

Oilseeds Weekly Research Report

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Executive Summary

Soybean and meal posted gains supported by higher international soybean, CBOT, primarily on weakness in US dollar and strength in crude. However, rapeseed-mustard continued downtrend on supply pressure during the week under review.

The rapeseed-harvesting is underway, though it is nearing completion in most of the key growing belts. Rains and hailstorm in recent days slightly damaged the standing crop but the losses were nominal.

Higher soybean supply scenario from South America with increasing harvesting pace in Brazil, lower soy meal exports from India, higher edible oil stocks with India after huge imports will keep the limit any sharp gains in bean and meal, in near-term. Besides, rapeseed-mustard will remain under supply pressure in near-term.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean prices are expected to feature range-bound movement, sharp gains are ruled out. Bumper South American soybean supply prospects, weakness in crude, higher edible oil inventories in India, weak soy meal exports from India will continue to pressure the market in near-term. The prices are expected to feature range-bound movement and witness 3700 – 3800 levels (Indore, Plant basis).

Outlook – Soy meal: Continued weak soy meal shipments from India followed by competitive soy meal price in South America and demand shift to the region will keep the soy meal prices under pressure. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations and Iran. The domestic meal prices are likely to feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of Rs. 33,500 – 34,000/MT levels during the week.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): In spot, the RM seed harvesting is progressive and the seed supplies are rising week-on-week which will continue to pressure the seed prices. Further, weakness in Malaysian palm oil prices will remain negative for the seed. The new seed prices are likely to be between 4000 - 4100; levels during the week.

International Highlights

- ❖ In the USDA's monthly demand and supply report released on 9 March, the global oilseed production for 2015/16 is projected at 526.9 million tons, down slightly from last month. Global soybean production is projected at 320.2 million tons, down slightly from last month.
- ❖ World supplies of soybeans are likely to increase sharply by 19 Mn T in 2015/16, despite a global prospective production decline by 3 Mn T, leading to another above-average increase in soybean crushings, reports Oil World.
- ❖ Rosario Grains Exchange has raised its forecast for Argentina's 2015/16 soybean production to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.
- ❖ AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains received by the country in recent days.
- ❖ The Global Feed Survey 2016 by Alltech has reported that the global feed (bird and animal) production increased by 1.5% in 2015 on faster growth in poultry. The survey estimates feed production at 995.5 million tonnes which indicates 14% rise since Alltech's previous survey in 2011. The analysis of five-year trends pointed to growth predominantly from the pig, poultry and aqua feed sectors in the Africa, Middle East, Latin American and Europe.
- ❖ Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month.
- ❖ However, it has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.
- ❖ According to cereal exporters association of Brazil-ANEC, Brazil is estimated to export 57 MMT of soybean in 2016. Most of the shipments will be from new northern ports, exporting 4.00 MMT higher than last year.
- ❖ Informa Economics, private analytics, has slashed the US 2016 soybean plantings to 84.537 million acres, from 85.3 million projected in its previous forecast. US cultivators planted 83.2 million acres of soybeans in 2015, according to USDA.

- ❖ China's crushing industry is expected to grow by 10% in 2016 to a capacity of 179 million tonnes. The capacity increased by 4% to 162 million tonnes in 2015.
- ❖ China imported around 78.36 million tonnes of soybean previous season, i.e. between October and September; it is expected to import 82 – 84 million tonnes this season. The projected growth of 2.1 percent is the lowest since 2011/12 as the country's overall economy is slowing.
- ❖ FCStone increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.
- ❖ AGR Brasil has slightly raised its 2015/16 soybean forecast of Brazil to 100.6 million tonnes from 100.5 million.
- ❖ Lanworth, US crop forecaster has projected Brazil's 2015/16 soybean production to a record 103.0 million tonnes just after Conab, the Brazil government's crop supply agency, reduced its projections citing dry weather in top soy growing belts in November and December.
- ❖ Conab, the Brazil government's crop supply agency, has slashed Brazil's 2015/16 soybean production forecast to 102.1 million tonnes from 102.5 million projected in December.
- ❖ Franca Junior has lowered its forecast for Brazil's 2015/16 soybean crop to 97.9 million tonnes from 101.1 million in its previous estimate.
- ❖ Brazil is expected to export 55 million tonnes of soybean in 2015/16 higher compared to 53.8 million tonnes forecasted in October by Abiove.
- ❖ Celeres has raised their 2015/16 projections for Brazil's production to 101.9 million tonnes from 97.1 million tonnes earlier.
- ❖ EU soybean purchases are seen increasing to 14.6 Mn T this season and crushings may improve by 1.0 Mn T to a multi-year high of 15.0 Mn T.
- ❖ Indonesia's palm oil output in 2016 will be at 33 MMT, 5.00 lakh tons lesser than previously estimated 33.5 MMT due to El Nino. Current year output forecast is at 31.5 MMT, Indonesian Palm Oil Board.
- ❖ Indonesia's 2016 palm oil production has been estimated at 31-31.5 MMT v/s 32.5 MMT in 2015 down due to El Nino, Palm Oil Association.

