

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean witnessed range –bound to firm tone during the week amid limited availability in the cash market and lower kharif oilseeds acreage till date, compared to previous year. However, upside was limited following weakness in soybean at CBOT. Soybean at CBOT closed lower on favorable weather in the soybean growing regions and likely decline in demand from China in the coming days. NOPA released soybean crush estimates for the month of May, which was higher compared to previous month amid strong processing margin. The weekly soybean export sales released by the USDA, were lower compared to previous week. China has started auction of soybean from its state reserves, which will add to the supply in the market.

In the domestic market, mandis in Madhya Pradesh remained closed from 21<sup>st</sup> -23<sup>rd</sup> June, 2018 following strike. As such availability was less in the market. Sowing activities have started in different areas., hHowever, it is behind previous year.

According to NOPA, soybean crush estimates for the month of May has been estimated at 163.572 million bushels compared to 163.016 million bushels previous month. Soybean planting till 18 June has been reported at 97% compared to 95% previous year and five year average of 91%. Forecast of favourable weather in the coming days will add to the weak tone of the market. The weekly export sales of soybean released by the USDA, were below previous week. China has started auction of soybean from its state reserves, which will add to the supply side.

Soy meal noticed mostly weak tone amid lack –luster demand in the domestic market, coupled with early weakness in soy meal at CBOT. According to market sources, there has been forward booking of Indian soy meal in July and August from Iran. This will lend some support to the market in the coming days.

Rapeseed prices witnessed range –bound to weak tone amid lack of demand from the millers. Weak tone of palm oil at BMD weighed on prices. All India average arrival of rapeseed was reported to be around 1.70 lakh bags per day during the week.

There is record supply in the global market, which will add to the overall weak tone in the coming days.

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** The soybean noticed slightly firm tone during the week amid lower availability in the domestic market and lower kharif acreage till date, compared to previous year. However, upside was limited following weakness in soybean at CBOT. Soybean at CBOT closed lower on favourable weather in the soybean growing regions and likely decline in demand from China in the coming days. NOPA has estimated higher soybean crush figures for the month of May compared to previous month. The weekly export sales of soybean released by the USDA were lower compared to previous week. The prices are expected to feature range bound movement with firm bias between the price band of 3300 – 3700 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal witnessed easy tone amid lack –luster demand in the cash market and early weakness in soy meal at CBOT. According to market sources, there has been forward booking of Indian soy meal for July and August from Iran. This will lend some support to the market in the coming days. Soy meal, Indore is expected to be in the range of 27,500 – 29,500/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard witnessed slightly weak tone on lack of demand from the millers and weak tone of palm oil at BMD. All India average arrival of rapeseed was reported to be around 1.70 lakh bags per day during the week. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 4000 – 4200/Qtl; levels during the week.

## International Highlights

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- ❖ According to National Oilseed Processors Association (NOPA), U.S. May soybean crush rose to 163.572 million bushels from 149.246 million bushels in May 2017 amid strong processing margins. Crush of soybean in April 2018 was 163.016 million bushels. Soy meal exports in May declined to 909,241 metric tonnes, from 946,291 metric tonnes the previous month and higher than 592,924 metric tonnes in May 2017. Soy oil stocks as of May. 31 declined to 1.856 billion pounds, down from 2.092 billion pounds at the end of April 2018.
- ❖ In the weekly USDA crop progress report released by USDA, on 18 June; Soybeans planting are reported at 97% which is up from 95% from the corresponding period last year and higher compared to the 5 year average of 91%. About 90% of the crop has emerged which is higher than 87% during the corresponding period last year and also up from the 5 year average of 81%. About 73% of the soybean planted crop is under in good to excellent condition which is up from 67% during the corresponding period last year.
- ❖ According to Informa, U.S. soybean acreage has been increased to 89.902 million acres in 2018 compared to previous estimates of 89.40 million acres. The government is scheduled to release updated figures on June 29, 2018. In March 2018, USDA had forecast soybean acreage at 88.982 million acres.
- ❖ According to latest estimates by Conab, Brazil's soybean production is estimated at 118.05 MMT in 2017 -18 compared to previous estimates of 117 MMT.
- ❖ Net sales of 301,700 MT for 2017/2018 were down 42 percent from the previous week, but up 48 percent from the prior 4-week average. Increases were reported for the Netherlands (240,300 MT, including 219,300 MT switched from unknown destinations), Vietnam (82,300 MT, including 66,000 MT switched from China), Saudi Arabia (65,900 MT, including 60,000 MT switched from unknown destinations), Japan (54,700 MT, including 9,500 MT switched from unknown destinations and decreases of 600 MT), and Germany (52,500 MT, including 55,000 MT switched from unknown destinations and decreases of 2,500 MT) during the week June 08 -14, 2018. Reductions were primarily for unknown destinations (204,300 MT) and China (66,000 MT). For 2018/2019, net sales of 227,600 MT were primarily for unknown destinations (172,000 MT) and Japan (23,100 MT). Exports of 992,000 MT were up 66 percent from the previous week and 49 percent from the prior 4-week average. The destinations were to the Netherlands (240,300 MT), Egypt (155,900 MT),

