

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean, by and large witnessed mostly positive tone during the week on decline in arrivals in the mandis and good demand in the cash market. The recent hike in import duty on edible oils by the government is likely to boost the oilseeds in the coming days.

Till date monsoon has been normal in the country. However the distribution of rainfall has been erratic with some regions receiving excess and certain regions receiving deficit rainfall. This will affect the productivity of the crop during the season.

India's soybean planting is in full swing with the monsoon rains in the key growing belt. However the overall sowing progress is below previous year's level.

The overall monsoon is forecast to be normal.

We expect the domestic 2017 soybean planting to be lower compared to the previous year, due to the lower remuneration in the crop to the farmers and the area is much likely to shift to cotton and urad.

Attractive price for soy meal by South America and positive tone in INR is limiting the gains in the cash market.

Bearish supply and demand data for soybean in the USDA's August monthly report will weigh on the market in the coming days.

The rapeseed-mustard prices noticed recovery amid festive demand in the domestic market and positive tone of palm oil at BMD.

Overall, The rapeseed-mustard prices will remain under overall higher supply pressure. However the recent hike in import duty on edible oils will lend some support to the market.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean witnessed mostly positive tone on decline in arrivals, good demand in the domestic market and lower soybean acreage till date. Bearish global supply scenario, strength in INR against US dollar and higher soy production will cap gains in the medium -term. Dry weather conditions in certain U.S. growing regions will lend some support to the market in the near -term. The prices are expected to feature range bound movement with firm bias between the price band of 2900 – 3100 level (Indore, Plant basis).

**Outlook – Soy meal:** Soy meal noticed range –bound to weak tone on slack demand in the cash market and spillover weakness from soy meal at CBOT. Concern over appreciation in INR against USD will render India's meal exports non-competitive in the international market will limiting the gains. In last three months the export of oil meals improved compared to the previous year, thanks to good monsoon, better oilseeds production and price parity. India faced drought years during 2014-15 and 2015-16, which lead to lower production of oilseeds which affected export of oil meals to a lowest level, however with good monsoon last year, export revived to some extent. The domestic meal prices are likely to remain under supply pressure and feature range bound movement in near-term. Soy meal, Indore is expected to be in the range of 24,000 – 25,000/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard noticed range – bound to firm tone amid festive demand in the domestic market and support from palm oil at BMD. The seed prices are likely to feature range-bound movement with firm bias and witness the levels between 3850 – 3950/Qtl; levels during the week.

## International Highlights

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- ❖ According to Abiove, soybean crop forecast in 2017/18 increased to 113.8 million tonnes, higher by 0.5% compared to forecast in June. Brazil's soybean export forecast has been increased to 64 million tonnes from 63 million tonnes.
- ❖ China's import of soybean increased by 31% to 10.08 million tonnes in July compared to June and is the highest on records since 2010. China brought in 54.89 million tonnes from January to July, up 16.8 percent from the same period last year according to the General Administration of Customs.
- ❖ In the weekly USDA crop progress report released on 07 August; Soybeans blooming are reported at 90% which is same as 90% during the corresponding period last year and up from the 5 year average of 88%. Soybean crop setting pods are reported at 65% which is down from 67% during the corresponding period last year and up from the 5 year average of 62%. About 60% of the soybean planted crop is under good to excellent condition which is down from 72% during the corresponding period last year.
- ❖ U.S. oilseed production for 2017/18 is projected at 130.9 million tons, up 3.9 million from last month mainly due to higher soybean production in the August monthly supply and demand report released by USDA. Soybean production is forecast at 4,381 million bushels, up 121 million on higher yields. Harvested area is forecast at 88.7 million acres, unchanged from July. The first survey-based soybean yield forecast of 49.4 bushels per acre is 1.4 bushels above last month but 2.7 below last year's record. With higher production and lower beginning stocks, soybean supplies for 2017/18 are projected at 4,777 million bushels, up 2 percent from last month.
- ❖ U.S. soybean exports are raised 75 million bushels to 2,225 million on increased supplies and lower prices. Crush is reduced on lower global soybean meal import demand. Soybean ending stocks are projected at 475 million bushels, up 15 million from last month.
- ❖ According to a recent estimate released by FC Stone during the week, US soybean harvest in 2017 is forecast at 4.235 billion bushels with an average yield of 47.7 bushels per acre.
- ❖ According to trade ministry, Brazil exported 6.96 million tonnes of soybean in July 2017 compared to 9.20 million tonnes previous month and 5.79 million tonnes in July 2016. Soy meal exports for July 2017 totaled at

1.16 million tonnes compared to 1.39 million tonnes previous month and 1.39 million tonnes during the same period previous year.

