

Oilseeds & Meal Weekly Research Report

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Executive Summary

Soybean, meal and rapeseed-mustard extended gains on supportive international market and domestic buying in the cash market during the week under review.

Strength in soy oil and palm oil in the international oils and fats markets lent spillover support to the domestic oils and fats market. Soybean fell at CBOT but once again rebound towards the end of the week.

Harvesting of the seed is under progress in Sri Ganganagar.

Higher soybean supply scenario from South America, lower soy meal exports from India, higher edible oil stocks with India after huge imports will limit the gains in bean and meal, in near-term. Besides, rapeseed-mustard is expected to gains on falling supplies from its peak in near-term.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean prices are expected to feature range-bound movement, with firm bias on short-term bullish global factors. However, bumper South American soybean supply prospects, weakness in crude , higher edible oil inventories in India, weak soy meal exports from India will limit the gains in near-term. The prices are expected to feature range-bound movement and witness 4000 – 4200 levels (Indore, Plant basis).

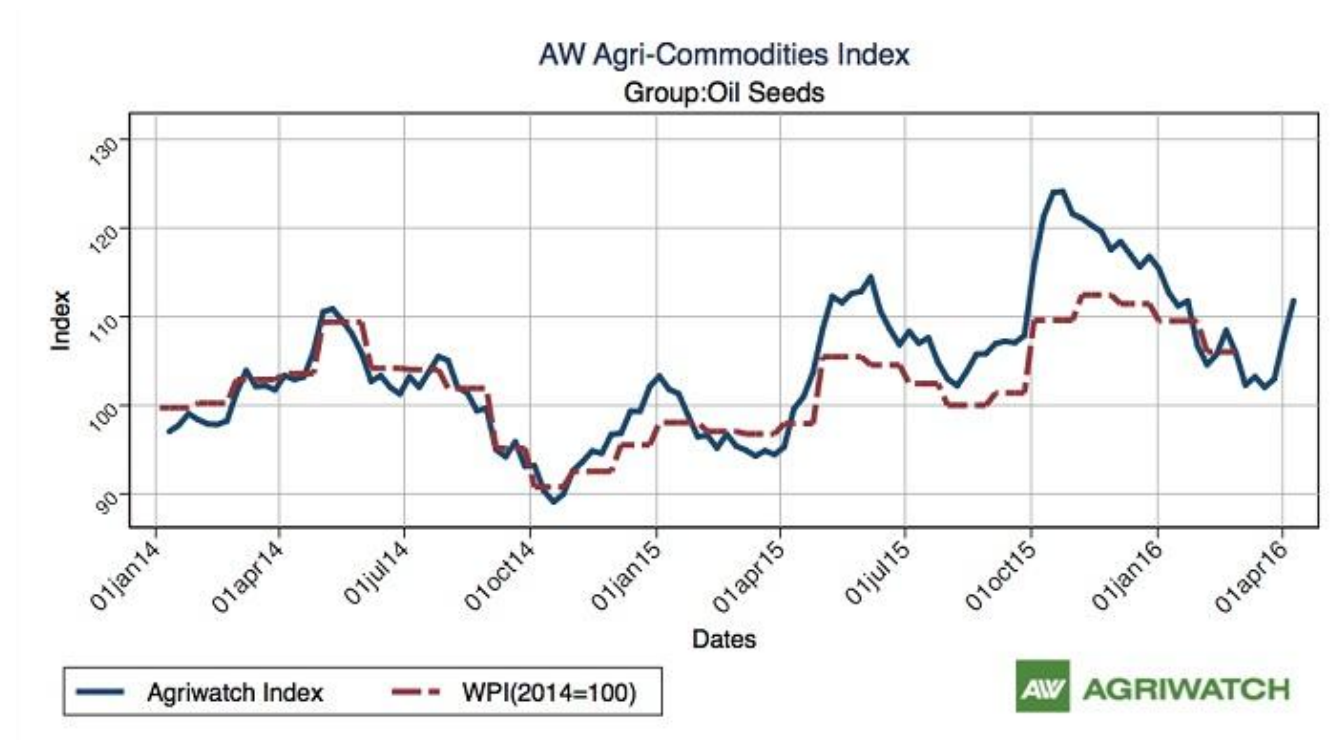
Outlook – Soy meal: Continued weak soy meal shipments from India followed by competitive soy meal price in South America and demand shift to the region will keep the soy meal prices under pressure. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets 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. 38,000 – 38,300/MT levels during the week.

