

Oilseeds Weekly Research Report

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Executive Summary

Soybean, soy meal rebound on pickup in oilseeds and meal demand after they hit the levels near the strong support level, during the week under review. However, the rapeseed-mustard remained under pressure on expectation of higher seed production and with the commencement of new crop supplies

Further, the gains in the international oils and fats markets including CBOT soy complex and Malaysian palm oil remained supportive for the domestic seed and meal market.

India's soy meal exports once again posted commendable growth in January, as expected. Japan, South Asian and neighboring countries are the major buyers of Indian origin meal.

The domestic rapeseed-mustard crop is under maturity stage while the harvesting early crop is underway. The new crop prices are at a discount of around Rs 45 per quintal.

Expectation of higher rapeseed-mustard production this season after rise in the planted acreage limited the gains.

The domestic rapeseed-mustard crop is under pod formation stage and the crop is in good condition.

Further area coverage under other rabi oilseed crop is also up by over 6% 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 continue to remain under supply pressure in near-term.

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): The soybean is expected to slightly gain after it reached close to the strong support. 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 3000 – 3150 levels (Indore, Plant basis).

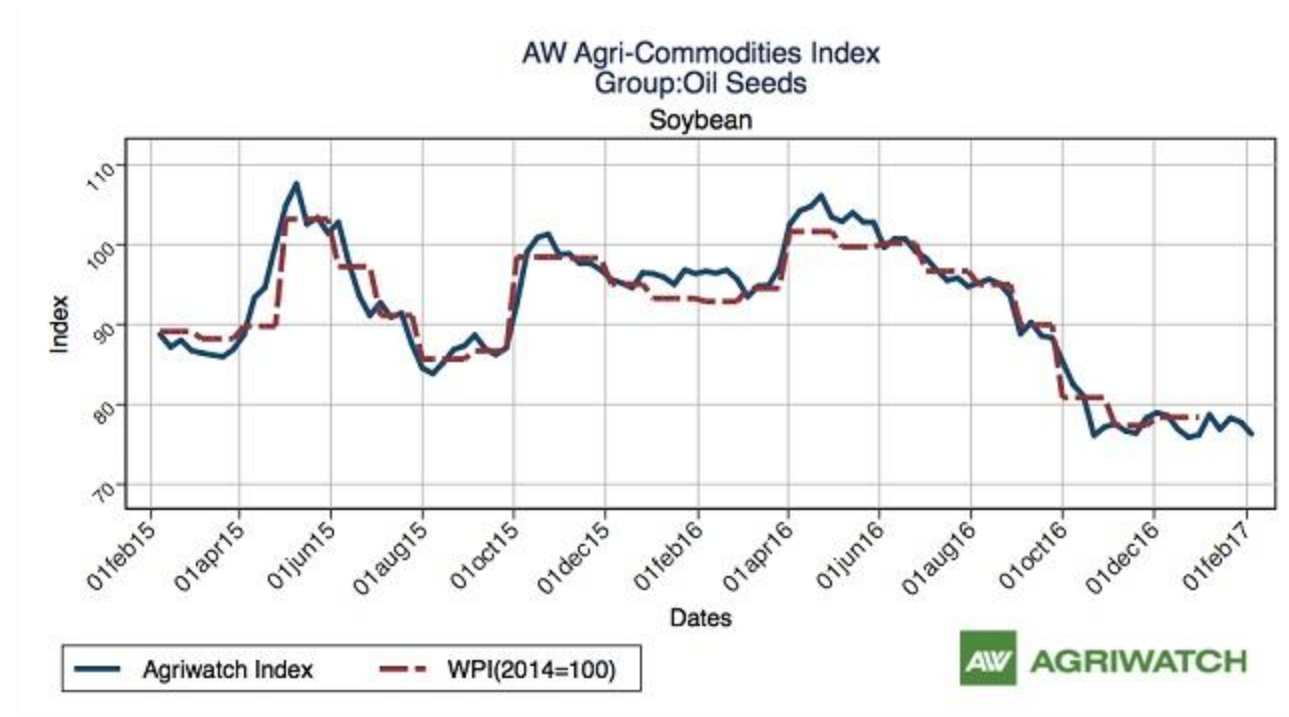
Outlook – Soy meal: Soy meal prices have rebound on good overseas demand. Expectation of higher crushing on good soybean production continues to be a pressurizing factor for the domestic soy meal. Indian meal exporters are advised to explore new markets and aggressively try to regain the lost markets 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 23,300 – 23,800/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. Expectation of higher seed production after increase in the 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 – 04 February 2017

