

# Oilseeds Weekly Research Report

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## Executive Summary

Soybean, meal and rapeseed-mustard continued uptrend supported by gains in the international oils and fats benchmark and better buying in the domestic cash market during the week under review.

CBOT May soybean has hit highest at US \$ 9.57-1/4 since mid August and settled at US \$9.55-1/4 which lent spillover support to the domestic market, followed by multiple bullish factors. Besides, BMD CPO remained mostly strong during the week.

The rapeseed-mustard mustard supplies are in full swing and they are currently higher compared to the same period last year.

Higher crude, rains in Argentina and strength in Real may lent support to the oilseeds and meal in near-term. However, 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.

## 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).

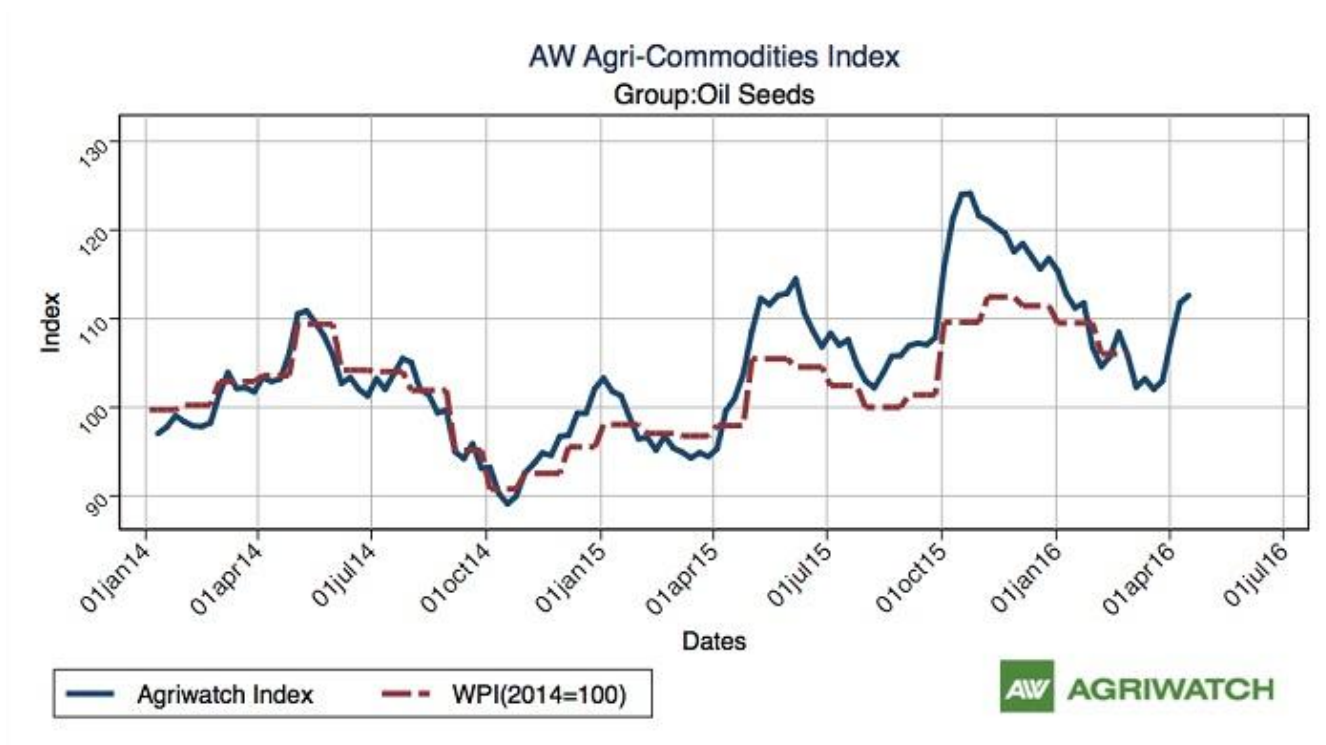
**Outlook – Soy meal:** Continued weak soy meal shipments from India followed by competitive soy meal price in South America and demand shift to the region will keep the soy meal prices under pressure. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets 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 in full swing on harvesting which but aggressive buying by the stockists and the millers will remain supportive to the market. Further, weakness in Malaysian palm oil prices will remain negative for the seed. The new seed prices are likely to be between 4450 - 4550; levels during the week.