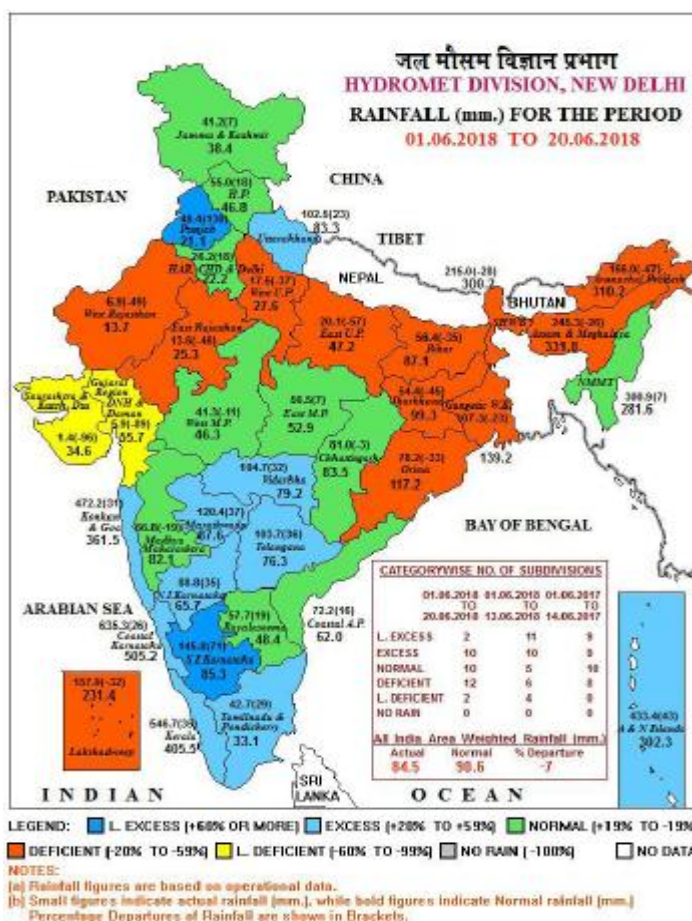
Taiwan (87,700 MT), Mexico (79,100 MT), and Vietnam (78,500 MT). The current week's net sales are lower compared to net sales of 519,600 MT during the previous week.

## IMD Monsoon Forecast and Current Rainfall Status

In the IMD's Operational 2<sup>nd</sup> stage Long Range forecast for the 2018:

- Rainfall over the country as a whole for the 2018 southwest monsoon season (June to September) is most likely to be NORMAL (96% to 104% of long period average (LPA)).
- Quantitatively, monsoon season (June to September) rainfall for the country as a whole is likely to be 97% of the LPA with a model error of  $\pm 4\%$ .
- Region wise, the season rainfall is likely to be 100% of LPA over North-West India, 99% of LPA over Central India, 95% of LPA over South Peninsula and 93% of LPA over North-East India all with a model error of  $\pm 8\%$ .
- The monthly rainfall over the country as whole is likely to be 101% of its LPA during July and 94% of LPA during August both with a model error of  $\pm 9\%$ .

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



## Soybean

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Soybean witnessed range –bound to weak tone during the week amid lower availability in the domestic market and lower kharif acreage till date, compared to previous year. However, upside was limited following weak tone of soybean at CBOT. Soybean at CBOT closed lower amid favourable weather in the soybean growing regions and likely decline in demand from China, in the coming days. NOPA has estimated higher soybean crush figures for the month of May compared to previous month. The weekly export sales of soybean released by the USDA were lower compared to previous week. China has started auction of soybean from its state reserves, which will add to the supply in the market.

