

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean, soy meal and rapeseed-mustard declined in association on slack in demand from solvent extractors during the week under review.

Higher bean supplies after good production this season and on bid to keep the soy meal prices attractive for the foreign buyers, the bean and prices continued to remain weak.

The soy meal demand of Indian origin has surged in recent weeks, mainly to the South East Asian country.

Need based buying in the oilseeds is featured across the key cash market of the country.

Further, expectation of higher rabi oilseeds production after higher planted acreage including rapeseed-mustard and groundnut remained bearish too.

Rise in the domestic planted area under rapeseed-mustard crop and developing crop under good condition remained bearish for the seed. Area coverage under rapeseed-mustard, largest rabi oilseed crop, alone is above 10% higher compared to the previous season.

The rapeseed-mustard is expected to feature range bound movement with weak bias ahead of new marketing season, higher acreage this season coupled with higher *kharif* oilseeds production. Besides, soybean will remain under supply pressure in near-term.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean is expected to rebound on strong support at the current levels. Higher domestic soybean production this season, weak record global soybean production continued to be pressurizing factor for the domestic soybean. The prices are expected to feature range bound movement between the price band of 2950 – 3050 levels (Indore, Plant basis).

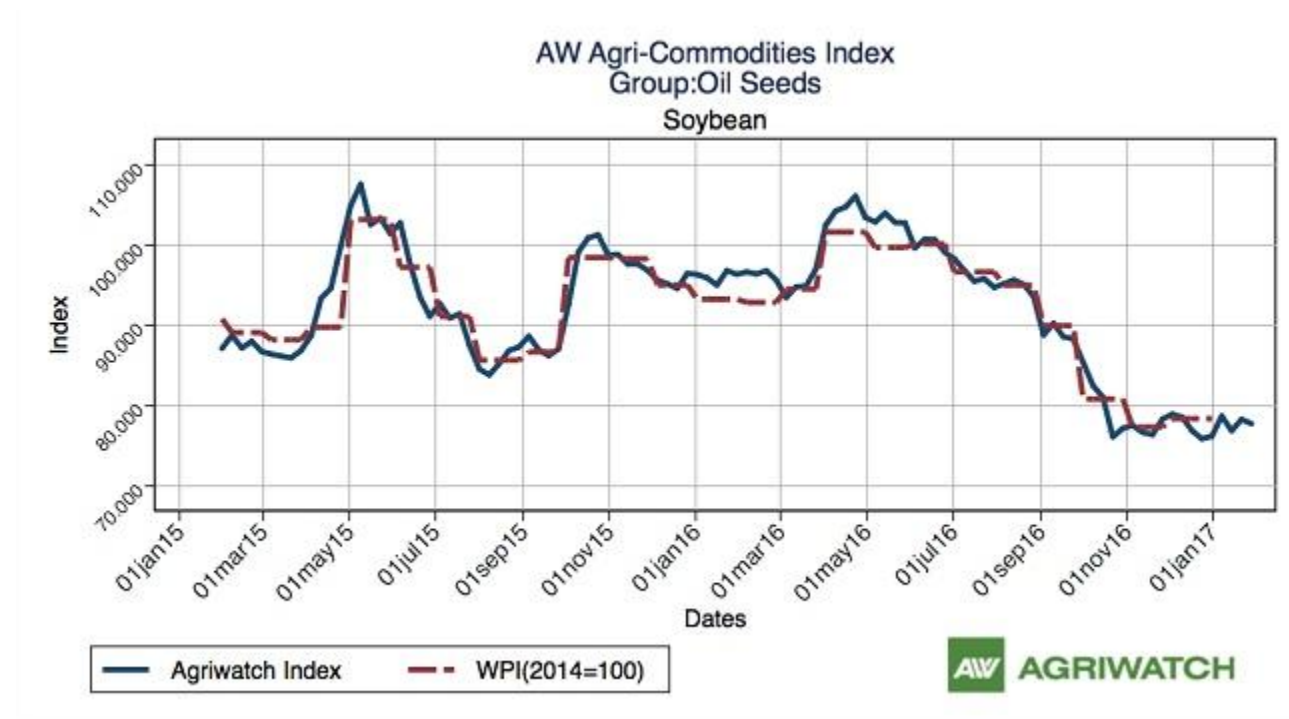
**Outlook – Soy meal:** Soy meal fell but the prices are around the strong support levels. Expectation of higher crushing on good soybean production continues to be a pressurizing factor for the domestic soy meal. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets of peak exports season especially traditional South and Far-East Asian destinations including Japan in the upcoming season. The domestic meal prices are likely to remain under new crop supply pressure and feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of 23,000 – 23,500/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard continued downtrend on weak demand in the seed during the week in review. Higher area under rapeseed this season and upcoming new marketing season will continue to pressure the seed further. The seed prices are likely to feature weakness and witness the levels between 4100- 4160/Qtl; levels during the week.

