1	12	81	64	76	
<b>Aug</b>	166	10	184	3	1	11	88	60	95	
<b>Sep</b>	226	7	173	1	7	12	102	45	35	
<b>Total</b>	<b>4117</b>	<b>3522</b>	<b>3454</b>	<b>2015</b>	<b>593</b>	<b>179</b>	<b>1330</b>	<b>1049</b>	<b>464</b>	<b>318</b>

Source: SEA / SOPA

India's soy meal exports continues to be weak on attractive price offer from South America, South American soymeal prices are at discount over Indian origin meal. However, the exports in May'20 improved from April'20.

## Soybean Crush Margin

Avg Crush Margin – Jul 2020		Avg Crush Margin – Jun 2020		Avg Crush Margin – Jul 2019	
Avg		Avg		Avg	
Min	Max	Min	Max	Min	Max
-	-	-	-		

We'll soon update the information on the crush margin, it got disrupted due to the absence of data points on coronavirus pandemic.

### Technical Analysis:

#### **NCDEX Soybean Futures**



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



\*Daily Chart

#### **Support & Resistance NCDEX- Soybean Sep. Contract**

S1	S2	PCP	R1	R2
3600	3500	3832	4200	4300

- Soybean posted gains on buying support, during the month.
- Prices closed above 40-day EMA.
- MACD is rising in the negative territory.
- RSI and stochastic are heading upwards in the neutral zone.
- Trade Recommendation (NCDEX Soybean – Sep.) – 1 Month: **BUY** Above 3800 T1 – 3950; T2 - 4000; SL –3761.

## Rapeseed - Mustard Seed

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Strong sentiments witnessed in the rapeseed-mustard market on continued strong buying support in the seed by the millers.

The seed prices rallied and crossed the mark of Rs. 5000 a quintal, as expected, during the week under review.

Reduction in rapeseed oil imports and increase in rapeseed-mustard oilcake exports remained supportive for the crushers leading better crush margin to the millers.

India's reduction of rapeseed oil imports by 62% during Nov. 2019 – June 2020 from same period last season (17,000 vs 44167 tons) and good domestic demand lent support to the seed prices at higher levels a while back.

The rapeseed-mustard meal exports almost doubled in last couple of months lending support to the seed crushers.

Nafed's rapeseed-mustard procurement is nearing completion for the season, the federation had procured the seed in last couple of months from various key producing locations like Uttar Pradesh, Rajasthan, Gujarat, Haryana and Madhya Pradesh.

As on 01 Aug. 2020, the progressive purchase of rapeseed mustard by Nafed under PSS from these states stands at 8,03,853.33 metric tonnes with a total value of Rs. 3,55,705.10 Lakh and the total number of farmers benefiting from the scheme so far stands at 3,18,540.

Overall, the rapeseed-mustard sentiments are strong with good buying support and high MSP for the seed.

Crushing of rapeseed-mustard is in full swing and it is higher in volume than same period last year.

RM seed prices improved by 1.8% to Rs 4980 – 5125 a quintal from Rs 4930 – 4990 a quintal previous week in Jaipur.

The all India rapeseed-mustard supplies are falling week-on-week and they were reported between 1.25 – 1.40 lakh bags in a day compared to around 1.5 – 2.00 lakh bags a day, previous week. The supplies were 1.0 – 1.4 lakh bags a day during the corresponding period last year.