The Agriwatch Agri Commodities Index dipped 0.32% to 114.85 during the week ended Feb 4, 2017 from 115.21 during the previous week. The base for the Index and all sub-Indices is 2014 (= 100).

In the commodity group sub-index, Oilseeds Index stood at 93.99 (-2.39%) 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. The daily indices are available on subscription. Please contact for more details."

International Highlights

- ❖ Safras and Mercado has projected its Brazil's 2016/17 soybean production estimated at record 107.1 million tonnes up 10.2% from previous season.
- ❖ In the monthly report Informa has raised the Brazil's 2016/17 soybean to 106.5 million tonnes, up 105 million in its previous estimate in December.
- ❖ INTL FC Stone has raised its Brazil's 2016/17 soybean production estimate to 104.1 million tonnes which is up from 102.8 million estimated in the January.
- ❖ European Union's 2016/17 soybean imports, by 31 Jan. 2017, have fallen by 6% to 7.6 million tonnes from 8.1 million tonnes registered at the corresponding period last year.
- ❖ Besides, the EU 2016/17 soy meal imports, by 31 Jan. 2017, are down by 14% at 10.7 million tonnes from 12.4 million previous year.
- ❖ AgRural consultancy estimated that the 2016/17 Brazil soybean crop harvest reached 4.3% of the area higher compared to 1.5% harvest in the corresponding period last year and 1.2% in the five-year average.
- ❖ 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.
- ❖ 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 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 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.
- ❖ 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 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 03 Feb. 2017), the total coverage area under Rabi oilseeds is reported at 84.35 lakh hectares, up 6.2% from 79.42 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported up by 9.3% at 70.56 lha compared to 64.53 lha during the corresponding period of last year. Groundnut at 6.16 lha vs 5.96 lha, safflower at 0.95 lha vs 1.17 lha, sunflower at 1.69 lha vs 3.21 lha, sesamum 0.57 vs 0.71 and Linseed at 3.84 lha vs 2.93 lha during the same period last year.

Area in Lakh Hectares

Crop	As on 03 Feb. 2017	As on 03 Feb. 2016	% Change
Rapeseed/Mustard	70.56	64.53	9.3
Groundnut	6.16	5.96	3.4
Safflower	0.95	1.17	-18.8
Sunflower	1.69	3.21	-47.4
Sesamum	0.57	0.71	-19.7
Linseed	3.84	2.93	31.1
Others	0.58	0.91	-36.3
Total Oilseeds	84.35	79.42	6.2

Source: MoA, GOI

Soybean

The domestic soybean posted gains on supportive buying by the solvent extractors to meet the overseas soy meal demand during the period in review.

However, the gains were restricted on better supplies in bean with improved soybean production this season.

Currently, about 1.10 – 1.40 lakh bags of soybean are arriving in cash markets of Madhya Pradesh against 0.25 – 0.42 lakh bags during the corresponding period last year.

Besides, slack in domestic soy meal demand too remained bearish for the bean. This is due to the weak demand in poultry. The only supportive factor for soybean is India's improved soy meal shipment in recent months.

Soy oil and meal are already available at attractive price in the international market. Hence, there is a need based buying by the solvent extractors. The imported soy oil is cheaper compared to the domestic.

The soy meal exporters continued to offer meal prices at the attractive prices to the foreign buyers mainly to keep the exports window open for some more time on bearish domestic supply scenario this season.