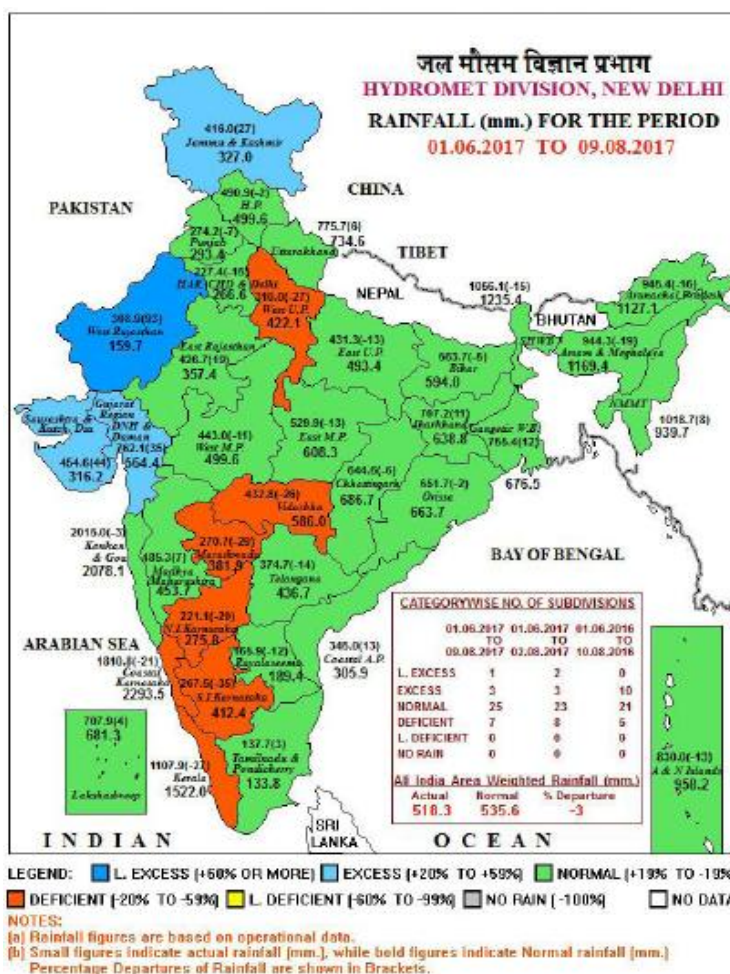
- ❖ According to Informa, U.S. 2017 soybean production is forecast at 4.196 billion bushels with a yield of 47.3 bushels per acre.
- ❖ European Union soybean imports in the 2017/18 season that began on July 1 had reached 1.04 million tonnes by Aug. 1, down 29 percent from 1.45 million tonnes at the same stage last season; according to official data sources. In soy meal, cumulative EU imports so far in 2017/18 were 1.72 million tonnes, up 3 percent from 1.67 million a year ago.
- ❖ According to the Ministry of Agriculture, soybean production in Brazil is expected to decline by 2 per cent to 110.66 million tonnes in 2017-18 compared to previous year.
- ❖ In its July crop report, soybean production in Argentina has been reduced to 55 million tonnes compared to 57 million tonnes estimated in the month of June according to the Ministry of Agriculture. Production has declined as a result of lower planting area.
- ❖ The IGC has reduced the global soybean output in 2017/18 following overly dry weather in North America, the EU and Australia. Global soybean production in 2017/18 was put at 345 million tonnes, down from a previous forecast of 348 million but still the second-biggest crop on record.
- ❖ According to NOPA, 138.074 million bushels soybean was crushed in June 2017 compared to 149.246 million bushels previous month. It is below analyst's expectation of 143.093 million bushels. Soy meal exports during the month declined to 562,684 tons compared to 592,924 tons in May and 594,710 tons a year earlier. Soy oil stocks as of June 30, fell to 1.703 billion pounds from 1.749 billion at the end of May. NOPA reported soy oil stocks of 1.985 billion pounds at the end of June 2016.
- ❖ Oil World has raised their forecast of South American soybean production for 2016/17 to a record 182.4 million tonnes which is up 16.9 million tonnes from the previous season.
- ❖ The agency – Oil World has projected China's Oct/Sept 2016/17 soybean imports to 89.0 million tonnes, the figure is higher compared to the China's official figures which estimated the imports at 86.5 million tonnes during the same period.

## IMD Monsoon Forecast and Current Rainfall Status

In the IMD's Operational 2<sup>nd</sup> half Long Range forecast for the 2017:

- The rainfall over the country as a whole during second half of southwest monsoon season (August to September) is most likely to be normal (94%-106% of LPA).
- Quantitatively, the rainfall for the country as a whole during the second half of the season is likely to be 100% of LPA with a model error of  $\pm 8\%$ .
- The rainfall during August is likely to be  $99 \pm 9\%$  of LPA.
- The seasonal (June to September) rainfall over the country as a whole is likely to be normal (96% - 104% of LPA) as predicted in June.