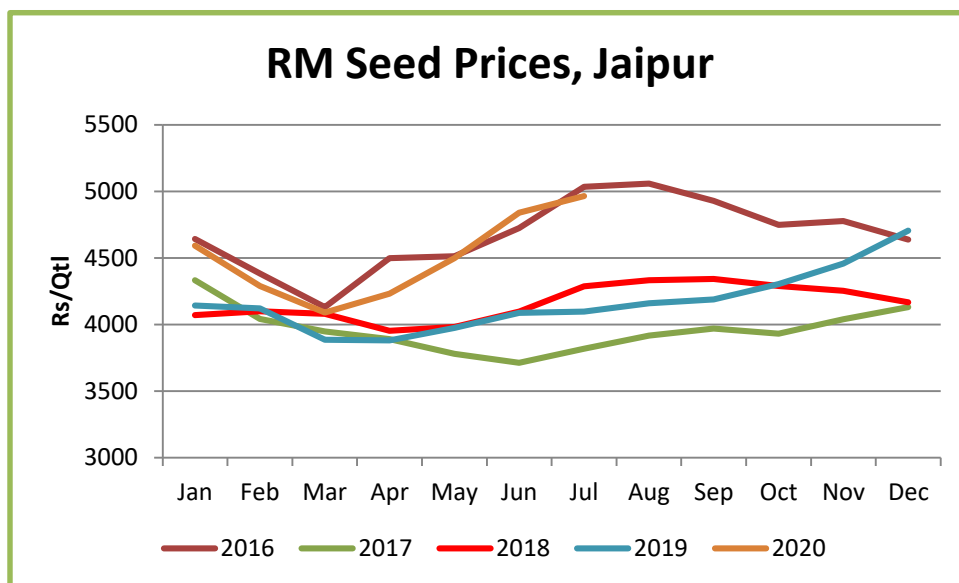


## RM Seed Supply, Pan India

RM Seed Arrivals Pan India in Bags (85 kg each).		
Monthly Arrivals– Jul	1 Month Ago	Corresponding Period Last Year
50,65,000	90,75,000	36,25,000

The new crop seed is quoted at around Rs 4980 – 5125 a quintal compared to Rs 4100 – 4120 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the August contract edged-up from previous week's level at 5,033/Qtl compared to 4,833/Qtl previous week.



## Previous Updates

The government has fixed the Minimum Support Price for rapeseed-mustard at Rs 4425/Qtl.

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

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

*Outlook: The rapeseed-mustard is expected to stay strong and feature range-bound movement as the stockists and the solvent extractors have almost covered their stocks, in the cash market. Good rapeseed-mustard oil demand and improved overseas demand in rapeseed extract will continue to lend support to the seed prices are higher levels.*

## Balance Sheet – Rapeseed-Mustard Seed, India

(Fig in MnT)

Rapeseed-Mustard (Fig in Mn T) MY-Feb.-Jan.	2019-20	2020-21	Feb-Apr	May-Jul	Aug-Oct	Nov-Jan
Carry In	0.23	0.33	0.33	3.93	2.13	1.23
Production	7.90	7.21	7.21	0.00	0.00	0.00
Imports	0.00	0.00	0.00	0.00	0.00	0.00
Total Availability	8.13	7.53	7.53	3.93	2.13	1.23
Processing/Crushing	7.50	7.10	3.55	1.75	0.80	0.80
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	7.80	7.40	3.60	1.80	0.90	0.90
Carry Out/Ending Stock	0.33	0.13	3.93	2.13	1.23	0.33
Monthly Use	0.65	0.62				
Stock/Consumption Ratio	0.04	0.02				
Stock to Month Use Ratio	0.50	0.21				

(Source: AgriWatch)

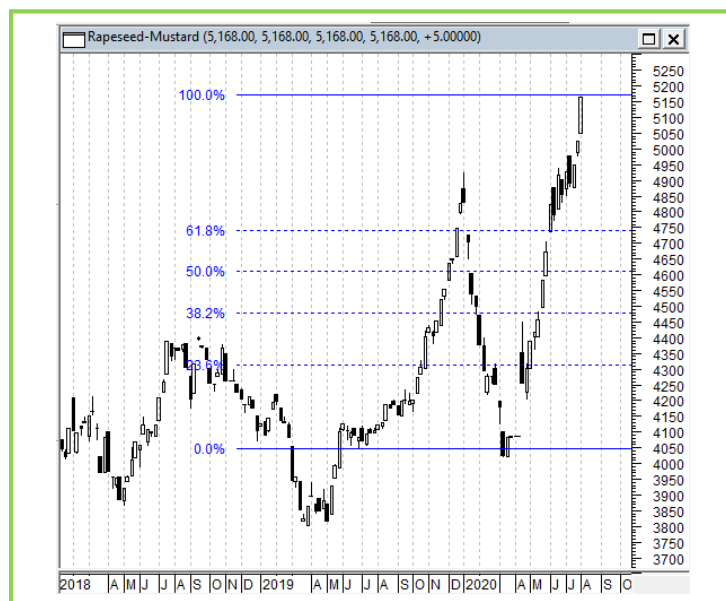
- We have pegged India's 2020/21 Rapeseed-mustard outturn at 7.2 million tonnes, lower by than 9% compared to the 2019/20 production at 7.9 million tonnes.
- India's production is above 5 year average of around 6.7 million tonnes.
- **Trade Observations: India is an import dependent country in edible oils, hence the oilseeds produced almost gets crushed fully, prices to remain steady to slightly strong in 2020/21 season due to expected good demand in the seed.**
- India's rapeseed-mustard prices are up at cash market in 2020/21 season and they are 36-month high in benchmark Jaipur.

### Technical Analysis:

#### NCDEX RM Seed Futures



#### RM Seed Spot, Jaipur



\*Daily Chart

#### Support & Resistance NCDEX - RM Seed Sep Contract

S1	S2	PCP	R1	R2
4900	4800	5118	5300	5400

- Rapeseed-mustard rallied on buying support in the market.
- Prices closed above 40-day EMA.
- MACD is rising in positive territory.
- RSI and stochastic are rising in overbought zone.
- Trade Recommendation (NCDEX RM Seed – Sep) – 1 Month: **BUY** Above 5100. T1 – 5300; T2 - 5350; SL – 4980.