## AW Oilseeds Index – 28 January 2017

The Agriwatch Agri Commodities Index rose 0.49% to 115.21 during the week ended Jan 28, 2017 from 114.66 during the previous week led by gains in cereals prices (rice and maize). The base for the Index and all sub-Indices is 2014 (= 100).

In the commodity group sub-index, Oilseeds Index stood at 96.29 (-1.22%) week-on-week.



"Agriwatch has recently launched its AW Agri Commodity Indices to enable organizations access independent Indices to track and use to benchmark their purchases and sales. The Indices are based on the daily prices in the key benchmark markets for each commodity that AW has been covering for the past decade. The indices include an Aggregate Index, Category Indices and individual commodity indices. The weekly indices are free to access on our website [www.agriwatch.com](http://www.agriwatch.com). The daily indices are available on subscription. Please contact for more details."

## International Highlights

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- ❖ AgRural consultancy estimated that the 2016/17 Brazil soybean crop harvest reached 4.3% of the area up compared with 1.5% harvest in the same period last year and 1.2% in the five-year average.
- ❖ More than 97% of the 19.3 million hectares which Buenos Aires Exchange expects to be planted with soybean has been sown by now. But heavy rains in addition to the strong storm have raised concerns over the crop development; the event may negatively affect the yield potential.
- ❖ The Rosario Grain Exchange has slashed the Argentina's soybean production forecast to 52.9 million tonnes from its earlier forecast of 54.4 million tonnes.
- ❖ European Union's 2016/17 soybean imports, by Jan. 2017, have fallen by 3% to 7.2 million tonnes from 7.45 million tonnes registered at the corresponding period last year.
- ❖ Besides, the EU 2016/17 soy meal imports, by Jan. 2017, are down by 15% at 10 million tonnes from 11.8 million previous year.
- ❖ Global soybean outturn in 2016/17 is seen at 334 million tonnes, down from a previous projection of 336 million but still a record high, reported in IGC.
- ❖ Conab, the Brazilian government agency, has raised the Brazil's 2016/17 soybean production forecast to 103.8 million tonnes from its December forecast of 102.45 million tonnes.
- ❖ Informa Economics has raised its projection for the U.S. 2017 soybean planting at 88.612 million acres surpassing the record high of 83.17 million acres planted in 2016. The projected U.S. 2017 area under corn is slashed to 90.841 million acre from 90.971 million previously, which will divert to soybean.
- ❖ Informa has kept the US 2016 soybean yield at 52.8 bushels per acre which is up from USDA's estimate of 52.5 bushels which is all time high.
- ❖ It has projected US 2016 soybean at 4.381 billion bushels, slightly up from USDA's figure of 4.361 billion.
- ❖ FCStone has raised its forecast for US 2016 soybean productivity to a record 52.8 bushels per acre from 52.5 in its October report.
- ❖ Further, FCStone has raised its US 2016 soybean production estimate to 4.386 billion bushels 4.357 billion bushels projected in October.

- ❖ U.S. Environmental Protection Agency (EPA) increased US biodiesel production target by 6.5 percent in 2017 to 19.28 billion gallons compared to previous mandate of 18.11 billion gallons. Conventional biodiesel use is raised to 15 billion gallons which is mainly corn based biodiesel. Remaining 4.28 billion gallons is set for advanced biodiesel mandate where soy oil is the major contributor. This step will decrease soy oil end stocks in US.
- ❖ Pro Farmer has projected US soybean production at a record 4.093 billion bushels, considering an average yield of 49.3 bushels per acre after the crop tour.
- ❖ After AgRural and Conab, Agroconsult has raised the Brazil's 2016/17 soybean production projection to 104.4 million tonnes from 102.6 million tonnes estimated in November.
- ❖ Brazil's 2016/17 soybean production is projected at 106 million tonnes by CRF, the production is much higher than the previous season (96.4 Mn T), when Brazil was hit by drought during the soybean crop development stage.
- ❖ Brazil's 2017 soybean exports are projected at 60 million tonnes which is up from 51-52 million estimated for the current marketing year 2016, reported by the National Association of Exporters of Cereals (ANEC).
- ❖ Further, CRF has projected Paraguay's soybean production at 8.6 million tonnes against 6.4 million tonnes produced last year.
- ❖ Abiove has forecast Brazil's 2017 soybean production at record 101.3 million tonnes compared to 96 – 98 million tonnes estimated for 2016 by various agencies. Abiove has estimated that Brazil will be able to export 57 million tonnes of soybean in 2017.
- ❖ Argentina's 2016/17 soybean production is expected to stand at 56 million tonnes against 58.8 million tonnes produced in 2015/16, said agriculture ministry.
- ❖ Argentina postpones its decision to slash the soy export taxes for this year and 2017. The Argentine government has decided to ease the tax by 0.5% per month from January 2018 to December 2019, stated the President Mauricio Macri.
- ❖ Macri had already cut the export tax from 35% to 30% in December shortly after Macri was elected as President and taking over the office.