Soybean

Soybean edged-up tracking gains in the international benchmark, CBOT, which hit 3-1/2 month high during the week under review.

The trade in soybean got weaker with the commencement of newly harvested wheat supplies in the state of Madhya Pradesh and Rajasthan. However, the new crop wheat supplies haven't started in Maharashtra.

The traders at the cash markets actively switch to the wheat trade from soybean with the start in wheat harvesting as the volume in trade surges with buyers covering their stock.

Need based buying from local solvent extractors is featured to meet the domestic meal and oil demand and given the bearish fundamentals, we feel there will be no aggressive buying during the whole season due to poor soy meal exports and cheaper edible imports leading to disparity on crushing the beans followed by lower bean production.

Expected record soybean production in South America has made their soy product prices competitive in the market affecting India's meal exports.

The benchmark, Indore, soybean was trading in a narrow band of Rs 36,50 – 38,00 per quintal during the week under review.

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

The domestic soybean prices are likely to feature range bound movement on weak soy meal exports, increased edible oil imports at attractive prices, lower crude and bearish global supply scenario in upcoming weeks.

International:

The international soybean at benchmark, CBOT, extended gains and hit 3-1/2 month high during the week under review.

The international soybean rose on weak US dollar which will possibly boost the export demand and rally in crude during the period under review.

The National Oilseed Processors Association (NOPA) has released its monthly soybean crushings and processing figure and reported that US processors have crushed 146,181 thousand bushels in February 2016, down 3% from 150,453 thousand bushels in January 2015 and from 146,970 thousand bushels in February 2015.

Agroconsult has projected Brazil's 2016/17 area under soybean higher by 600,000 hectares. The consultant has projected Brazil's 2015/16 soybean production at 101.7 million tonnes in its final estimate.

Conab, the Brazil government's crop supply agency, has raised its Brazil's 2015/16 soybean crop to a record 101.18 million tonnes, which is up from 100.93 million tonnes from its previous estimate in February followed by increase in planted area and yields.

FCStone has increased Brazil's 2015/16 soybean production forecast to 98.6 million tonnes from 98 million tonnes in its previous estimates.

Again, Informa has raised its forecast for Brazil's 2015/16 soybean production in its monthly report to 101.3 million tonnes from 100.5 million tonnes last month.

However, it has lowered Argentina's 2015/16 soybean production forecast to 59.0 million tonnes from 60.0 million tonnes in February.

Brazil's Congress has passed a bill that will increase the country's biodiesel blend from its current 7% to 10% over the next three years.

Abiove have projected Brazil's 2015/16 soybean production at a record 99.7 million tonnes, which is up 1% from previous month's forecast of 98.5 million tonnes.

Abiove expects Brazil to export about 55.3 million tonnes of soybean during the season which is up from 54.5 million tonnes estimated in February.

AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains received by the country in recent days.

Rosario Grains Exchange has Argentina's 2015/16 soybean production forecast to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.

CRF reported that the Argentina's soybean production is nearing last year's record of around 61 million tonnes. It also projected Paraguay 2015/16 soybean production at record 9.7 million tonnes which is above USDA's estimate of 8.8 million tonnes.

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

China is forecast to import 83 million tonnes of soybean in 2015/16 up 6% from 78.35 million tonnes previous season, compared to USDA's forecast of Chinese import of 80 million tonnes. This is due to the higher demand for animal feed.

China's soybean imports increased by 5.9% to 4.51 million tonnes due to Chinese Lunar New Year in February compared to the corresponding period last year. The figures are above expectations of 4 million tonnes.

However, China's soy imports fell by 20.3% in February from 5.66 million compared to January 2016, reported in the countries custom data.

China's edible oil imports were reported at 400,000 tonnes in February up 14.8% compared to the corresponding period last year but lower by 32.6% compared to January.

Oil World has said, that the global stocks of soybeans are seen increasing by 3 Mn T to a new high of around 90 Mn T this season, approximately 28.5% of annual consumption.

South American soybean harvest, lower crude, higher inventories of edible oils at Indian ports, poor soy meal shipments from India will continue to keep the soybean prices under pressure in near-term.