The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.



## Soybean

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The domestic soybean witnessed positive tone on decline in arrivals, good demand in the domestic market and lower sowing progress till date in the current season. Recent hike in import duty on edible oils will lend some support to the market. However overall bearish scenario in the global market and strength in INR vs. Dollar will limit gains in the coming days.

According to Ministry of Finance, Government of India in Notification no 71/2017-Customs, dated August 11, 2017, import duty on crude palm oil have been hiked from 7.5 percent to 15 percent and refined palm oil to 25 percent from 15 percent. Crude edible oils other than crude palm oil import duty are hiked to 17.5 percent from 12.5 percent. All other refined oils will be taxed at 25 percent from current 20 percent.

Decision of to hike in import duty has been taken to protect the interest of farmers and encourage domestic crushing industry. However, this decision falls short of industry demand for differential between crude and refined edible oils import duty at 15 percent or more, whereas government has only provided the duty differential at 7.5-10 percent.

The domestic soybean planting is underway and currently it is lagging from the corresponding period last year. The soybean cultivators are cautious in planting the bean this year, as they couldn't get the considerable remuneration for their produce this season. Erratic rain during the recent days is likely to affect the productivity of the crop.

The domestic bean prices are at 5 year low and we feel the do not expect prices are not expected to recover soon on record global supply pressure. The recent gains are likely to be for short –term.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 145,000 bags compared to 295,000 bags reported in the previous week. Arrivals were lower as the mandis remained closed in the initial part of the week for the festival of 'Rakhi'.

Monsoon rainfall is likely to remain normal in the remaining two months of the season according to IMD, setting the stage for a good kharif harvest and strong rural demand. Rainfall in the four-month season since June 1, has been normal in most parts of the country, barring the southern states.

Rainfall in August is likely to be around 99% of long-period average, with a model error of +9%, as forecasted in June. Rainfall from August 10 is likely to be subdued over Central India and south peninsular region.

IMD in its weekly Southwest monsoon progress report (01.06.2017 to 09.08.2017) has reported India's actual rainfall at 518.3 mm against the normal 535.6 mm and departure stands at -3% till 09 August 2017.

In West Madhya Pradesh, the departure of Southwest monsoon has declined to normal by -11%, actual rains is reported at 443.0 mm vs 499.6 mm normal till 09 August 2017 by IMD. Vidarbha reported the departure of -26%, actual rains 432.8 mm vs 586.4 mm normal. Marathwada reported the departure of -29% with actual rains of 270.7 mm vs 381.9 mm, East Rajasthan reported a departure of 19% with actual rains 426.7 mm vs 357.4 mm normal.

Forecast of normal seasonal/monsoon this season is expected to boost the soybean production.



The area coverage under soybean, as on 11<sup>th</sup> August, is reported down 9.22% at 101.59 lakh hectares compared to 111.91 lakh hectares at the same period last year.

| <b>Crop</b>           | <b>As on 11 Aug. 2017</b> | <b>As on 11 Aug. 2016</b> | <b>% Chg.</b> |
|-----------------------|---------------------------|---------------------------|---------------|
| Groundnut             | 36.50                     | 42.02                     | -13.12        |
| Soybean               | 101.59                    | 111.91                    | -9.22         |
| Sunflower             | 1.16                      | 1.42                      | -17.94        |
| Sesamum               | 11.36                     | 12.74                     | -10.82        |
| Niger                 | 0.66                      | 0.44                      | 51.61         |
| Castor                | 3.01                      | 2.63                      | 14.44         |
| <b>Total Oilseeds</b> | <b>154.29</b>             | <b>171.15</b>             | <b>-9.85</b>  |

Source: MoA

The total sown area under *kharif* oilseeds, as on 11<sup>th</sup> August, is lower compared to the previous year's level which is down by 9.85% at 154.29 lakh hectares compared to 171.15 lakh hectares during the corresponding period last year.

India's total area under soybean in 2016 was 114.78 lakh hectares which was lower by 1.4% from 2015.

In Madhya Pradesh, the government has announced to procure soybean from farmers at Minimum Support Price.

We expect India's area under soybean in 2017 to be lower than 2016 with the fall in planting intention due to the lower remuneration for the crop to the farmers. The farmers are cautious in planting early this season and some have shifted to cotton or pulses which will eventually reduce the planted area under soybean this year.