- ❖ Argentina's government has raised its 2015/16 soybean crop to 58 million tonnes from its previous forecast of 57.6 million tonnes followed by faster than expected recovery of area considered lost to floods hit area in Argentina.
- ❖ Rosario Grains Exchange have revised its forecast for Argentina's 2015/16 soybeans up to 55.3 million tonnes from 55 million tonnes previously. This is despite severe crop damage after flood in April.
- ❖ INTL FC Stone has slashed Brazil's 2015-16 production by 1 million tonnes to 96.5 million tonnes, in its recent report. Besides, Informa has lowered Brazil's and Argentina's 2015/16 soybean production from 100.5 vs 100.1 mln t and 55.0 vs 59.5 mln t respectively.
- ❖ Abiove has trimmed Brazil's 2015/16 soybean crop to 96.6 million tonnes (during Feb. – Jan.) from 97.3 million projected earlier. It has lowered Brazil's soybean exports estimate to 53 million tonnes from 53.8 million tonnes. Brazil had shipped 54.3 million tonnes in previous season.
- ❖ 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 crushing, reports Oil World.
- ❖ 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. 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.
- ❖ AgRural has increased its forecast for Brazil's 2015/16 soybean to 99.7 million tonnes from 98.7 million after beneficial rains.
- ❖ 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 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.
- ❖ As per the estimates by the government agency, Argentina's 2015/16 soybean production is estimated near 60 Mn T which is below last year production of 61.4 Mn T.
- ❖ China's December 2016 soybean imports stood at 9 million tonnes, highest in a year, to meet fresh additional winter demand. The imports are up 14.8% from 7.84 million tonnes imported in November.
- ❖ China's total soybean imports in 2016 stood at 83.9 million tonnes which is up 2.7% from 2015. This was the smallest growth registered in years due to slowdown in China's economy and rise in country's own soybean production and sales from state inventories.
- ❖ China is forecast to import 85 million tonnes of soybeans in 2016/17, up from the previous season, however, higher inventories is expected to limit the rise in buying.



## Sown Area – *Rabi* Oilseeds, India

In the official Rabi oilseeds planting report, by the Ministry of Agriculture, (week ending 28 Jan. 2017), the total coverage area under Rabi oilseeds is reported at 83.84 lakh hectares, up 6.7% from 78.58 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported up by 9.3% at 70.54 lha compared to 64.51 lha during the corresponding period of last year. Groundnut at 5.70 lha vs 5.44 lha, safflower at 0.95 lha vs 1.17 lha, sunflower at 1.66 lha vs 3.08 lha, sesamum 0.57 vs 0.53 and Linseed at 3.84 lha vs 2.93 lha during the same period last year.

Area in Lakh Hectares

<b>Crop</b>	<b>As on 28 Jan. 2017</b>	<b>As on 28 Jan. 2016</b>	<b>% Change</b>
Rapeseed/Mustard	70.54	64.51	<b>9.3</b>
Groundnut	5.70	5.44	<b>4.8</b>
Safflower	0.95	1.17	<b>-18.8</b>
Sunflower	1.66	3.08	<b>-46.1</b>
Sesamum	0.57	0.53	<b>7.5</b>
Linseed	3.84	2.93	<b>31.1</b>
Others	0.58	0.92	<b>-37.0</b>
<b>Total Oilseeds</b>	<b>83.84</b>	<b>78.58</b>	<b>6.7</b>

Source: MoA, GOI

## Soybean

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The domestic soybean edged-lower on need based buying to meet the soy meal exports obligation at attractive price.

Besides, losses in soybean at the international benchmark remained bearish for the domestic bean too, during the period in review.

Further, the domestic soy meal demand continued to remain dull and the Indian soy meal and soy oil prices are consistently facing stiff price competition with the South America, hence the soybean prices are continuously under pressure.

Weak domestic soy meal demand is attributed to the fall in the poultry demand in recent months.

The *rabi* oilseeds planting is higher by 7% this season after increased *kharif* oilseeds production has limited the gains.

Besides, the soy meal exporters continued to offer the meal at competitive price to the foreign buyers on bearish medium-term outlook. Hence, to keep the meal prices lower the soybean prices are still quoted lower from the normal price by the solvent extractors.

The soybean supplies at the cash market are still strong after higher production compared to the corresponding period last year.