## AW Oilseeds Index - 17Apr. 2016

The Agriwatch Agri Commodities Index rose 0.63% to a new 12-month high of 108.74 during the week ended Apr 16, 2016 from 108.06 during the previous week. The base for the Index is 2014 (= 100).

The Oilseeds Index rose by +0.74% week-on-week.



## International Highlights

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- ❖ 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

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The domestic soybean posted gains in line with the international benchmark, CBOT, on multiple factors, during the week under review.

The bean prices surged to 4200 levels at the domestic benchmark, Indore, during the week. The levels remained attractive for the sellers who were waiting for these levels since long.

The sellers are keen in offloading the beans at these levels surpassing the recent resistance of 4100 - 4200 levels.

However, few are awaiting prices to move up further at the time of seeding/planting, to offload the bean.

We feel that the Indian farmer's soybean planting intention for 2016/17 will be strong followed by the IMD's prediction/forecast for above normal monsoon this year.

According to the met department monsoon will be 106% of the long period average (LPA). There is a 94% probability that monsoon will be normal to excess this year. It is predicted, there will be fair distribution of monsoon across the country. But North-East India and South-East India, particularly Tamil Nadu, may get slightly less than normal rainfall.

Drought-hit Marathwada is also likely to receive "good" rainfall, said the met official.

However, we rule out any aggressive buying 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 limit the gains in coming days.***

**International:**

The international soybean at benchmark, CBOT, witnessed continued week-on-week gains and reached fresh eight-month high on technical buying and concerns about South American supplies.

US soybean processors crushed higher than expected soybean in March, the second-busiest March on record, said National Oilseed Processors Association. The association said its members processed 156.690 million bushels of soybean in March, up from 146.181 million during February.

In March 2015, the NOPA members crushed 162.822 million bushels.

The US soyoil stocks as of March 31 stood at 1.859 billion lbs, estimated by NOPA. The inventories were 1.420 billion lbs during the same period last year and 1.792 billion at the end of February.

US soy meal shipments increased to 779,100 tons in March from 686,999 in February. In March 2015, monthly soy meal exports totaled 757,165 tons.

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.

Further, heavy rains have damaged the harvest of around 5% of Argentina's soybean and could damage even more if rains extend into next few days as predicted.

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.

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.

China's March soybean imports were up 35.3% to 6.1 million tonnes vs 4.51 million tonnes in February. This is a record import for the March month of the year due on improved hog breeding margins.

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.

*Soybean prices are expected remain strong on technical buying, South American supply concern after heavy rains in Argentina, better US crushings, strength in soy and palm oils will push up the soybean prices for short-term. However, record 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

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Steady to slightly firm tone featured in the domestic soy meal supported by surge in the international soy meal which hit highest since December. The May CBOT soy meal hit US \$ 2.954 per short ton and settled at US \$ 2.90 per short ton.

The domestic soy meal prices have rallied in recent days and have witnessed a substantial gain of about 10.5% in a month. The meal prices stood almost flat during the week in review.

Concerns of domestic poultry production with challenges like hot weather, lower wholesale egg prices may negatively hit the 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 Dhule, Maharashtra, soy meal was quoted at Rs 39,300/MT compared to Rs 38,000/MT in Indore, M P. and Rs 36,700/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 38,000 – 38,400/MT during the week compared to Rs 31,500 – 32,500/MT during the corresponding period last year.