*Higher domestic soybean production which subsequently improved soy meal production outlook will continue to pressure the bean. Slack in domestic soy meal offtake due to weak poultry demand and cheap soy oil imports continued to remain limiting 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, DivyaJyoti, 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, Sawariyaltarsi, Sitashri, Vippy (10-2-2 specification) for Dewas and Mandsaur delivery during the week.***

## Previous Update

The domestic oilseeds processors are consistently urging the government to increase the import duty on edible oils which has paved the way for cheap import of edible oils mainly from Argentina, Malaysia, Indonesia and Ukraine.

This in turn has hurt the oilseeds processing industry leading to lower crush margin and strengthening of INR against USD, has led to the decline in revenues from the byproducts.



We expect India's soy meal exports to ease in coming months. Seasonally India's soy meal exports are at high volume, during October thru February due to higher pace in crushing the bean.

Stronger INR against US dollar, huge South American soy supplies continued to remain weak factor as the Indian soy meal price has been out-priced in the international market in recent weeks.

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 were lower in the key markets of Madhya Pradesh, Rajasthan and Maharashtra.

***The domestic soybean prices are likely to feature range-bound movement with firm bias on lower supplies and likely good demand in the cash market.***

## **International:**

The international benchmark, CBOT soybean posted loss amid bearish supply and demand data released by the USDA for the month of August and forecast of cooler temperatures in the coming days.

At CBOT, the soybean, in the most active November contract, ended lower at US \$ 9.45/bushel compared to US \$ 9.57/bushel last week.

According to Informa, U.S. 2017 soybean production is forecast at 4.196 billion bushels with a yield of 47.3 bushels per acre.

In the weekly USDA crop progress report released on 07 August; Soybeans blooming are reported at 90% which is same as 90% during the corresponding period last year and up from the 5 year average of 88%.

Soybean crop setting pods are reported at 65% which is down from 67% during the corresponding period last year and up from the 5 year average of 62%.

About 60% of the soybean planted crop is under in good to excellent condition which is down from 72% during the corresponding period last year.

European Union soybean imports in the 2017/18 season that began on July 1 had reached 1.04 million tonnes by Aug. 1, down 29 percent from 1.45 million tonnes at the same stage last season according to official data sources.

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In soy meal, cumulative EU imports so far in 2017/18 were 1.72 million tonnes, up 3 percent from 1.67 million a year ago.

#### **Previous updates**

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In the USDA quarterly stock report, It has been reported that the US soybeans stored in all positions on June 1, 2017 totaled 963 million bushels, up 11 percent from June 1, 2016.

On-farm stocks totaled 333 million bushels, up 18 percent from a year ago. Off-farm stocks, at 631 million bushels, are up 7 percent from a year ago.

Indicated disappearance for the March - May 2017 quarter totaled 775 million bushels, up 18 percent from the same corresponding period a year earlier.

Brazil's has exported a record 45.5 million tonnes of soybean in the 1st half of the marketing season.

ANEC sees Brazil's July'17 soybean exports at 7 million tonnes.

Abiove has once again raised Brazil's 2016/17 soybean production projection to 113.2 million tonnes which is up from the previous forecast of 112.5 million tonnes.

Brazil's soybean exports projection for the year increased to 63 million tonnes from 61.7 million tonnes estimated earlier and the soybean processing is forecast at 41 million tonnes.

The U.S. Department of Agriculture's National Agricultural Statistics Service (NASS) estimated a record high 89.5 million acres of soybeans planted in the United States for 2017, up 7 percent from last year.

Further, US soybean area for harvest is estimated at a record high 88.7 million acres, if realized, up 7 percent from 2016.

Brazil's 2016/17 soybean crop production is projected at 113.3 million tonnes by the Safras.

Informa Economics has once again raised Brazil's 2016/17 soybean production estimate to 114.5 million tonnes from 113 million forecast previous month.

Soybean planting in Brazil covered an area of 33.8 million hectares in 2017 which was up 1.8% from the previous season, said food supply and statistics agency Conab.

Safras & Mercado have forecast Brazil's soybean export at 61 million tonnes in 2017/18 (Feb/Jan) which is 17% higher compared to 2016/17. The forecast is in line with Abiove estimates.

The soybean production is expected at 116.156 MMT in 2017/18. Total soybean demand will be higher by 10% at 105.1 million tonnes, said the agency.

Buenos Aires Grains Exchange has raised Argentina's 2016/17 soybean crop estimate to 57.5 million tonnes from 56.5 million tonnes estimated earlier. Higher soybean crop is due to high yields brought by wet weather.

*The international soybean prices are expected to feature range bound movement with weak-bias on record global supply scenario. Dry weather in certain growing regions will limit the losses in the coming days.*

## Soy meal

The domestic meal prices noticed range –bound to weak tone on lower demand in the cash market and spillover weakness from soy meal at CBOT.