Currently, about 0.7 – 1.25 lakh bags of soybean are arriving in cash markets of Madhya Pradesh against 0.20 – 0.60 lakh bags during the corresponding period last year.

### Previous Update

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Higher soybean supplies mean increase in crushing and eventually availability of more soy meal, which if not exported in time will lead to huge disparity in crushing.

India's domestic soy meal consumption is around 5 million tonnes and the production is expected to be 8 million tonnes, the surplus 3 million needs to be exported for the good crush market during the season.

The lower soy meal prices have increased the exports prospects which is expected to recover this season, after 3-years of weak soy meal exports of Indian origin. The oilseeds processors want the meal prices to be lower so that the soy meal exports window remains open for some more time, especially when India has produced higher soybean this season.

The soybean supplies continued to be higher not only in Madhya Pradesh but also in the key cash markets of Maharashtra and Rajasthan.

The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Joara, Agrawal Soy Dewas, Agrawal Neemuch, Adani, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, Divya Jyoti, G. Ambuja, Itarsi, Indian Soya, Khandwa, Khyati, Kriti, K.P. Newari, Mahakali, M.S. Neemuch, Prakash, Oyster

Exim, Prestige, Ruchi, Rama, RH Solvex, SSA Mandideep, Shanti Overseas, Sawariya Itarsi, Sitashri, Vippy (10-2-2 specification) for Dewas and Mandsaur delivery during the week.

***The domestic soybean prices are likely to feature range-bound movement with firm bias on fresh buying by the solvent extractors and stockists. However, higher soybean production this season, weak soy meal export sales will limit the gains in soybean in near-term.***

## **International:**

The CBOT soybean fell after it hit 6-month high previous week. The fall is attributed to the forecast of dry weather in Argentina where soybean crop was negatively affected in most of the parts of the country due to heavy rains during second half of December and mostly in January.

Besides, Brazil is expected to easily harvest above 100 million tonnes of soybean this season.

The CBOT soybean declined and the March contract soybean prices ended at US \$ 10.49/bushel and compared to US \$ 10.67/bushel last week.

Informa Economics has slashed its US 2017 soybean plantings to 88.647 million acres from 88.862 million acres projected in December.

This is after the rise in US 2017 corn planting projections to 90.489 million acres from 90.151 million acres in the previous month.

Heavy rains in Brazil's top producing state of Mato Grosso have hampered the harvesting, eventually the bean supplies, and raised the quality concern for the developing soybean crop.

Imea – the farmers institute said, soybean harvesting in Mato Grosso, where the harvesting first started, was 16.25% compared to 8.19% during the corresponding period last year.

The Imea was expecting it to be about 18% by now.

AgRural consultancy estimated that the 2016/17 Brazil soybean crop harvest reached 4.3% of the area up compared with 1.5% harvest in the same period last year and 1.2% in the five-year average.

Multiple agencies have cut the Argentina's 2016/17 soybean production forecast to 53 – 56 million tonnes. CRF has reduced the Argentina's 2016/17 soybean production projection to 56.1 million tonnes from 58 million projected earlier.

Heavy rains in addition to the strong storm have raised concerns over the crop development; the event may negatively affect the yield potential.

The Rosario Grain Exchange has slashed the Argentina's soybean production forecast to 52.9 million tonnes from its earlier forecast of 54.4 million tonnes.

European Union's 2016/17 soybean imports, by Jan. 2017, have fallen by 3% to 7.2 million tonnes from 7.45 million tonnes registered at the corresponding period last year.

Besides, the EU 2016/17 soy meal imports, by Jan. 2017, are down by 15% at 10 million tonnes from 11.8 million previous year.

Global soybean outturn in 2016/17 is seen at 334 million tonnes, down from a previous projection of 336 million but still a record high, reported in IGC.

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**Previous updates:**

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In a notable move, the US Department for Agriculture had lowered the US soybean production to 4307 million bushels from 4361 million bushels citing fall in the yield potential to 52.1 bushel per acre from 52.5 bushels per acre projected in January WASDE report.

The Brazil's crop prospects have improved with recent rains and the country is forecast to harvest record soybean between 103 – 105 million tonnes estimated by various competent agencies.

AgRural consultancy has raised its Brazil's 2016/17 soybean production forecast to 103.1 million tonnes from 101.8 million tonnes projected previous month.

The raise is attributed to better yield potential, but few areas like Bahia, Goias, Minas Gerais could face the productivity losses due to poor rains, said AgRural.

Conab, the Brazilian government agency, has raised Brazil's 2016/17 soybean production forecast to 103.8 million tonnes from its December forecast of 102.45 million tonnes.

The figure is slightly above the analysts' forecast of 103.5 million tonnes estimated in the Reuters poll.

The raise is attributed to the favourable weather which has boosted the yield.