The *rabi* oilseeds planting is higher by 6% this season after increased *kharif* oilseeds production too remained pressurizing factor.

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.

Previous Update

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 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 has posted gains, two-week high, on strong demand for the US soybean before the advent of South America's new soybean crop supplies.

The CBOT soybean declined and the March contract soybean prices ended at US \$ 10.59/bushel and compared to US \$ 10.27/bushel last week.

However, gains are limited due to bearish global supply scenario primarily on record production forecast in South America.

Agroconsult has raised Brazil's 2016/17 soybean production estimate up to 105.3 million tonnes compared to 104.4 million predicted in early January.

The consultancy said it could further raise the production estimate after analyzing the recently collected data on productivity after the crop tour.

Rosario Grains Exchange has raised its Argentina's 2016/17 soybean production estimate to 54.5 million tonnes up from its previous forecast of 52.9 million citing higher yield potential.

The exchange has eased its estimate for soybean planted area of Argentina to 18.24 million hectares against 19.6 million projected earlier.

Reduction in the planted area is due to heavy rains in some parts of the growing region and drought in other which subsequently lowered the planting intention.

World exports of soybean were boosted by 23 million tonnes in the past 24 months. Soybean shipments of 5 top producing countries surged by 1.4 million tonnes in January'17, said Oil World.

Chinese soybean imports for Jan/Mar. 2017 are expected to be up by 3.0 million tonnes from the corresponding period last year, reports Oil World.

Previous updates:

Several agencies have raised Brazil's 2016/17 soybean production and estimates are between 103 -107 million tonnes.

Safras and Mercado has projected its Brazil's 2016/17 soybean production estimated at record 107.1 million tonnes up 10.2% from previous season.

The rise in production is attributed to favorable weather which has boosted the yield potential mainly in Midwest and Southeast.

The harvest in Mato Grosso is expected to stand at 30.06 million tonnes, 9% above previous season. In the state of Parana it is expected 17.8 million tonnes, up 7%. In Rio Grande do Sul, the harvest is likely to reach 16.5 million tonnes, up 1% from 2015/16.

Informa Economics has raised its Brazil's 2016/17 soybean crop and kept Argentina's production estimate unchanged.

In the monthly report Informa has raised Brazil's 2016/17 soybean to 106.5 million tonnes, up 105 million in its previous estimate in December.

It has kept the Argentina's 2016/17 soybean production unchanged at 55.0 million tonnes.

INTL FC Stone has raised its Brazil's 2016/17 soybean production estimate to 104.1 million tonnes which is up from 102.8 million estimated in the January.

Better yield is attributed to the higher production estimate. The consultancy has not reduced the planted area estimate while increased the productivity to 3.1 tonnes per hectares compared to 3.06 tonnes per hectares in January.

European Union's 2016/17 soybean imports, by 31 Jan. 2017, have fallen by 6% to 7.6 million tonnes from 8.1 million tonnes registered at the corresponding period last year.

Besides, the EU 2016/17 soy meal imports, by 31 Jan. 2017, are down by 14% at 10.7 million tonnes from 12.4 million previous year.

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 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 Argentina's soybean production forecast to 52.9 million tonnes from its earlier forecast of 54.4 million tonnes.

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.

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.

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 favorable 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 unfavorable weather condition and the country could harvest only 96.3 million tonnes of soybean.

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 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 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.

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

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

The domestic soy meal posted gains on improved exports right from the beginning of the commencement of the new marketing season.

India's soy meal exports are up consistently y-o-y. In January'17 soy meal exports surged 446% after it registered a gain of 736% in December 2017.

However, the domestic soy meal demand continued to remain weak on feeble demand in the poultry.

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 fall in the international market and the March CBOT soy meal settled at US \$ 342 per short ton compared to US \$ 331 per short ton last week.

The domestic soy meal prices at Indore, slightly improve and were quoted at Rs 23,200 – 23,7000/MT compared to Rs 23,056 – 23,650/MT compared to previous week.