Soy meal

Soy meal posted gains in tandem with soybean in line with higher international soy meal market during the period under review.

Besides, steady domestic demand from poultry farmers and feed manufacturers remained supportive for the meal.

But isolated incidents of bird flu in India have led to a ban on imports of Indian poultry products into Kuwait, and if the other Middle East countries follow the same India's poultry export will suffer on wider scale, subsequently negatively affecting the domestic soy meal demand.

However, the soy meal exports from India continued to be sluggish on uncompetitive prices compared to the South American meal prices.

India's oilmeal shipments plunged 74% from the same period last year to 53,866 tonnes in February owing to non-competitiveness of India's soy meal prices compared to South American meal prices.

However, the overseas demand improved by 5.2% in February from January month, said SEA.

At Sangli, Maharashtra, soy meal was quoted at Rs 35,400/MT compared to Rs 34,000/MT in Indore, M P. and Rs 33,500/MT in Kota, Rajasthan in the weekend. The meal prices of the various centers of Maharashtra were at premium compared to the centers of Madhya Pradesh. This is due to the freight advantage for the South-Indian poultry units from Maharashtra over Madhya Pradesh.

India's shipment of soy meal during February, 2016 was just 1127 tons compared to 64,515 tons in February, 2015 showing a decrease of 98% over the same period of last year.

On a financial year basis, the export during April'2015 to February'2016 is 70,392 tons compared to 5,99,818 tons in the corresponding period of previous year showing a decrease of 88.26%.

During current Oil year, (October – September), total exports during October 2015 to February, 2016 is 27,647 tons as against 5,02,958 tons last year, showing a decrease by 94.50%.

Kuwait, New Zealand, Tanzania and Thailand were the buyers of Indian soy meal in February.

Lower exports are mainly due to demand shift to South America. This is mainly due to the attractive offer price compared to India.

Oil world expects world production of soy meal to rise by about 6% to a record 163.8 Mn T in Jan/Sept 2016, allowing exports to improve by 3.2 Mn T or 7% under the lead of Argentina.

Soy meal prices at the international market are weakening relative to soy oil on improving South American production and export supplies.

India may not be able to regain the market it lost last season due to competitive prices in South American and China's coupled with bearish factors.

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

India's Y-o-Y soy meal prices, Indore, are higher. Soy meal export price, Indore was quoted higher between Rs 32,500 – 34,000/MT during the week compared to Rs 28,500 – 29,000/MT during the corresponding period last year.

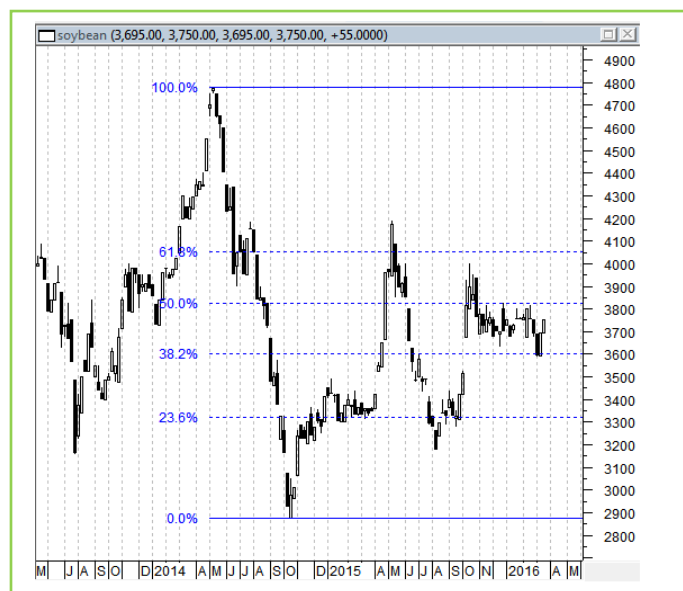
The soy meal prices will feature range-bound movement with firm bias on domestic demand but the gains will be limited due to the weak exports from India and bearish global supply scenario in near –term.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Apr. contract

S1	S2	PCP	R1	R2
3600	3550	3772	3857	3934

- Soybean featured mild gains, during the week.
- Prices closed below 18-day EMA.
- RSI and stochastic are rising in neutral region.
- MACD is rising in the negative territory.
- The prices are expected to feature losses in the coming week.
- Trade Recommendation (NCDEX Soybean – Apr.) Week: **SELL** Below 3850. Levels: T1 – 3750; T2- 3700, SL - 3810.

Rapeseed - Mustard Seed

Rapeseed-mustard extended previous losses on supply pressure during the week under review. As expected the supplies continued to increase week-on-week pressuring the market.