In the domestic market, mandis in Madhya Pradesh remained closed from 21<sup>st</sup> -23<sup>rd</sup> June, 2018 following strike. As such availability was less in the market. Sowing activities have started in different areas., hHowever it is behind previous year.

Government of India (GOI) hiked import duty on imports of soy oil and sunflower oil recently. Import duty on crude soy oil was hiked from 30% to 35% while on refined soy oil it was hiked to 45% from 35%. Import duty on crude sunflower oil was hiked to 35% from 25% and on refined sunflower oil, it was hiked to 45% from 35%. Import duty on crude rapeseed oil was hiked to 35% from 25% and on refined repeseedrapeseed oil it was hiked to 45% from 35%.

Kharif Soybean MSP for 2018-19 has been increased from Rs.3050/Qtl to Rs.3325/Qtl. According to industry sources earlier, acreage under soybean is expected to increase by around 10 -15% this season. Farmers are likely to shift from cotton and pulses towards soybean. Higher soybean production will translate into higher soy meal production. This is likely to increase soy meal exports in the coming season. In 2017, soybean acreage was reported at 105.92 lakh hectares according to the Ministry Of Agriculture.

The total weekly soybean arrivals in the cash markets of Madhya Pradesh are reported at 275,000 bags compared to 180,000 bags reported in the previous week.

According to the Indian Meteorological Department (IMD), in 2018 monsoon is expected to be 97% of the long – term average. There is very less probability of a deficient monsoon this season. The next assessment on monsoon will be done in June.

According to SOPA, the total supply of soybean has been estimated at 96.50 lakh metric tonnes for the oil year 2017 -18 in its latest estimates released in April. For the period October -April of the current oil year, the production is estimated at 83.50 lakh metric tonnes, while the carryover from the previous year is put at 13.00 lakh metric tonnes.

The demand for crushing is likely to be around 80.00 lakh metric tonnes, while exports are projected at 2 lakh metric tonnes.

With 12 lakh metric tonnes retained for sowing and 1.5 lakh metric tonnes for direct consumption, the carryover for the coming year is estimated at 1.00 lakh metric tonnes.

**SOPA SOYEAN REVISED PRODUCTION ESTIMATES KHARIF 2017 As on 07.02.2018**

Area in Lakh Ha, Yield in Kg. Per Hectare, Production In Lakh MT

| S.No. | Division/District             | Kharif 2016<br>Production | Kharif 2017<br>Production |
|-------|-------------------------------|---------------------------|---------------------------|
| 1     | Madhya Pradesh                | 54.01                     | 42.00                     |
| 2     | Maharashtra                   | 35.81                     | 29.00                     |
| 3     | Rajasthan                     | 9.81                      | 7.50                      |
| 4     | Andhra Pradesh<br>& Telangana | 2.99                      | 1.06                      |
| 5     | Karnataka                     | 3.24                      | 1.73                      |
| 6     | Chattisgarh                   | 1.34                      | 0.86                      |
| 7     | Gujarat                       | 1.38                      | 0.89                      |
| 8     | Rest Of India                 | 1.13                      | 0.46                      |
|       | <b>Grand Total</b>            | 109.71                    | 83.50                     |

The area coverage under soybean, as on 22 June, is reported down 58.75% at 2.12 lakh hectares compared to 5.14 lakh hectares at the same period last year.

| Crop                  | As on 22 Jun. 2018 | As on 22 Jun. 2017 | % Chg. |
|-----------------------|--------------------|--------------------|--------|
| Groundnut             | 1.94               | 3.78               | -48.68 |
| Soybean               | 2.12               | 5.14               | -58.75 |
| Sunflower             | 0.25               | 0.28               | -10.71 |
| Sesamum               | 0.62               | 0.63               | -1.59  |
| Niger                 | 0.02               | 0.00               |        |
| Castor                | 0.07               | 0.10               | 0.00   |
| <b>Total Oilseeds</b> | 5.03               | 9.93               | -49.35 |

Source: MoA

The total sown area under *kharif* oilseeds, as on 22 June, is lower compared to the previous year's level, which is down by 49.35% at 5.03 lakh hectares compared to 9.93 lakh hectares during the corresponding period last year.