Brazil's 2015/16 soybean production stood at 95.4 million tonnes, when the production was hit due to the dry weather conditions.

Further Brazil is likely to export 57 million tonnes of soybean in 2016/17 compared to 51.6 million tonnes in 2015/16.

After AgRural and Conab, Agroconsult has raised the Brazil's 2016/17 soybean production projection to 104.4 million tonnes from 102.6 million tonnes estimated in November.

The raise is attributed to favourable weather conditions which helped boost the yield potential.

Brazil's 2015/16 soybean production fell due to the unfavourable weather condition and the country could harvest only 96.3 million tonnes of soybean.

Forecast of dry weather in next few days would boost the Argentine soybean crop health by about 10% of the core productive area – mainly central and northeast of Argentina is hit due to the excessive rains in recent days.

Argentina's 2016/17 soybean production is expected to stand at 56 million tonnes against 58.8 million tonnes produced in 2015/16, said agriculture ministry.

China's December 2016 soybean imports stood at 9 million tonnes, highest in a year, to meet fresh additional winter demand.

The imports are up 14.8% from 7.84 million tonnes imported in November.

China's total soybean imports in 2016 stood at 83.9 million tonnes which is up 2.7% from 2015. This was the smallest growth registered in years due to slowdown in China's economy and rise in country's own soybean production and sales from state inventories.

Buenos Aires Grain Exchange has lowered Argentina's 2016/17 soybean planting estimate to 19.3 million hectares from its previous forecast of 19.6 million. Fall in the area is attributed to the dry weather in Southeast Buenos Aires province. Argentina's 2015/16 area under soybean was reported at 20.1 million hectares

Conab, the Brazil's government crop supply agency has forecast Brazil's 2016/17 soybean production at 102.45 million tonnes, up 7% from the last season.

Argentina's 2016/17 area under soybean is forecast at 20.3 million hectares which is up from the previous forecast of 20.2 million hectares, by the agriculture ministry in the monthly crop progress report. There was a fear that Argentina will grow less soybean if the country does not receive rains in time.

China is estimated to import 86 million tonnes of soybean in 2016/17 season, which will be highest ever.

Safras & Mercado has raised its production forecast Brazil's 2016/17 soybean to 106.1 million tonnes, up 9.2% above the 2015/16 season and 2.5% above its previous projection in October.

Brazil's soy group Abiove has projected country's soybean exports at 58 million tonnes of soybean in 2017.

The group has estimated 2 million tonnes of additional soy meal production from March 2017 on biodiesel blend.

It has projected Brazil's 2016/17 soybean crop at 101.7 million tonnes and 41 million tonnes of soybean crush in 2017.

China's 2016/17 soybean imports growth are expected to slow down on higher state reserve or inventories and increase in China's soybean production this season.

China's soybean production is up 13% to 13.1 million tonnes, highest in last 5 years, reported by China National Grain and Oils Information Center (CNGOIC).

China's soybean imports slowed down due to its higher state soy inventories.

Paraguay's area under soybean is expected to increase in 2016/17 due to favorable soy prices and expected better returns. Production is forecast up at 8.6 million tonnes compared to 6.4 million tonnes last season.

*The international soybean prices are expected to feature range bound movement with firm bias on strong export demand for US soybean and strength in crude oil.*

## Soy meal

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The domestic soy meal fell in tandem with soybean on weak international soybean market, during the week under review.

Weak domestic soy meal demand mainly from poultry sector remained bearish for the meal.

However, better overseas soy meal demand in recent weeks limited the losses.

India has registered the surge of about 736% of soy meal exports in December 2017, y-o-y.

But as discussed above weak domestic soy meal demand from poultry remained pressuring factor for domestic soy meal prices.

The Indian soy meal exporters continue to offer the soy meal at attractive prices to the foreign buyers to compete with the South American meal prices and keep the exports window open for some more time to utilize the expected higher meal supplies this season.

Soy meal witnessed gains in the international market and March CBOT soy meal settled at US \$ 343 per short ton compared to US \$ 348.7 per short ton last week.

The domestic soy meal prices at Indore, fell and were quoted at Rs 23,000 – 23,525/MT compared to Rs 23,000 – 24,300/MT compared to previous week.

At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 23,400/MT and 23,400/MT respectively compared to Rs 23,000/MT in Indore and Rs 23,900/MT in Kota.

### **Previous Updates**

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India is expected to produce 8 million tonnes of soy meal this season. Out of which 5 million tonnes will be consumed domestically but another 3 million needs to be shipped overseas, failing which will increase the disparity on crushing soybean.

India's forward booking for soy meal are better than the corresponding period last year, further sharp fall in the export prices in recent weeks in soy meal have made the imports from India lucrative.