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): In spot, the RM seed harvesting is progressive and the seed supplies are around their peak 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 4450 - 4650; levels during the week.

AW Oilseeds Index - 10 Apr. 2016

The Agriwatch Agri Commodities Index gained 2.83% to 108.06 during the week ended Apr 9, 2016 from 105.08 during the previous week. The base for the Index is 2014 (= 100).

The Oilseeds Index rose by +3.827% week-on-week.



International Highlights

- ❖ Informa Economics has lowered its forecast for US 2016 soybean planting to 84.0 million acres from its previous estimate of 85.23 million acres. However, the area is higher compared to 82.7 million acres planted in 2015.
- ❖ 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.
- ❖ 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 raised Argentina's 2015/16 soybean production forecast to 59 million tonnes from 58.5 million tonnes in its earlier estimates. The increase is due to the higher than expected yield in the major growing belts.
- ❖ 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.

Soybean

The domestic soybean continued upward move despite correction in the international benchmark, CBOT during the week under review. Besides, aggressive buying in domestic rapeseed-mustard and in anticipation of further gains in the CBOT soybean has lent spillover support in the market.

Notably the soybean supplies improved in the key mandis of Madhya Pradesh around and above 4000 levels as the farmers and the stockists were keen in offloading the beans at the improved price levels.

While some are awaiting prices to move up further at the time of seeding/planting, to offload the bean. The meteorological experts believe India should receive monsoonal rainfall this season.

Need buying continued to be the feature in the cash market to meet the domestic meal and oil demand.

However, we rule out any 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.

Record soybean production in G3 countries including US, Brazil and Argentina has made their soy product prices competitive in the market affecting India's meal exports, further negatively affecting the crush margin.

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 will continue to feature range bound movement with firm bias, supported by short-term gains in the international soybeans. However, lower soy meal exports, increased edible oil imports at attractive prices, lower crude and bearish global supply scenario will once again pressure the market in coming days.

International:

The international soybean at benchmark, CBOT, fell after hitting highest since Oct. 22 previous week. However, the soy prices showed signs of recovery towards the end of the week under review.

US oilseed processing and product output are expected to decline noticeably from last year in Mar/Aug 2016, keeping US inventories primarily of soybeans considerably above the year-ago level at the end of this season.

The USDA has projected US 2016 soybean planting lower at 82.2 million acres slightly below from 82.7 million acres estimated planting in 2015.

This is in contrary to the Informa Economics estimates which had lowered its forecast for US 2016 soybean planting to 84.0 million acres from its previous estimate of 85.23 million acres. However, the area is higher compared to 82.7 million acres planted in 2015.

The USDA has also raised US soybean stocks. Soybeans stored in all positions on March 1, 2016 totaled 1.53 billion bushels, up 15 percent from March 1, 2015. Soybean stocks stored on farms are estimated at 728 million bushels, up 19 percent from a year ago.

Off farm stocks, at 803 million bushels, are up 12 percent from last March. Indicated disappearance for the December 2015 – February 2016 quarter totaled 1.18 billion bushels, down 1 percent from the same period a year earlier.

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

Global soybean crushings are increasing to compensate the production losses in palm oil, sending the soya oil share to an almost 4-year high of 39.3%, reports the Oil World.

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

Soybean production will probably have to be revised downward in Brazil and Argentina. This is due to the heavy rains in major Argentine growing areas.

Heavy rainfall in Argentina is delaying soybean harvesting, causing concern about crop losses and hurting inland transportation.

Argentina exported nearly 100 T of biodiesel to the US in Jan/March 2016 which nearly doubled on the year, which will boost US imports of biomass-based diesel.

Chinese soybean imports are expected to steeply rise in April. Higher Chinese demand continued to boost world shipments of soybeans.

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.

China's soybean imports are estimated to set yet another record at 82 Mn T in 2015/16 and forecast to reach 84.5 Mn T in 2016/17, reported by USDA attaché in China.

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.

Rebound in soybean prices on technical buying, strength in soy and palm oils will push up the soybean prices for short-term. However, South American soybean harvest, lower crude, higher inventories of edible oils at Indian ports, poor soy meal shipments from India will limit the gains in near-term.

Soy meal

Soy meal featured uptrend in tandem with soybean primarily supported by the firm international market with short-term bullish developments in the international benchmark, CBOT.