India's total area under soybean in 2017 was 105.92 lakh hectares which was lower by 7.72% from 2016.

*As per Agriwatch estimates, soybean production in the 2017-18 kharif season has been revised to 94 lakh metric tonnes compared to previous estimates of 98 lakh metric tonnes. India produced 115 lakh metric tonnes in 2016-17. Lower soybean production will lend some support to the market. However comfortable carry-in stocks and record soybean crop in U.S. Midwest will continue to be the limiting factor.*

The total sown area under rabi oilseeds, as on 9<sup>th</sup> February 2018, is lower compared to the previous year's level which is down by 5.27% at 80.87 lakh hectares compared to 84.85 lakh hectares during the corresponding period last year.



***The major buyers in Madhya Pradesh are as follows: Amrit Mandsaur, Ambika Kalapipal, Agrawal Neemuch, Adani Shujalpur, Agro Sol. Datia, Avi Agro, Bansal, Bajrang, Betul Oil, Dhanuka, DivyaJyoti, G. Ambuja, Itarsi, Indian Soya (3-2-10 specification), 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 for Dewas and Mandsaur delivery during the week.***

#### **Previous Update**

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We expect India's soy meal exports to pick up 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.

Huge South American soy supplies continue to influence the market as the Indian soy meal price has been out-priced in the international market in recent weeks.

Higher soybean supplies this season, mean increase in crushing and eventually, availability of more soy meal, eventually leading to higher exports. Prices need to be competitive to gain global share.

The soybean supplies were higher in the key market of Madhya Pradesh and lower in Maharashtra and Rajasthan during the week.

***The domestic soybean prices are likely to witness range –bound to firm tone on lower kharif acreage till date, compared to previous year.***

**International:**

The international benchmark, CBOT soybean closed lower amid favourable weather in the soybean growing regions.

At CBOT, the soybean, in the most active July contract, ended lower at US \$ 8.95/bushel compared to US \$ 9.05/bushel last week.

Net sales of 301,700 MT of soybean for 2017/2018 were down 42 percent from the previous week, but up 48 percent from the prior 4-week average. Increases were reported for the Netherlands (240,300 MT, including 219,300 MT switched from unknown destinations), Vietnam (82,300 MT, including 66,000 MT switched from China), Saudi Arabia (65,900 MT, including 60,000 MT switched from unknown destinations), Japan (54,700 MT, including 9,500 MT switched from unknown destinations and decreases of 600 MT), and Germany (52,500 MT, including 55,000 MT switched from unknown destinations and decreases of 2,500 MT) during the week June 08 - 14, 2018. Reductions were primarily for unknown destinations (204,300 MT) and China (66,000 MT). For 2018/2019, net sales of 227,600 MT were primarily for unknown destinations (172,000 MT) and Japan (23,100 MT). Exports of 992,000 MT were up 66 percent from the previous week and 49 percent from the prior 4-week average. The destinations were to the Netherlands (240,300 MT), Egypt (155,900 MT), Taiwan (87,700 MT), Mexico (79,100 MT), and Vietnam (78,500 MT). The current week's net sales are lower compared to net sales of 519,600 MT during the previous week.

**Previous updates**

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In the latest USDA quarterly stock report, it has been reported that the US soybeans stored in all positions on March 1, 2018 totaled 2.11 billion bushels, up 21 percent from March 1, 2017. It is higher than average trade estimate of 2.030 billion bushels.

On -farm stocks are estimated at 855 million bushels, up 28 percent from a year ago. Off-farm stocks, at 1.25 billion bushels, are up 17 percent from last March.

Indicated disappearance for the December 2017 - February 2018 quarter totalled 1.05 billion bushels, down 9 percent from the same period a year earlier.

In the weekly USDA crop progress report released on 11 June; Soybeans planting are reported at 93% which is up from 91% from the corresponding period last year and higher compared to the 5 year average of 85%. About 83% of the crop has emerged which is higher than 74% during the corresponding period last year and also up from the 5 year average of 69%. About 74% of the soybean planted crop is under good to excellent condition which is up from 66% during the corresponding period last year.