The meal prices are unlikely to post sharp gains to keep the exports window open at least for the period when India's soybean crushing is at a higher pace for first 4 - 5 months (Oct-Feb) of the new marketing season.

Higher domestic soybean production in 2016/17 will eventually increase the soybean crushing which will further increase the availability in soy meal this season.

We expect India's soy meal exports to recover slightly in the new season with higher 2016/17 soybean production leading to higher crushing eventually increasing the meal supplies.

India's 2016/17 soy meal exports are expected to witness 3 year high and expected to jump 2 million tonnes from 2,61,051 exported last year, stated industry officials.

The exporters have contracted to ship around 500,000 tonnes soy meal for December-March delivery.

However, currently the domestic soy meal demand is sluggish due to weak demand from poultry owing to fall in poultry demand after demonetization.

***India's soy meal and its other value added products (HS Code 2304) during December 2016 is 2,41,256 tons compared to 28,870 tons in December 2015 showing an increase of 735.6% over the same period of last year.***

***On a financial year basis, the export during April'2016 to December'2016 stood at 4,46,130 tons as compared to 3,02,304 tons in the same period of previous year showing an increase of 47.58%.***

***During current Oil year, (October – September), total exports during October 2016 to December, 2016 is 3,70,398 tons as against 1,00,776 tons last year, showing an increase by 267.55%.***

***France (87150 MT), Bangladesh (80300 MT), Japan (39459.48 MT), Myanmar (21686 MT) and Oman (5705 MT) were the key buyers of Indian origin meal in December.***

Recovery in exports is primarily due to drastic fall in the Indian soy meal prices making it price competitive to South America.

*Indian meal prices need to be highly competitive against the South American and China's meal prices to regain the lost markets it lost in previous seasons.*

*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 currently lower. Soy meal Indore was quoted lower between Rs 23,000 – 23,525/MT during the week compared to Rs 33,800 – 34,200/MT during the corresponding period last year.

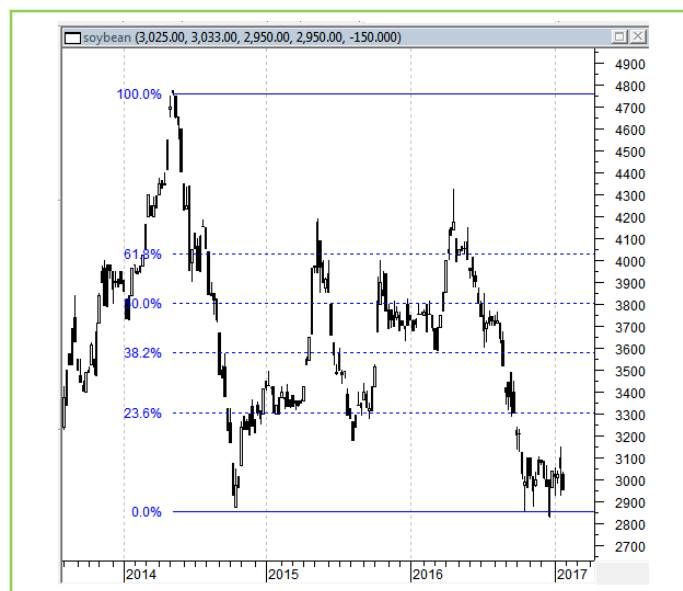
*The soy meal prices are likely to feature range-bound movement with firm-bias on likely fresh buying by the poultry and feed manufacturing industry. However, higher domestic and international soybean production will limit the gains market, in near-term.*

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Daily Chart

### Support & Resistance NCDEX Soybean – Feb. contract

S1	S2	PCP	R1	R2
2950	2900	3046	3214	3369

- Soybean fell on selling pressure during the week.
- Prices closed below 18-day EMA.
- RSI and stochastic are falling in the neutral zone.
- MACD is easing in the negative territory.
- The prices are expected to feature losses in the coming week too.
- Trade Recommendation (NCDEX Soybean – Feb.) Week: **SELL** Above 3140. Levels: T1 – 3040; T2- 2950, SL - 3200.



## Rapeseed - Mustard Seed

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The domestic rapeseed-mustard fell on slack in demand from the solvent extractors after weak demand in mustard oil and lower soybean in the cash market.

Further, expectation of higher 2016/17 rapeseed-mustard production of India after rise in the planted area in the seed by over 10% remained bearish.

In the recent government update on rabi crop planting, India's rapeseed-mustard sowing is reported up by 9.3% at 70.54 lha compared to 64.51 lha during the corresponding period of last year.

Scattered rains over the key rapeseed-mustard growing belts, during the week, will help boost the yield potential in the seed.

India is expected to produce around 7.0 million tonnes of rapeseed-mustard in 2016/17 compared to 5.8 million in 2015/16.