The current all India arrivals have surpassed previous year's season high of 5.8 lakh bags tested in the second half of April.

The recent average total of all India daily seed arrivals is reported around 6.1 – 6.3 lakh bags compared to around 3.1 – 3.4 lakh bags during the corresponding period last month and 1.25 – 1.35 lakh bags during the corresponding period previous year.

We are of the opinion that the supplies are near its peak.

There is just negligible crop (rapeseed-mustard) damage due to the recent rains and hailstorm in some parts of key seed growing belts.

Agriwatch has forecasted India's 2015/16 rapeseed-mustard production between 5.5 – 6.0 million tonnes.

BMD CPO (Malaysian palm oil) and edible oil imports determine domestic rapeseed-mustard prices.

India's import of edible oils in February rose by 29 percent y-o-y to 10.94 LT from 8.47 LT in February 2015. However, imports of edible oil in February were down 14.7 percent from January 2015 m-o-m.

Palm oil imports were 6.10 LT (5.09 LT), higher by 19.8 percent y-o-y. Soy oil imports were 3.80 LT (2.42 LT), higher by 57 percent y-o-y. Sunflower oil imports were 0.87 LT (0.63 LT), higher by 38 percent y-o-y. Rapeseed (canola) oil imports were 0.17 LT (0.32 LT), lower by 88 percent y-o-y. Values in brackets are figures of February 2015, reported by SEA.

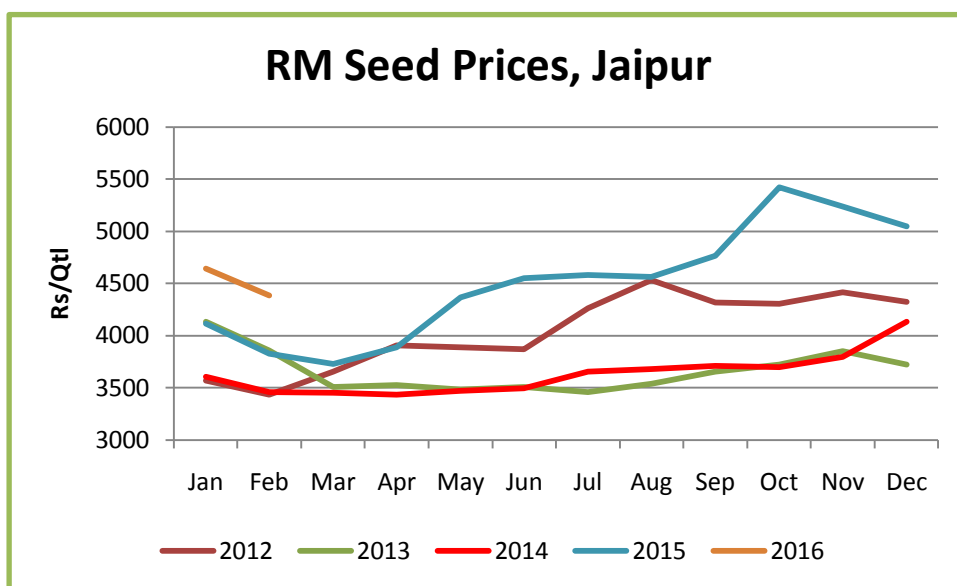
India's edible oils stocks at ports and pipelines dropped to 23.6 LT in February from 24.55 LT in January 2016, lower by 4 percent m-o-m. Stocks at ports on 1st March 2016 were 9.10 LT (CPO 3.30 LT tons, RBD palmolein 1.70 LT, Degummed Soybean Oil 3.20 LT, Crude Sunflower Oil 0.7 LT and 0.20 LT tons of Rapeseed (Canola) Oil) and 14.5 LT tons in pipelines.

Stock of at ports and pipelines were 43 days of India's monthly edible oil use. India typically uses 16.5 LT of edible oil in a month. As on 1st March, 2016 the total stock at ports and pipelines is higher by 3.5 LT tons compared to 1st March, 2015.

India's imports of edible oil in the first four months of oil year 2015-16 (November 2015 to February 2016) were 50.90 LT v/s 42.03 tons in the corresponding period last oil year, higher by 21.1 percent.

According to Malaysia Palm Oil Board (MPOB), Malaysia's February palm oil ending stocks fell by 6.05 percent to 2.17 MMT from 2.30 MMT in January. Production fell by 7.7 percent to 1.04 MMT in February from 1.13 MMT in January. Exports fell by 15.15 percent to 1.09 MMT in January from 1.28 MMT in February. Imports of palm oil rose by 84.44 percent to 0.07 MMT in January from 0.04 MMT in February.