According to consultancy, Agroconsult soybean planted area in Brazil is expected to grow by 1 million hectares during the next season. New soybean planting is expected to grow in the areas, previously used for cattle ranching in Brazil.

According to the National Grain Trade Center, China will start soy oil auctions from state reserves from June 22, 2018.

The monthly supply and demand report of U.S. Department of Agriculture, its monthly supply and demand report for the month of June, forecasts U.S. soybean stocks at 505 million bushels in 2017-18, down 25 million bushels compared to previous month. Soybean exports are forecast unchanged at 2,290 million bushels in 2018 -19 compared to previous month. Soybean production is estimated at 4,280 million bushels in 2018-19, compared to 4296 million bushels previous year. Soybean production is up 0.7 MMT to 355.2 MMT mainly on higher production for Brazil. Global 2018/19 soybean ending stocks are increased 0.3 MMT to 87.0 MMT with higher stocks for Brazil partly offset by lower stocks for the United States and Argentina. Stocks for Argentina are lowered mainly on a 2.0 MMT reduction in the 2017/18 crop to 37 MMT.

According to Informa, U.S. soybean acreage has been increased to 89.902 million acres in 2018 compared to previous estimates of 89.40 million acres. The government is scheduled to release updated figures on June 29, 2018. In March 2018, USDA had forecast soybean acreage at 88.982 million acres.

According to data released by the Trade Ministry, Brazil's exports of soybean increased to 12.35 MMT in May 2018 compared to 10.26 MMT in April 2018 and 10.96 MMT during the same period previous year. Exports of soy meal increased to 1.65 MMT in May 2018 compared to 1.55 MMT in April 2018 and 1.63 MMT during the same corresponding period previous year.

According to latest USDA attache report, Argentina's 2018/19 soybean area of 19 million hectares is likely to produce 57.5 MMT after a 30 percent production drop in 2017/18 due to drought. Crush demands are forecast to double soybean imports to 4 MMT in 2017/18.

For the first time in last two decades, Argentina is importing soybean from U.S. in order to maintain soybean processing at normal levels. Local brokers estimate that total soybean imports in MY 2017/18 could range between 4-5.5 MMT, accounting for 10-12 percent of the total domestic crush. The local crush industry must import soybean resources to maintain operation, following lower domestic production this season due to drought.

According to the latest estimates by Safras, Brazil's soybean exports in 2018-19 (Feb –Jan) is expected to be around 70.8 MMT compared to previous estimates of 70.5 MMT in April. Soybean production is estimated at 6.192 MMT in 2018 -19 compared to previous estimates of 6.50 MMT. Soy meal production is forecast at 32.875 MMT in 2018 -19 compared to previous estimates of 32.725 MMT.

According to China's General Administration of Customs, soybean imports in May 2018 increased by 40 per cent to 9.69 MMT compared to previous month. It increased by 1 per cent compared to 9.59 MMT in May 2017. During the period January –May 2018, China imported 36.17 MMT soybeans, lower by 2.6 per cent compared to previous year.

According to the latest estimates by the Rosario Grains Exchange, Argentina's soybean output in 2017 -18 is estimated at 35 MMT compared to previous month's forecast of 37 MMT. Drought during the initial growing stage and recent excessive rains have affected the crop output.

According to USDA, in 2017-18 Argentina's soybean ending stocks are estimated to decline by 40% to 10.9 MMT. In 2018-19, soybean beginning stocks are likely to draw down 7.6 MMT to fulfill export and crush commitments. This will represent the highest draw down of soybean stocks in Argentina's history.

According to National Oilseed Processors Association (NOPA), U.S. April soybean crush rose to a record level of 161.016 million bushels from 139.134 million bushels in April 2017 amid strong processing margins. Crush of

soybean in March 2018 was 171.858 million bushels. Soy meal exports in April increased to 946,291 metric tonnes, from 878,582 metric tonnes the previous month and higher than 595,468 metric tonnes in April 2017. Soy oil stocks as of April. 30 increased to 2.092 billion pounds, up from 1.946 billion pounds at the end of March 2018. This is the highest stock on record since June 2013.

According to the latest estimates by the Buenos Aires Exchange, Argentina's soybean output has been reduced to 36 MMT compared to previous estimates of 38 MMT. Drought during the growth period and recent heavy rains during harvesting has affected output.