The RM seed crop is in good condition and it is in pod formation stage across the key growing belts in various states. There are no reports of crop loss or damage in any key growing belt.

The seed prices, during the week, at benchmark, Jaipur was quoted lower between Rs. 4,250 – 4,360 per quintal compared to Rs. 4,150 – 4,750 per quintal witnessed in the corresponding periods last year.

The all India daily arrivals of the seed continued to ease and were reported between 0.65– 0.75 lakh bags and are lower compared to 0.90– 1.15 lakh bags during the corresponding period last year.

At NCDEX the April contract is trading around 3900/Qtl while the seed prices in the May contract is hovering around 3950/Qtl.

India's palm oil imports have fallen m-o-m but the buying is still strong due to competitive price pressuring the mustard oil and subsequently the rapeseed-mustard prices.

Malaysia's January 1-25 palm oil exports rose 9.3 percent to 904,257 tons compared to 827,347 tons in the corresponding period last month. Top buyers were European Union at 178,315 tons (204,375 tons), China at 145,510 tons (154,477 tons), India at 58,550 tons (103,525 tons), United States at 44,450 tons (36,925 tons) and Pakistan at 22,000 tons (14,150 tons). Values in brackets are figures of corresponding period last month, reported cargo surveyor Societe Generale de Surveillance (SGS).

Malaysia's palm oil production in 2017 is estimated to rise 12 percent to 19.4 MMT from 17.4 MMT in 2016. Exports of palm oil in 2017 from Malaysia will increase 11.2 percent to 17.85 MMT from 16.05 MMT in 2016. CPO prices are expected to remain firm in 2017, according to the board, said the Malaysia Palm Oil Board (MPOB).

### Previous Updates

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Malaysia's December palm oil end stocks rose 0.2 percent to 16.65 lakh tons compared to 15.63 lakh tons in November. Market expectation was fall of end stocks. Production dropped 6.43 percent in December to 14.74

lakh tons compared to 15.75 lakh tons in November. Exports in December fell 7.48 to 12.64 lakh tons compared to November exports at 13.70 lakh tons. Imports in December fell 35.79 percent to 0.36 lakh ton compared to 0.57 lakh tons in November, said Malaysian Palm Oil Board (MPOB).

India's December edible oil imports fell 16.7 percent y-o-y to 11.74 lakh tons from 14.09 lakh tons in December 2015. Palm oil imports fell 8.6 percent y-o-y to 7.23 lakh tons y-o-y from 7.91 lakh tons in December 2015. CPO Imports fell 14.2 percent y-o-y to 4.73 lakh tons from 5.51 lakh tons in December 2015. RBD palmolein imports rose 6 percent y-o-y to 2.46 lakh tons from 2.32 lakh tons in December 2015. Soy oil imports fell 52.7 percent y-o-y to 2.32 lakh tons from 4.90 lakh tons in December 2015.

Sunflower oil imports rose 44.3 percent y-o-y to 1.85 lakh tons from 1.03 lakh ton in December 2015. Rapeseed (Canola) oil imports rose 27 percent y-o-y to 0.33 lakh tons from 0.26 lakh tons in December 2015, reported by the Solvent Extractors Association (SEA).

India's December edible oil stocks at ports and pipelines rose 1.1 m-o-m to 18.45 lakh tons from 18.25 lakh tons in November 2016. Stocks of edible oil at ports rose to 695,000 tons (655,000 tons last month) which includes (CPO 240,000 tons, RBD Palmolein 145,000 tons, Degummed Soybean Oil 210,000 tons, Crude Sunflower Oil 90,000 tons and 10,000 tons of Rapeseed (Canola) Oil) and about 1,150,000 tons in pipelines (stocks in pipelines were at 1,170,000 tons in November). India is presently holding 34 days of edible oil requirement on 1st January, 2016 at 18.45 lakh tons compared to 33 days of requirements last month. India's monthly edible oil requirement is 16.5 lakh tons, as per Solvent Extractors Association (SEA).

Indonesia is expected to produce 32-33 MMT of palm oil in 2017 compared to estimated production of 28.5-30 MMT in 2016, higher by 16 percent y-o-y. Production in 2015 was 33 MMT. Wet condition in 2016 in Indonesia is primary reason for higher production in 2017. Exports are expected to grow to 23-25 MMT in 2017 compared to 23 MMT estimated in 2016. Palm oil prices rose in 2016 due to lower stocks of palm on El Nino, crude oil prices and biodiesel mandates in Indonesia and Malaysia, said Indonesia Palm Oil Association (GAPKI).

Indonesia has imposed crude palm oil duty for January at USD 3 per ton. The reference price of CPO is set at USD 788.26 per ton. Tax will be charged when the prices rise above USD 750 per ton, Indonesia government.