## Groundnut

Jigsaw movement witnessed in the groundnut seed cash market in recent weeks. The seed prices fell on expectation of higher seed production this kharif. However, the groundnut seed fundamentals are strong on higher seed and oil exports in the recent months.

Gujarat the largest groundnut exporter has seen a jump of 57% in its groundnut exports in fiscal 2020. The state's groundnut exports surged to 4.7 lakh MT in fiscal 2020 from 3 lakh MT same period last year, which is at 3-year high, as per figures released by APEDA.

Besides, of the total India's edible oil exports of 80,765 tonnes, in June 2020, groundnut oil shipments more than doubled to 38,225 tonnes in 2019-20 (33,505 tonnes to China), from 15,532 tonnes previous year.

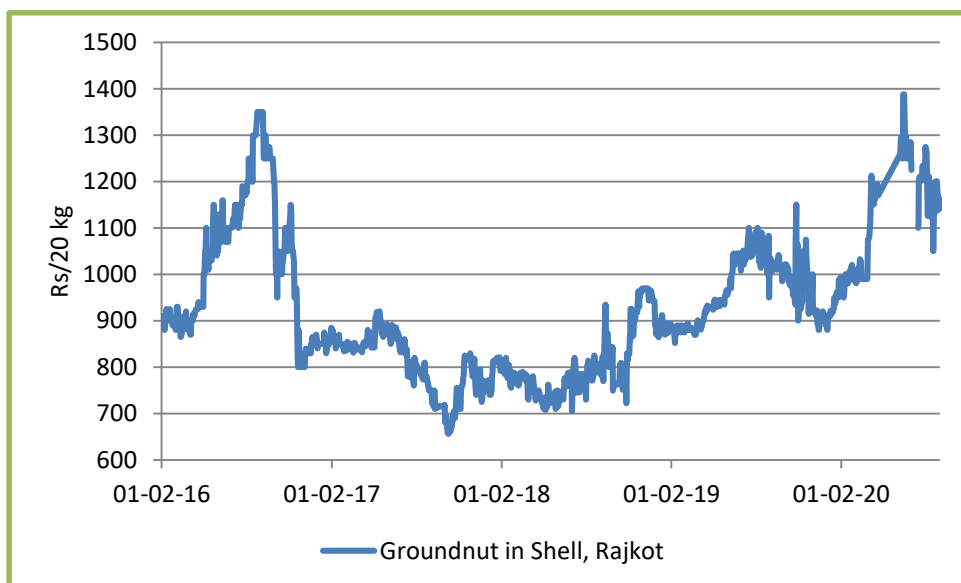
All India groundnut sowing has crossed the normal area of around 42.43 lha by 7% to 45.45 lha.

Of the total sown area 4.39 lha is Andhra Pradesh's share.

Overall, the crop is in good health and no threat to the developing groundnut crop in AP is foreseen.

NAFED continues to dispose groundnut in Gujarat and have sold around 1.3 lakh tonnes after rabi procurement in the state.

The groundnut prices are gradually easing with slow-down in the seed crushing, but they are still above the MSP of Rs 5090 a quintal.



We expect steady crushing in the seed, despite lean season backed by good overseas groundnut oil demand.

Groundnut							
Center	Variety	% Change over	% Change over	As on	Month Ago	Year Ago	2 Year Ago
		Previous year	Previous month	31-Jul-20	30-Jun-20	31-Jul-19	31-Jul-18
Rajkot	GN in Shell (Rs/20kg)	22.4	-0.5	1163	1221	950	790
Shaurashtra	GN Seed Kernel (Rs/MT)	-	-	-	-	-	-

(Source: AW)

## Annexure

### Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	31-Jul-20		30-Jun-20		
	Low	High	Low	High	
Indore –Plant	3700	3750	3550	3700	50
Indore–Mandi	3450	3600	3450	3600	Unch
Nagpur-Plant	3800	3870	3770	3810	60
Nagpur – Mandi	3200	3670	3250	3680	-10
Latur – Mandi	Closed	Closed	3200	3735	-
Akola – Mandi	3325	3615	3200	3675	-60
Kota-Plant	3700	3800	3850	3950	-150
Kota – Mandi	3680	3770	3800	3900	-130
Bundi-Plant	3625	3725	3750	3870	-145
Bundi-Mandi	3525	3575	3750	3770	-195
Baran-Plant	3570	3670	3750	3850	-180
Baran-Mandi	3540	3640	3700	3800	-160
Bhawani Mandi Jhalawar–Plant	3550	3750	3780	4000	-250
Jhalwar-Mandi	3550	3600	3730	3780	-180
Rapeseed/Mustard					
Jaipur-(Condition)	5145	5150	4845	4850	300
Alwar-(Condition)	4750	4800	4420	4470	330
Sri Ganganagar-(Non-Condition)	4400	4500	4250	4350	150
New Delhi–(Condition)	4870	4880	4620	4630	250
Kota-(Condition)	4760	4860	4375	4475	385
Agra-(Condition)	5048	5238	4571	4762	476
Neewai-(Condition)	4775	4875	4440	4540	335
Hapur (UP)-(Condition)	5100	5150	4725	4775	375
Groundnut Seed					
Rajkot	950	950	990	990	-40
Sunflower Seed					