Concerns of domestic poultry production with challenges like hot weather, lower wholesale egg prices may negatively hit the domestic demand in domestic soy meal demand.

However, India's soy meal exports continued to be multi-year low and registered a fall of about 99% in March, primarily on India's uncompetitive prices compared to the South American meal.

At Latur, Maharashtra, soy meal was quoted at Rs 39,700/MT compared to Rs 37,500/MT in Indore, M P. and Rs 35,000/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 exported 70,822 tons soy meal in FY 2015-16, registering a decline of 89% over previous FY 2014-15, when soy meal exports were 6,46,488 tons.

Exports of soy meal during March, 2016 were just 430 tons as compared to 46,670 tons in March, 2015, a fall by 99%.

The fall in exports is due to uncompetitive Indian soy meal prices, owing to bumper soybean production in USA, Brazil and Argentina, enabling them to offer soy meal at a much lower price than India.

During the first half of the current Oil year i.e. October'15 to March'16, total exports stood at 28,077 tons as against 5,49,627 tons last year, showing a decrease by 94.89%.

Surprisingly, New Zealand was the only buyer of Indian soy meal in March.

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.

Oil World expects sharp increase in world exports of soy meal by 12% to 31.5 Mn T anticipated in Oct/March 2015/16.

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 37,500 – 38,000/MT during the week compared to Rs 30,000 – 31,800/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 overall bearish global supply scenario in near –term.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – May contract

S1	S2	PCP	R1	R2
3864	3850	4120	4225	4268

- Long upper shadow suggests soybean to fall, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are easing 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 – May) Week: **SELL** Below 4220. Levels: T1 – 4120; T2- 4070, SL - 4160.

Rapeseed - Mustard Seed

Rapeseed-mustard extended previous week's gains primarily on aggressive buying and concern of Malaysian and Indonesian palm oil production due to severe drought in Jan/Mar16.

About 80-85% of key palm growing areas is critically hit by dry weather in Malaysian alone.

The seed supplies are at its peak after the harvesting in key growing belts. The major buyers are millers followed by the stockists who are covering their stocks for future in anticipation of higher seed prices in coming months.

Harvesting of the seed is almost complete in the key growing belts with exception in Sri Ganganagar, where the seed harvesting normally commence late March stretching late April.

The all India arrivals of the seed have surpassed the recent highs of 6.8 lakh bags and recorded highest at 6.4 – 7.0 lakh bags compared to around 3.25 – 4.6 lakh bags during the corresponding period last month and 2.25 – 4.75 lakh bags during the corresponding period previous year. The current figures has surpassed previous year's season high of 5.8 lakh bags tested in the second half of April.

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

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

The market is waiting for the March Imports and exports figures by major exporters and importers, likely between 11 to 15 April.

Indonesian Palm Oil Association (GAPKI) has reported that Indonesia's palm and palm kernel oil exports rose 9 percent in February to 2.29 MMT from 2.10 MMT in January 2016. Top buyers were India at 428,390 tons (383,650 tons), European Union at 359,730 tons (351,130 tons) and Bangladesh at 115,700 tons (85,940 tons). Values in brackets are figures of January 2016.

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.

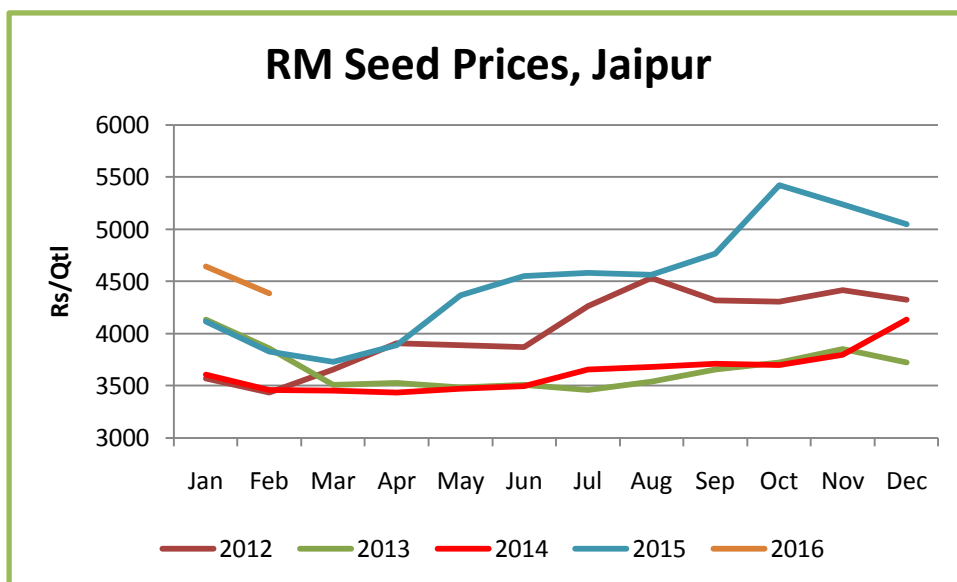
India's edible oils stocks at ports and pipelines dropped to 23.6 LT in February from 24.55 LT in January 2016, lower by 4 percent m-o-m. Stocks at ports on 1st March 2016 were 9.10 LT (CPO 3.30 LT tons, RBD palmolein 1.70 LT, Degummed Soybean Oil 3.20 LT, Crude Sunflower Oil 0.7 LT and 0.20 LT tons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