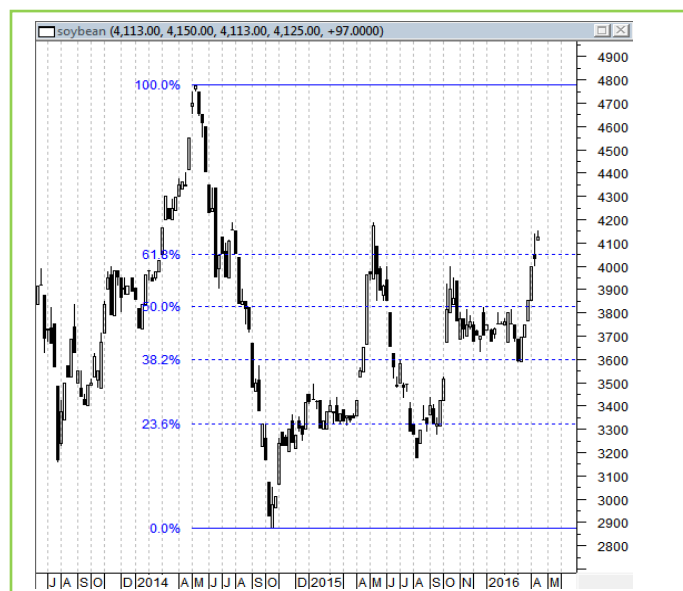
*The soy meal prices will feature range-bound movement with firm bias on domestic demand but the gains will be limited due to the weak exports from India and overall bearish global supply scenario in near –term.*

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – May contract

S1	S2	PCP	R1	R2
4053	3993	4197	4300	4350

- Side-ways movement featured in the soybean, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are rising in neutral region.
- MACD is rising in the negative territory.
- The prices are expected to feature gains in the coming week.
- Trade Recommendation (NCDEX Soybean – May) Week: **BUY** Above 4100. Levels: T1 – 4200; T2- 4250, SL - 4040.

## Rapeseed - Mustard Seed

Rapeseed-mustard continued uptrend primarily on supportive buying in cash market and in anticipation of higher palm oil in coming days.

The seed supplies are in full swing in the key market centers and aggressive buying is witnessed in the same. The solvent extractors are the major buyers followed by the stockists to cover their stock for the coming months.

Harvesting of the seed is almost complete in the key growing belts with exception in Sri Ganganagar.

The all India arrivals of the seed have been reported between 4.0 – 6.9 lakh bags compared to around 4.8 – 6.0 lakh bags during the corresponding period last month and 3.0 – 5.0 lakh bags during the corresponding period previous year. The highest recorded all India supplies of the seed last year stood at 5.8 lakh bags tested in the second half of April.

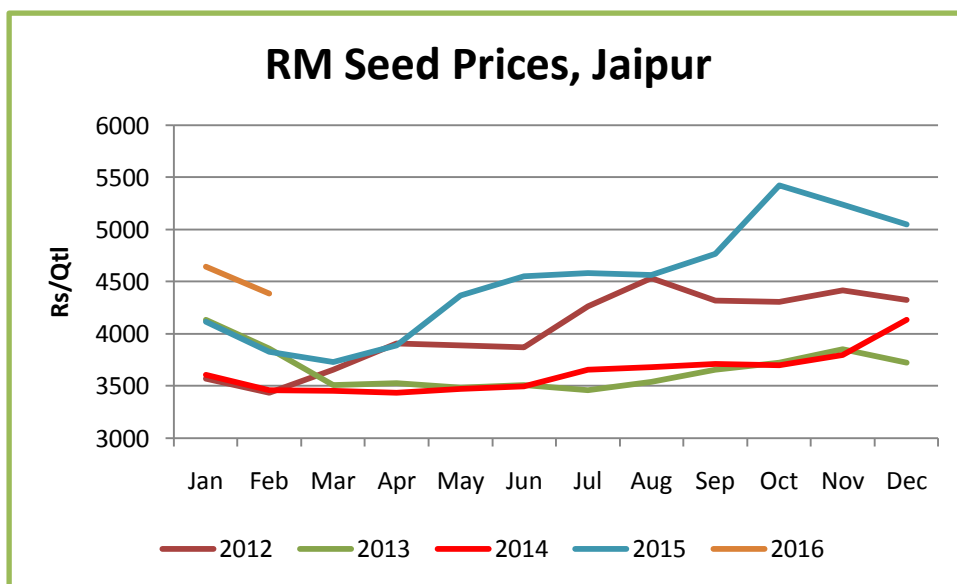
Agriwatch has kept its India's 2015/16 rapeseed-mustard production estimate between 5.5 – 6.0 million tonnes.