Gulbarga	0	0	0	0	Unch
Latur	Closed	Closed	3000	3500	-
Sholapur	0	0	0	0	Unch

Soybean Prices are in INR/qtl. (1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR/qt (1 bag=85 kg) C – Condition (42%), \*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/qtl.

**Oilseed Arrivals in Key Centers:**

Commodity / Centre	Arrivals in Bags/Qtl		Change
<b>Soybean</b>	<b>31-Jul-20</b>	<b>30-Jun-20</b>	
Madhya Pradesh	50000	125000	-75000
Maharashtra	40000	50000	-10000
Rajasthan	20000	28000	-8000
Bundi (Raj)	4	45	-41
Baran (Raj)	2000	1200	800
Jhalawar (Raj)	1500	2000	-500
<b>Rapeseed/Mustard</b>			
Rajasthan	75000	180000	-105000
Alwar	1000	2000	-1000
Sri Ganganagar	1000	2000	-1000
Kota	400	500	-100
<b>Groundnut Seed</b>			
Rajkot (Gujarat)	90	450	-360
<b>Sunflower Seed</b>			
Sholapur (Maharashtra)	0	0	Unch

**Other Oilseed Prices at Mumbai (INR/100 Kg):**

Oilseeds	31-Jul-20	30-Jun-20	Change
Groundnut Kernel	6400	6850	-450
Gr. Bolds 60/70	0	0	Unch
Gr. Javas 60/70	0	0	Unch
Gr Javas 70/80	0	0	Unch
Gr.Javas 80/90	0	0	Unch

KardiSeed 2% Exp Qly	4050	4100	<b>-50</b>
Sesame White 98/2/1 FM	8700	9000	<b>-300</b>
Whitish 95/5/FFA/1FM	8500	8800	<b>-300</b>
Brown 48/2 FFA/4 FM	8300	8400	<b>-100</b>
Brown 48/3 FFA/4 FM	7900	8200	<b>-300</b>
Brown 48/4 FM/* No FFA Guarantee	7500	7800	<b>-300</b>
Sunflower Seed	4100	4100	<b>Unch</b>
Niger Seed (4% FM)	6900	6800	<b>100</b>

## MSP of Kharif Oilseeds for Marketing Season 2020-21 - GOI

Sl. No	Crops	MSP for Kharif 2020-21	MSP for Kharif 2019-20	Increase in MSP (Absolute)
1	Groundnut	5275	5090	185
2	Sunflower seed	5885	5650	235
3	Soybean (yellow)	3880	3710	170
4	Sesamum	6855	6485	370
5	Nigerseed	6695	5940	755

The Cabinet Committee on Economic Affairs (CCEA) chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved the increase in the Minimum Support Prices (MSPs) for all mandated Kharif crops for marketing season 2020-21.

Government has increased the MSP of Kharif crops for marketing season 2020-21, to ensure remunerative prices to the growers for their produce.

Among the Kharif oilseeds the MSP for groundnut has been increased to Rs. 5275 per quintal for marketing season 2020-21 from Rs.5090 per quintal in 2019-20 an increase of Rs.18 a quintal.

The MSP of sunflower to Rs. 5885 a quintal from earlier Rs. 5650 per quintal an increase of Rs 235 per quintal, Soybean-yellow to Rs. 3880 a quintal to Rs. 3710 per quintal last season, an increase of Rs. 170 a quintal, Sesamum to Rs. 6855 a quintal from 6485 earlier, an increase of Rs. 370 a quintal and the MSP of Nigerseed have been increased to Rs. 6695 a quintal from Rs. 5940 a quintal earlier, increase of Rs 755 per quintal.

Among all the Kharif crops, the highest increase in MSP is proposed for Nigerseed (Rs 755 per quintal) followed by Sesamum (Rs 370 per quintal), Urad (Rs 300 per quintal) and Cotton (long staple) (Rs 275 per quintal). The differential remuneration is aimed at encouraging crop diversification.

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

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

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

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

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

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

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

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