At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 23,900/MT and 23,400/MT respectively compared to Rs 23,500/MT in Indore and in Kota.

Previous Updates

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, the disparity on crushing soybean will increase.

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 January 2017 is 1,55,164 tons compared to 28,398 tons in January 2016 showing an increase of 446.38% over the same period of last year.

On a financial year basis, the export during April'2016 to January'2017 is 6,01,294 tons as compared to 3,30,702 tons in the same period of previous year showing an increase of 81.82%.

During current Oil year, (October – September), total exports during October 2016 to January 2017 is 5,25,562 tons as against 1,29,174 tons last year, showing an increase by 306.86%, as reported by SOPA.

Japan (47703.830 MT), Bangladesh (44100.000 MT), France (35700.000 MT), Myanmar (12451.030 MT) and Indonesia (6435.000 MT) remained the top buyers of the soy meal of Indian origin during the month of January 2017.

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 23,200 – 23,700/MT during the week compared to Rs 33,200 – 33,700/MT during the corresponding period last year.

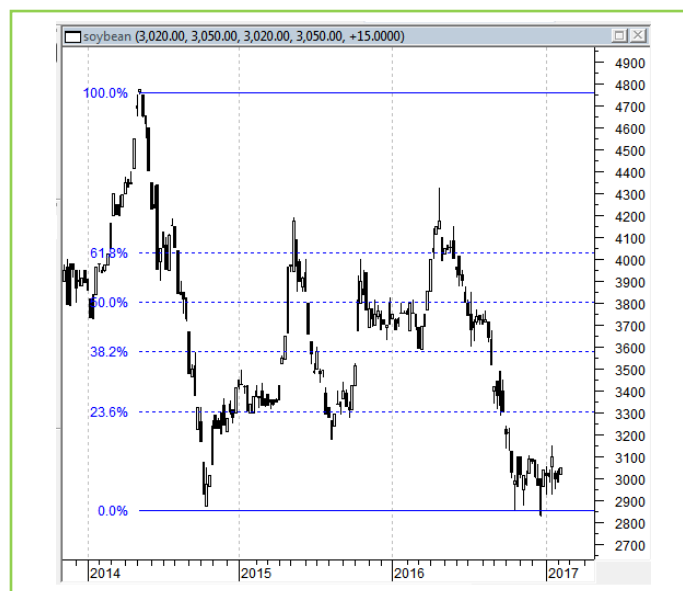
The soy meal prices are likely to feature range-bound movement with firm-bias on likely fresh buying by the poultry and feed manufacturing industry. However, higher domestic and international soybean production will limit the gains market, in near-term.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Mar. contract

S1	S2	PCP	R1	R2
2900	2950	3060	3156	3230

- Soybean fell on selling pressure in the market.
- 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 – Mar.) Week: **SELL** Below 3160. Levels: T1 – 3060; T2- 3010, SL - 3220.

Rapeseed - Mustard Seed

The domestic rapeseed-mustard remained under pressure on new crop supplies and on expectation of higher seed production this season.

The mustard seed crop is under pod formation to maturity phase and the crop is in healthy condition. There are no reports of any huge crop damage due to pest, disease or adverse weather condition.

However, fresh new crop buying limited the losses during the period. The old crop seed is at a premium of Rs 30-50 per quintal compared to the new crop prices at the benchmark, Jaipur.

Currently, around 30,000 – 35,000 bags new and old crop seed is arriving in various cash markets of Rajasthan.

In the recent government update on rabi crop planting, India's rapeseed-mustard sowing is reported up by 9.3% at 70.56 lha compared to 64.53 lha during the corresponding period of last year.

India is expected to produce around 7.0 million tonnes of rapeseed-mustard in 2016/17 with an average yield of about 1000 kg/ha compared to 5.8 million in 2015/16.

The seed prices, during the week, at benchmark, Jaipur was quoted between Rs. 4,130 – 4,170 per quintal compared to Rs. 4,270 – 4,235 per quintal witnessed in the corresponding periods last year.