In the second advance estimate, the Ministry of Agriculture, GOI, has forecasted India's 2015/16 rapeseed-mustard production at 6.83 million tonnes, up from 6.3 million tonnes in 2014/15.

In the advance estimate by department of agriculture, Government of Rajasthan has forecasted Rajasthan's 2015/16 rapeseed-mustard production up by 22% at 3.5 million tonnes compared to 2.87 million tonnes in 2014/15. The department had estimated Rajasthan's 2015/16 RM seed production at 3.49 million tonnes.

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

Malaysia April 1-15 palm oil exports rose by 20.3 percent to 499,918 tons from 415,686 tons in the corresponding period last month. Top buyers were India at 79,500 tons (68,950 tons), China at 62,618 tons (46,680 tons), European Union at 57,414 tons (64,303 tons), United States at 25,810 tons (30,550 tons) and Pakistan at 16,500 tons (10,000 tons). Values in brackets are figures of corresponding period last month, 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: rapeseed-mustard will remain strong in near-term on aggressive buying by the solvent extractors and the stockists to cover their stock.*

## 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
4277	4190	4495	4600	4650

- Side-ways movement featured in the RM 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	14-Apr-16		7-Apr-16		
	Low	High	Low	High	
Indore –Plant	4050	4200	4000	4150	50
Indore–Mandi	3800	4100	3800	4050	50
Nagpur-Plant	4150	4200	4170	4220	-20
Nagpur – Mandi	3450	3850	3500	3900	-50
Latur – Mandi	3800	4087	3900	4140	-53
Kota-Plant	3850	4000	3900	3950	50
Kota – Mandi	3750	3950	3700	3850	100
Bundi-Plant	3900	3975	3900	4000	-25
Bundi-Mandi	3900	3950	3800	3950	Unch
Baran-Plant	3800	3900	3900	4050	-150
Baran-Mandi	3700	3750	3900	4000	-250
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3750	4000	3950	4050	-50
Jhalwar-Mandi	3950	3975	3800	3850	125
Rapeseed/Mustard					
Jaipur-(Condition)	4480	4490	4550	4555	-65
Alwar-(Condition)	4250	4350	4300	4400	-50
SriGanganagar-(Non-Condition-Unpaid)	3900	3990	3900	3950	40
New Delhi–(Condition)(New Crop)	4320	4350	4300	4350	Unch
Kota-Non-(Condition)	3850	3950	3950	4050	-100
Agra-(Condition)	4700	4750	4700	4800	-50
Neewai	3950	4000	4000	4100	-100
Hapur (UP)(New Crop)	4100	4200	4100	4200	Unch
Groundnut Seed					
Rajkot	1050	1050	1025	1025	25
Sunflower Seed					
Gulbarga	3225	3590	3350	3600	-10
Latur	3401	4000	3490	3700	300
Sholapur(New Crop)	3725	3800	3725	3800	Unch
Sesame Seed					
Mumbai (White98/2/1	7100	7100	6900	6900	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
		9th Apr to 14th Apr 2016	2nd Apr to 8th Apr 2016	
Soybean				
	Madhya Pradesh	129000	209000	-80000
	Maharashtra	133000	185000	-52000
	Rajasthan	95000	137000	-42000
	Bundi (Raj)	1000	450	550
	Baran (Raj)	3900	4200	-300
	Jhalawar (Raj)	8500	8500	Unch
Rapeseed/Mustard	Rajasthan	1515000	1550000	-35000

## 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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