The monsoon has covered almost whole country leading to fall in the weather temperature by 5-8 degrees Celsius in recent days.

Monsoon has given respite to the poultry birds from heat waves and the feed intake is expected to improve which falls during summers.

Besides, we expect increase in the poultry demand with the fall in temperature, in coming days. However higher supplies in the domestic and international market is likely to negate good demand in medium -term.

The domestic soybean planting is underway and forecast of normal monsoon should prove favourable for the bean production. But, the planted area under soybean is expected to fall this season. Till date sowing is lagging behind previous year.

Further, competitive price offer by South America for soy meal has already witnessed reduction in the international meal demand from India.

But, significantly lower domestic soy meal price, this season, hasve obviously lend some support to India's soy meal exports in previous months.

***India's soy meal exports and its other value added products ((HS Code 2304 and 1208) during July 2017 is 0.98 lakh tons compared to 0.29 lakh tons in July 2016 showing an increase of 235% over the same corresponding period of last year.***

***On a financial year basis, the export during April'2017 to July'2017 stands at 6.38 lakh tons as compared to 4.13 lakh tons in the same period of previous year showing an increase of 54%.***

***During current oil year, (October – September), total exports during October 2016 to July 2017 is 16.46 lakh tons as against 3.48 lakh tons during the same period last year, showing an increase by 373%, reported by SOPA.***

Currently, the domestic meal prices are lower compared to the corresponding period last year.

Strength in INR against USD in recent months and improved seasonal South American soy supplies still continue to be concern for meal exports from India.

The forward booking for soy meal have reduced as compared to the previous months with competitive price offers by South America.

Soy meal declined in international market, during the week.

CBOT soy meal December contract settled at US \$ 304.20 per short ton compared to US \$ 309.40 per short ton last week.

According to USDA weekly export sales report, net sales of 6,000 MT for 2016/2017 resulted as increases for Venezuela (30,000 MT, switched from unknown destinations), Canada (11,600 MT), Colombia (10,000 MT), and the Philippines (8,100 MT). Reductions were reported for unknown destinations (64,500 MT), China (30,000 MT), and Nicaragua (300 MT). For 2017/2018, net sales of 136,500 MT were reported primarily for the Philippines (43,000 MT), Colombia (41,500 MT), Mexico (21,900 MT), and El Salvador (12,000 MT). Exports of 186,100 MT were down 2 percent from the previous week, but up 27 percent from the prior 4-week average. The destinations were primarily the Philippines (91,500 MT), Mexico (43,900 MT), Canada (15,700 MT), Israel (11,000 MT), and Guatemala (7,100 MT).

The domestic soy meal prices at Indore, were quoted at Rs 24,400 – 24,900/MT compared to Rs. 24,600/MT - 25,000/MT in previous week. At Latur and Nanded, Maharashtra, soy meal witnessed steady to weak tone and were quoted at Rs 26,000/MT and 26,400/MT respectively compared to Rs 24,400/MT in Indore and Rs 25,000/MT in Kota.

### **Previous Updates**

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India's oilseeds industry body, Solvent Extractors Association has slashed India's 2016/17 soy meal exports forecast by 25% to 1.5 million tonnes from its previous outlook. The situation will either leave higher meal inventories or the exporters will

have to cut down the export prices further during the season ending September.

Despite strength in INR against US dollar, India has registered gains in the soy meal exports in the current season. It will eventually make India's soy meal export prices unattractive.

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 must 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 months in soy meal have made the imports from India, lucrative.

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.

*Indian meal prices need to be highly competitive against the South American and China's meal prices to regain the 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 once again recovered the lost ground but with stiff price competition against the South American meal. Iran, Japan, Europe, Thailand, Vietnam, Indonesia and South Korea were the major destinations for Indian soy meal exports, who have once again started buying from India whenever the offer is attractive compared to South America.*

India's Y-o-Y soy meal prices, Indore, are currently lower. Soy meal Indore was quoted lower between Rs 24,400 – 24,900/MT during the week compared to Rs 33,000 – 33,500/MT during the corresponding period last year.