The all India daily arrivals of the with new crop supplies, nearly contributing 50% of the total Rajasthan seed supplies,, were reported between 0.60– 0.80 lakh bags and are lower compared to 0.95 - 1.30 lakh bags during the corresponding period last year.

At NCDEX - futures the April contract is trading around 3850/Qtl while the seed prices in the May contract is hovering around 3890/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 February 1 – 10 palm oil exports fell 0.4 percent to 337,282 tons compared to 338,777 tons exported during Jan. 1 – 10. Top buyers were European Union at 38,500 tons (27,760 tons), China at 76,500 tons (50,000 tons), Pakistan at 12,000 tons (7,000 tons), United States at 21,130 tons (14,100 tons) and India at 15,800 tons (4,500 tons). Values in brackets are figures of Jan. 1 – 10, reported cargo surveyor Societe Generale de Surveillance (SGS).

Malaysia's palm oil stocks declined to their lowest volume in 5-months at the end of January 2017. The fall is attributed to fall in the production and rise in exports in 5-months.

However, the inventories remained higher than the market/industry expectations.

The January palm oil inventories fell to 7.6% to 1.54 million tonnes, reportedly first month-on-month fall since August, reported by Malaysian Palm Oil Board (MPOB).

The fall in inventories supported the Malaysian palm oil prices at higher levels at BMD.

According to Indonesia Palm Oil Association, Indonesia's 2017 crude palm oil production is estimated to rise 12.7 percent to 35.5 MMT compared to 31.1 MMT in 2016. Heavy rains in 2016 will support palm oil production and growth in plantation in 2013 will bear fruit in 2017.

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

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 seed production after rise in the 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
3650	3600	3812	3901	4000

- 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 3915. Levels: Target – 3815; T2- 3790, SL – 3975.

Annexure

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	10-Feb-17		3-Feb-17		
	Low	High	Low	High	
Indore –Plant	3000	3100	3025	3065	35
Indore–Mandi	2750	2950	2800	2950	Unch
Nagpur-Plant	2900	3030	2850	2960	70
Nagpur – Mandi	2550	2740	2500	2760	-20
Latur – Mandi	2560	2900	2650	2911	-11
Kota-Plant	2950	3000	2975	3020	-20
Kota – Mandi	2900	2950	2900	2950	Unch
Bundi-Plant	3020	3025	3050	3080	-55
Bundi-Mandi	2900	2950	2900	2950	Unch
Baran-Plant	2800	3020	2700	3080	-60
Baran-Mandi	2820	2925	2820	2925	Unch
Bhawani Mandi Jhalawar–Kota-Plant Delivery	2900	3030	2950	3110	-80
Jhalwar-Mandi	2900	2975	2900	2975	Unch
Rapeseed/Mustard					
Jaipur-(Condition)	4155	4160	4170	4175	-15
Alwar-(Condition)	3800	3900	3950	4000	-100
SriGanganagar-(Non-Condition-Unpaid)	3500	3600	3500	3600	Unch
New Delhi–(Condition)(New Crop)	4050	4100	4025	4075	25
Kota-Non-(Condition)	3500	3550	3500	3550	Unch
Agra-(Condition)	4500	4575	4500	4550	25
Neewai	3800	3850	3800	3880	-30
Hapur (UP)(New Crop)	3950	4000	3950	4000	Unch
Groundnut Seed					
Rajkot	843	843	844	844	-1
Sunflower Seed					
Gulbarga	3052	3404	2855	3408	-4
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	NA	NA	NA	NA	-
Sesame Seed					
Mumbai (White98/2/1	6800	6800	6700	6700	100

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
		4th Feb to 10th Feb 2017	28th Jan to 3rd Feb 2017	
Soybean				
	Madhya Pradesh	785000	500000	285000
	Maharashtra	765000	425000	340000
	Rajasthan	125000	202000	-77000
	Bundi (Raj)	Closed	550	-
	Baran (Raj)	Closed	14700	-
	Jhalawar (Raj)	Closed	7200	-
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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