Stock 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 palm oil exports rose by 22.2 percent to 1,167,775 tons in March 2015 compared to 955,604 tons in February. Top buyers were India at 274,250 tons (197,150 tons), European Union at 166,553 tons (222,019 tons), China at 148,880 tons (55,155 tons) and United States at 83,490 tons (81,578 tons). Values in brackets are figures of February 2016, said the cargo surveyor Societe Generale de Surveillance (SGS).



Global palm oil production will fall by almost 3.00 million tons in 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 get stronger on aggressive buying but some correction is likely with recent rally in the seed prices.

Technical Analysis:

NCDEX RM Seed Futures



*Note: Daily Chart

RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – May contract

S1	S2	PCP	R1	R2
4221	4122	4484	4650	4730

- RM seed extended the rally during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are rising in neutral zone.
- MACD is heading upwards in positive territory.
- The prices are expected to feature gains during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – May) Week: **BUY** Above 4400. Levels: Target – 4500; T2- 4550, SL - 4340.

Annexure

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	8-Apr-16		1-Apr-16		
	Low	High	Low	High	
Indore –Plant	4000	4150	3950	4050	100
Indore–Mandi	3800	4050	3750	3950	100
Nagpur-Plant	4170	4220	3680	3800	420
Nagpur – Mandi	3500	3900	3200	3602	298
Latur – Mandi	3900	4140	3800	4120	20
Kota-Plant	3900	3950	4000	4050	-100
Kota – Mandi	3700	3850	3900	3980	-130
Bundi-Plant	3900	4000	3925	4000	Unch
Bundi-Mandi	3800	3950	3725	3800	150
Baran-Plant	3900	4050	3850	3950	100
Baran-Mandi	3900	4000	3700	3750	250
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3950	4050	3900	4020	30
Jhalwar-Mandi	3800	3850	3775	3900	-50
Rapeseed/Mustard					
Jaipur-(Condition)	4550	4555	4230	4235	320
Alwar-(Condition)	4300	4400	4050	4150	250
SriGanganagar-(Non-Condition-Unpaid)	3900	3950	3580	3700	250
New Delhi–(Condition)(New Crop)	4300	4350	4050	4060	290
Kota-Non-(Condition)	3950	4050	3700	3900	150
Agra-(Condition)	4700	4800	4400	4500	300
Neewai	4000	4100	3800	4000	100
Hapur (UP)(New Crop)	4100	4200	3970	4000	200
Groundnut Seed					
Rajkot	1025	1025	1000	1000	25
Sunflower Seed					
Gulbarga	3350	3600	3340	3608	-8
Latur	3490	3700	3500	3825	-125
Sholapur(New Crop)	3725	3800	3725	3800	Unch
Sesame Seed					
Mumbai (White98/2/1	6900	6900	6650	6650	250

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
		2nd Apr to 8th Apr 2016	26th Mar to 1st Apr 2016	
Soybean				
	Madhya Pradesh	209000	97000	112000
	Maharashtra	185000	NA	-
	Rajasthan	137000	52000	85000
	Bundi (Raj)	450	2450	-2000
	Baran (Raj)	4200	3200	1000
	Jhalawar (Raj)	8500	3200	5300
Rapeseed/Mustard	Rajasthan	1550000	1840000	-290000

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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