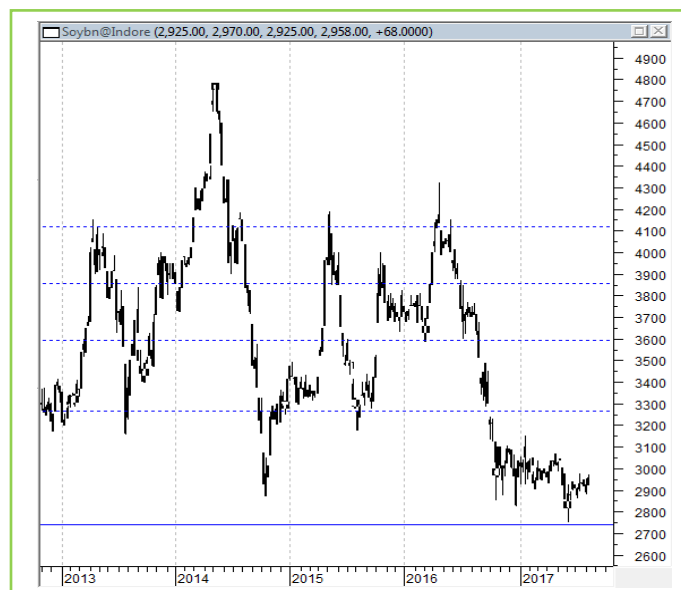
The soy meal prices are likely to feature range-bound movement with weak-bias on strength in INR against US dollar and higher domestic and international soybean production will add to the weak tone, in near-term.

### **Technical Analysis:**

#### **NCDEX Soybean Futures**



#### **Soybean Spot, Indore**



**\*Note: Daily Chart**

#### **Support & Resistance NCDEX Soybean – Oct. contract**

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3050 | 3000 | 3133 | 3203 | 3280 |

- Soybean noticed uptrend on buying interest, during the week.
- Prices closed above 18-day EMA.
- RSI and stochastic are increasing in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature gain in the coming week.
- Trade Recommendation (NCDEX Soybean – Oct.): **BUY** Above 3050. Levels: T1 – 3150; T2- 3200, SL - 2970.

## Rapeseed - Mustard Seed

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The domestic rapeseed-mustard noticed range –bound to firm tone on good festive demand and positive tone of palm oil at BMD.

The hike in import duty on edible oils will lend some support to the market in the near –term. According to Ministry of Finance, Government of India, in Notification no 71/2017-Customs, dated August 11, 2017, import duty on crude palm oil have has been hiked from 7.5 percent to 15 percent and refined palm oil to 25 percent from 15 percent. Crude edible oils other than crude palm oil import duty are is hiked to 17.5 percent from 12.5 percent. All other refined oils will be taxed at 25 percent from current 20 percent.

Decision of hike in import duty has been taken to protect the interest of farmers and encourage domestic crushing industry. However, this decision falls short of industry demand for differential between crude and refined edible oils import duty at 15 percent or more, whereas government has only provided the duty differential at 7.5-10 percent.

However higher domestic production and eventually increase in the seed supplies will limit gains in the coming days.

**The all India seed supplies were reported between 1.20 – 1.35 lakh bags in a day compared to around 1.05 – 1.35 bags a day, previous week. The supplies were 0.70 – 0.80 lakh bags a day during the corresponding period last year.**

The seed prices are still lower at spot market and are quoted at around Rs 3,850 – 3,875 a quintal compared to Rs 5,120 – 5,185 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at September contract ended higher at 3734/Qtl compared to 3686/Qtl previous week.

The rapeseed-mustard prices are driven by India's edible oil imports, Chinese veg. oil demand and Malaysian palm oil. India's edible oil imports increased in June.

### Previous Updates

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Agriwatch has projected India's 2016/17 rapeseed production at 7.0 million tonnes with an average yield of about 1000 kg/ha compared to 5.8 million in 2015/16 while Solvent Extractors of India has estimated India's seed production at 7.2 million tonnes.

According to Solvent Extractors Association (SEA), India's June edible oil imports rose 11.6 percent y-o-y to 12.94 lakh tons from 11.59 lakh tons in June 2016. Palm oil imports in June rose 34.9 percent y-o-y to 8.2 lakh tons from 6.08 lakh tons in June 2016. CPO Imports rose 38.4 percent y-o-y to 5.72 lakh tons from 4.16 lakh tons in June 2016.

RBD palmolein imports rose 26.3 percent y-o-y to 2.40 lakh tons from 1.90 lakh tons in June 2016. Soy oil imports fell 24.6 percent y-o-y to 2.91 lakh tons from 3.86 lakh tons in June 2016. Sunflower oil imports rose 15 percent y-o-y to 1.69 lakh tons from 1.47 lakh ton in June 2016. Rapeseed (Canola) oil rose to 0.13 lakh tons in June compared to 0.18 lakh tons in June 2016.

According to Solvent Extractors Association (SEA), India's June edible oil stocks at ports and pipelines rose 5 percent m-o-m to 22.78 lakh tons from 21.60 lakh tons in May 2017. Stocks of edible oil at ports fell to 738,000 tons (CPO 270,000 tons, RBD Palmolein 150,000 tons, Degummed Soybean Oil 160,000 tons, Crude Sunflower Oil 140,000 tons and 18,000 tons of Rapeseed (Canola) Oil) and about 1,540,000 tons in pipelines (stocks at ports were 770,000 and in pipelines were at 2,160,000 tons in May 2017).