Malaysia's March 1-15 palm oil exports fell by 1.1 percent to 415,686 tons from 420,152 tons in the corresponding period last month. Top buyers were India at 68,950 tons (65,500 tons), European Union at 64,303 tons (136,466 tons), China at 46,680 tons (32,055 tons), and United states at 30,550 tons (74,028 tons). Values in brackets are figures of corresponding period last month, said the cargo surveyor Societe Generale de Surveillance (SGS).



Slight fall could be due to the imposition export duty after a long period of 11 months.

Malaysia hiked export duty on CPO to 5 percent from April after zero export duty for last 11 months. Refiners in Malaysia will benefit from export duty and will enable CPO to be processed domestically rather than exporting it.

Malaysian CPO is still competitive despite export duty as Indonesia charges US \$ 50 export levy on CPO. Tax will be calculated at a reference price of 2,500.34 ringgit (\$607.17) per ton. A price above 2,250 ringgit is taxed starting from 4.5 percent to a maximum of 8.5 percent.

Global palm oil production will fall by almost 3.00 million tons in year to September 2016. Indonesia's palm oil output estimate is cut by 1.2 million tons. Malaysia's palm oil production estimate is cut by 1.5 million tons to 18.4 million tons. Consumers will get relief from July 2016. Palm oil stock buildup will possibly start from September 2016.

Outlook: The rapeseed-mustard will continue to get supply pressure on newly harvested seed for some more days, weakness in soybean and higher edible oil stocks at Indian ports after huge imports.

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
3787	3700	3880	4089	4190

- RM seed fell on selling pressure, during the week.
- Prices closed below 18-day EMA.
- RSI and stochastic are falling in neutral zone.
- MACD is falling in negative territory.
- The prices are expected to feature losses during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Apr.) Week: **SELL** Below 4000. Levels: Target – 3900; T2- 3850, SL - 4060.

Annexure

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	18-Mar-16		11-Mar-16		
	Low	High	Low	High	
Indore –Plant	3700	3800	3650	3725	75
Indore–Mandi	3550	3750	3500	3700	50
Nagpur-Plant	3600	3700	3550	3720	-20
Nagpur – Mandi	3400	3500	3200	3500	Unch
Latur – Mandi	3650	3961	3330	3872	89
Kota-Plant	3550	3675	3675	3700	-25
Kota – Mandi	3200	3650	3400	3680	-30
Bundi-Plant	3625	3675	3625	3650	25
Bundi-Mandi	3500	3600	3600	3625	-25
Baran-Plant	3450	3650	3525	3725	-75
Baran-Mandi	3500	3550	3300	3600	-50
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3620	3700	3650	3720	-20
Jhalwar-Mandi	3500	3550	3550	3670	-120
Rapeseed/Mustard					
Jaipur-(Condition)	4050	4055	4180	4185	-130
Alwar-(Condition)	3700	3750	3850	3950	-200
SriGanganagar-(Non-Condition-Unpaid)	3450	3550	3650	3920	-370
New Delhi–(Condition)(New Crop)	3825	3850	3900	3950	-100
Kota-Non-(Condition)	3300	3500	3500	3750	-250
Agra-(Condition)	4075	4100	4200	4225	-125
Neewai	3650	3700	3800	3850	-150
Hapur (UP)(New Crop)	3700	3775	3825	3900	-125
Groundnut Seed					
Rajkot	925	925	910	910	15
Sunflower Seed					
Gulbarga	3380	3600	3350	3645	-45
Latur	3100	3691	2853	3662	29
Sholapur(New Crop)	3700	3750	3750	3800	-50
Sesame Seed					
Mumbai (White98/2/1	5950	5950	5750	5750	200

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 Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Change
		12th Mar to 18th Mar 2016	5th Mar to 11th Mar 2016	
Soybean				
	Madhya Pradesh	142000	139000	3000
	Maharashtra	188000	201000	-13000
	Rajasthan	115000	78000	37000
	Bundi (Raj)	700	950	-250
	Baran (Raj)	5800	5500	300
	Jhalawar (Raj)	6800	4800	2000
Rapeseed/Mustard	Rajasthan	1795000	1265000	530000

MSP of 2015/16 Kharif Oilseeds Increased

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

The MSP of soybean is raised by Rs. 40/qtl from previous season to Rs 2600/qtl, Groundnut by Rs 30/qtl to Rs 4030/qtl, sunflower and Niger seed by Rs 50/qtl to Rs 3800/qtl and Rs 3650/qtl respectively. The MSP of sesamum is increased by Rs 100/qtl to Rs 4700/qtl.

Rabi MSP 2014-15

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

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