Malaysia increased crude palm oil export duty to 7 percent for January from 6 percent in December. Tax is calculated at reference price of 3,119.48 ringgit (\$696.62) per ton. Prices above 2,250 are taxed starting from 4.5 percent to a maximum of 8.5 percent, Malaysia Palm Oil Board (MPOB).

India's rapeseed-mustard is driven by Malaysian palm oil, India's edible oil imports and Chinese vegoil demand.

*Outlook: The rapeseed-mustard is expected to witness downward movement higher domestic acreage under the seed, upcoming new marketing season and better kharif oilseeds production and their supplies.*

## 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
3700	3650	3874	3925	4030

- RM seed fell on selling pressure, during the week.
- Prices closed below 18-day EMA.
- RSI and stochastic are falling in the 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 3970. Levels: Target – 3870; T2- 3800, SL – 4030.

## Annexure

**Oilseed Prices at Key Spot Markets:**

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	27-Jan-17		20-Jan-17		
	Low	High	Low	High	
Indore –Plant	2900	3000	2850	3000	Unch
Indore–Mandi	2600	2800	2750	2950	-150
Nagpur-Plant	2950	3050	2975	3075	-25
Nagpur – Mandi	2550	2810	2600	2900	-90
Latur – Mandi	2640	2960	2650	3000	-40
Kota-Plant	2950	3000	2900	2975	25
Kota – Mandi	2850	2950	2825	2940	10
Bundi-Plant	2975	3000	3000	3065	-65
Bundi-Mandi	2900	2950	2800	2850	100
Baran-Plant	2700	3050	2500	3000	50
Baran-Mandi	2800	2925	2850	2900	25
Bhawani Mandi Jhalawar–Kota-Plant Delivery	2925	3050	2900	3000	50
Jhalwar-Mandi	2940	3000	2900	2950	50
Rapeseed/Mustard					
Jaipur-(Condition)	4200	4205	4350	4355	-150
Alwar-(Condition)	3950	4000	4150	4200	-200
SriGanganagar-(Non-Condition-Unpaid)	3600	3650	3700	3750	-100
New Delhi–(Condition)(New Crop)	4100	4150	4250	4300	-150
Kota-Non-(Condition)	3600	3650	3650	3750	-100
Agra-(Condition)	4525	4550	4675	4725	-175
Neewai	3800	3925	3900	4050	-125
Hapur (UP)(New Crop)	4175	4200	4100	4200	Unch
Groundnut Seed					
Rajkot	836	836	850	850	-14
Sunflower Seed					
Gulbarga	2825	3504	2820	3158	346
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	NA	NA	NA	NA	-
Sesame Seed					
Mumbai (White98/2/1	6700	6700	6500	6500	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
		21st Jan to 27th Jan 2017	14th Jan to 20th Jan 2017	
Soybean				
	Madhya Pradesh	505000	680000	-175000
	Maharashtra	440000	650000	-210000
	Rajasthan	240000	500000	-260000
	Bundi (Raj)	1050	1000	50
	Baran (Raj)	16700	16500	200
	Jhalawar (Raj)	6600	13400	-6800
Rapeseed/Mustard	Rajasthan	NA	NA	-

## MSP for 2016/17 Kharif Oilseeds

The Cabinet Committee on Economic Affairs, chaired by the Prime Minister Shri Narendra Modi, has given its approval for Minimum Support Prices (MSPs) for Kharif Crops of 2016-17 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 6.7% to Rs. 2775/Qtl (including Rs 100 bonus) for 2016-17 season from Rs.2600/Qtl in 2015-16, Groundnut -in- shell by 4.7% to Rs. 4220/Qtl (including Rs 100 bonus) from Rs 4030/Qtl, Sunflower seed by 3.9% to Rs 3950/Qtl (including Rs 200 bonus) from Rs 3800/Qtl, Nigerseed by 4.8% to 3825/Qtl (including Rs 100 bonus) from Rs 3650/Qtl and Sesamum by 6.4% to Rs 5000/Qtl (including Rs 200 bonus) from Rs 4700/Qtl.

## MSP for 2016/17 Rabi Oilseeds

The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2016-17 season are as follows: The MSP of Rapeseed/Mustard is raised (10.4%) by Rs. 350/Qtl to Rs. 3,700/Qtl from Rs. 3,350/Qtl earlier. For Safflower too it is increased (12.1%) by Rs. 400/Qtl to Rs. 3,700/Qtl from Rs. 3,300/Qtl in 2014-15. Further, to incentivize cultivation of oilseeds, the Cabinet has decided to give a bonus of Rs 100/- per quintal each for Rabi oilseeds including Rapeseeds/Mustards and Safflower, over and above the recommendations of the CACP.

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