India is presently holding 39 days of edible oil requirement on 1st July, 2017 at 22.78 lakh tons compared to 37 days of requirements last month. India's monthly edible oil requirement is 17.5 lakh tons.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's August 1-10 palm oil exports fell 4.8 percent to 363,007 tons compared to 381,241 tons in last month. Top buyers were European Union at 50,968 tons (103,520 tons), China at 33,500 tons (53,116 tons), India at 65,990 tons (44,800 tons), United States at 14,280 tons (13,230 tons) and Pakistan at 0 tons (12,000 tons). Values in brackets are figures of last month.

According to cargo surveyor Intertek Testing Services (ITS), Malaysia's August 1-10 palm oil exports fell 1.4 percent to 355,009 tons v/s 360,114 tons in last month. Top buyers were European Union at 96,655 tons (137,465 tons), India & subcontinent at 43,000 tons (54,300 tons) and China at 49,500 tons (39,626 tons). Values in brackets are figures of last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's July palm oil end stocks increased 16.8 percent to 17.84 lakh tons compared to 15.27 lakh tons in June. Production of palm oil in July increased 20.7 percent to 18.27 lakh tons compared to 15.14 lakh tons in June. Exports increased 1.3 percent to 13.98 lakh tons compared to 13.80 lakh tons in June. Imports of palm oil in July increased 15.22 percent to 0.53 lakh tons compared to 0.46 lakh tons in June.

According to Malaysia Palm Oil Board (MPOB), Malaysia reduced August crude palm oil export duty to 5.5 percent from 6.5 percent in July. Tax is calculated at reference price of 2699.54 ringgit (\$629.56) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Indonesia trade ministry, Indonesia keeps August palm oil export duty to zero, unchanged from last month. Tax is not charged if prices at or below USD 750 per ton. Indonesia keeps export duty at zero as it expects that prices will miss certain thresholds.

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).



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).

According to China's General Administration of Customs (CNGOIC), China's imports of edible vegetable oil in July fell 30.4 percent to 2.7 lakh tons compared to 3.9 lakh tons in June. Imports fell 40 percent compared to corresponding period last year which was reported at 4.5 lakh tons. Year to date imports of edible vegetable oil rose 5.4 percent to 30.4 lakh tons.

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

*Outlook: The rapeseed-mustard is expected to notice range –bound to firm tone in near -term amid good demand in the domestic market and the recent hike in import duty on edible oils will lend some support to domestic oilseeds.*

## Technical Analysis:

### NCDEX RM Seed Futures



\*Note: Daily Chart

### RM Seed Spot, Jaipur



### Support & Resistance NCDEX RM Seed – Sep. contract

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3630 | 3593 | 3734 | 3800 | 3897 |

- Upward movement witnessed in RM seed.
- Prices closed above 18-day EMA.
- RSI and stochastic are increasing in the neutral zone.
- MACD is declining in the positive territory.
- The prices are expected to feature range-bound movement with firm bias, during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Sep) Week: **BUY** Above 3675. Levels: Target – 3775; T2- 3825, SL –3595.

## Annexure

### Oilseed Prices at Key Spot Markets:

| Commodity / Centre                         | Prices (Rs/Qtl) |      |          |      | Change |
|--|-----------------|------|----------|------|--------|
| Soybean                                    | 11-Aug-17       |      | 4-Aug-17 |      |        |
|  | Low             | High | Low      | High |        |
| Indore –Plant                              | 2925            | 2990 | 2830     | 2930 | 60     |
| Indore–Mandi                               | 2850            | 2950 | 2820     | 2850 | 100    |
| Nagpur-Plant                               | 2850            | 3000 | 2990     | 3030 | -30    |
| Nagpur – Mandi                             | 2500            | 2900 | 2550     | 2820 | 80     |
| Latur – Mandi                              | 2575            | 2950 | 2590     | 2920 | 30     |
| Kota-Plant                                 | 2820            | 2870 | 2800     | 2850 | 20     |
| Kota – Mandi                               | 2775            | 2875 | 2750     | 2850 | 25     |
| Bundi-Plant                                | 2870            | 2975 | 2820     | 2900 | 75     |
| Bundi-Mandi                                | 2800            | 2900 | 2800     | 2850 | 50     |
| Baran-Plant                                | 2825            | 2900 | 2870     | 2925 | -25    |
| Baran-Mandi                                | 2750            | 2850 | 2700     | 2800 | 50     |
| Bhawani Mandi Jhalawar–Kota-Plant Delivery | 2870            | 2900 | 2900     | 2920 | -20    |
| Jhalwar-Mandi                              | 2750            | 2850 | 2750     | 2825 | 25     |
| Rapeseed/Mustard                           |                 |      |          |      |        |
| Jaipur-(Condition)(New Crop)               | 3860            | 3865 | 3850     | 3855 | 10     |
| Alwar-(Condition)(New Crop)                | 3650            | 3700 | 3650     | 3700 | Unch   |
| SriGanganagar-(Non-Condition-Unpaid)       | 3300            | 3330 | 3300     | 3350 | -20    |
| New Delhi–(Condition)(New Crop)            | 3500            | 3600 | 3575     | 3600 | Unch   |
| Kota-Non-(Condition)(New Crop)             | 3250            | 3350 | 3250     | 3300 | 50     |
| Agra-(Condition)(New Crop)                 | 4200            | 4225 | 4175     | 4200 | 25     |
| Neewai(New Crop)                           | 3700            | 3800 | 3570     | 3690 | 110    |
| Hapur (UP)(New Crop)                       | 3700            | 3750 | 3750     | 3800 | -50    |
| Groundnut Seed                             |                 |      |          |      |        |
| Rajkot                                     | 710             | 710  | 750      | 750  | -40    |
| Sunflower Seed                             |                 |      |          |      |        |
| Gulbarga                                   | NA              | NA   | NA       | NA   | -      |
| Latur                                      | NA              | NA   | NA       | NA   | -      |
| Sholapur(New Crop)                         | NA              | NA   | NA       | NA   | -      |
| Sesame Seed                                |                 |      |          |      |        |

|                     |      |      |      |      |     |
|---------------------|------|------|------|------|-----|
| Mumbai (White98/2/1 | 6850 | 6850 | 6750 | 6750 | 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  |
|------------------|----------------|--------------------------------|------------------------------|---------|
|                  |                | 5th August to 11th August 2017 | 29th July to 4th August 2017 |         |
| Soybean          | Madhya Pradesh | 145000                         | 295000                       | -150000 |
|                  | Maharashtra    | 135000                         | 305000                       | -170000 |
|                  | Rajasthan      | 58000                          | 106000                       | -48000  |
|                  | Bundi (Raj)    | 1500                           | 900                          | 600     |
|                  | Baran (Raj)    | 4000                           | 19400                        | -15400  |
|                  | Jhalawar (Raj) | 2850                           | 5900                         | -3050   |
|                  |                |                                |                              |         |
| Rapeseed/Mustard | Rajasthan      | 260000                         | 260000                       | Unch    |

## India's Oilseeds Production Seen Record at 32.52 Mn T vs 25.3 Mn in 3<sup>rd</sup> Adv Est. - GOI

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The 3rd Advance Estimates of production of major crops for 2016-17 have been released today by the Department of Agriculture, Cooperation and Farmers Welfare. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources. As a result of very good rainfall during monsoon 2016 and various policy initiatives taken by the Government, the country has witnessed record foodgrain production in the current year.

The estimated production of major Oilseeds during 2016-17 is as under:

Oilseeds – 32.52 million tonnes

- Soyabean – 14.01 million tonnes
- Groundnut – 7.65 million tonnes
- Castorseed – 1.55 million tonnes

With an increase of 8.35 million tonnes over the previous year, total Oilseeds production in the country is estimated at record level of 33.60 million tonnes. It is higher by 0.85 million tonnes than the previous record production of 32.75 million tonnes achieved during 2013-14.

The production of Oilseeds during 2016-17 is also higher by 4.34 million tonnes than the five year's average Oilseeds production. The current year's production is significantly higher than the production of 25.25 million tonnes during 2015-16.

## MSP for 2017/18 Kharif Oilseeds

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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 2017-18 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.9% to Rs 3050/Qtl (including Rs 100 bonus) for 2017-18 season from Rs 2,775/Qtl in 2016-17, Groundnut -in- shell by 5.5% to Rs 4,450/Qtl (including Rs 100 bonus) from Rs 4,220/Qtl, Sunflower seed by 3.8% to Rs 4,100/Qtl (including Rs 200 bonus) from Rs 3,950/Qtl, Nigerseed by 5.9% to 4,050/Qtl (including Rs 100 bonus) from Rs 3,825/Qtl and Sesamum by 6.0% to Rs 5,300/Qtl (including Rs 200 bonus) from Rs 5,000/Qtl.

## MSP for 2016/17 Rabi Oilseeds

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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.

## Sown Area – *Rabi* Oilseeds, India

In the official Rabi oilseeds planting report, by the Ministry of Agriculture, 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 0.57vs0.71 and Linseed at 3.84 lha vs 2.93 lha during the corresponding period last year.

Area in Lakh Hectares

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

Source: MoA, GOI

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