According to China's Agriculture ministry, soybean imports in 2018-19 are expected to decline by 0.3 per cent to 95.65 MMT compared to previous ar. Imports are expected to decline for the first time in the last 15 years following trade rift between U.S. and China. Soybean output is expected to increase by 4.9 per cent to 15.27 MMT in 2018 -19 compared to previous year.

The monthly supply and demand report of U.S. Department of Agriculture,'s monthly supply and demand report for the month of May, forecasts U.S. soybean stocks at 415 million bushels in 2018-19, down 115 million bushels from 2017-18. U.S. soybean exports are forecast at 2,290 million bushels, up 225 million bushels compared to 2017-18. Soybean production is estimated at 4,280 million bushels in 2018-19, compared to 4296 million bushels previous year. Soybean production for Argentina is projected up 17.0 million tons to 56.0 million tons in 2018-19. Production for Brazil is flat with the revised 2017/18 crop at 117 million tons as a 4 percent increase in harvested area. The 2018/19 soybean crop for China is down 0.1 million tons to 14.1 million tons. Global soybean stocks are forecast at 92.16 million tons in 2017-18 compared to previous month's estimates of 90.8 million tons.

According to the planting intentions report released by Statistics Canada, the total area under canola will decline by 7 per cent to 21.4 million acres in 2018 compared to previous year. Soybean acreage in Canada is expected to decline 11.4 percent from the record planted in 2017, to a total 6.5 million acres.

According to the latest report released by the IGC, soybean production in Argentina has been reduced to 38 MMT following hot and dry weather conditions in the growing regions compared to previous month's estimates of 43 MMT. This is in line with Argentina's Agriculture ministry forecast of 37.8 MMT released previous week.

According to the latest report by consultancy AgRural, Brazil's soybean output in 2017/18 has been estimated at 119 MMT compared to previous month's estimate of 117.9 MMT. According to AgRural excellent yield in the agricultural frontier Matopiba is boosting output.

The IGC has reduced the global soybean output in 2017/18 by 2 MMT to 347 MMT from its previous estimates following lower production in Argentina. Global soybean production in 2017/18 is still below the 2016/17 record crop of 351 MMT. The global harvested area for soybean in 2018-19 is expected to increase by 2 per cent. Soybean consumption is likely to increase to 353 MMT compared to 338 MMT in 2016/17.

*The international soybean prices are likely to notice range –bound to weak tone amid favourable weather in the soybean growing regions.*

## Soy meal

Soy meal witnessed mostly weak tone during the week, amid lack –luster demand in the cash market and early weakness in soy meal at CBOT. According to market sources, there has been forward booking of Indian soy meal for July and August from Iran. This will lend some support to the market in the coming days.

Soy meal ready for ready delivery in PP bags at Dhule was quoted at 29800+GST by MOEPL. This is with 46.5% protein content. However, it was quoted at 30200+GST at Latur by ADM for delivery in June. This is with 46% protein content and it was quoted at 30500+GST for delivery in July.

Kharif acreage under soybean this season, is likely to increase by 10 -15 per cent in the domestic market according to industry sources following increase in soybean price and hike in import duty to the highest level by the government. Higher soybean production will translate into higher soy meal production. This is likely to increase soy meal exports in the coming season.

***India's export of oil meals during April to May 2018 stands at 321,179 metric tonnes as compared to 348,222 metric tonnes in the correspondingsame period of previous year, showing a decline of 8% according to data released by the Solvent Extractor's Association of India. The exports of rapeseed meal have increased by nearly 56% to 143,699 metric tonnes during the period.***

***In the month of May 2018, export of oil meals declined to 97,036 metric tonnes compared to 144,524 metric tonnes during the same corresponding period previous year. Soy meal exports during the period April –May 2018 was reported down at 109,716 metric tonnes compared to 173,274 metric tonnes during the same corresponding period previous year.***

***Earnings from oilmeal exports increased by 48 per cent to Rs.4758 crores in the financial year 2017 -18. The growth in export earnings in the financial year 2017-18 is attributed to higher export of rapeseed meal at 663,988 tonnes which more than double compared to previous year, rice-bran extraction at 594,129 tonnes (up 77 per cent) and castor seed meal at 572,762 tonnes (up 39 per cent) compared to previous year.***

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

Soy meal declined in international market, during the week.

CBOT soy meal July contract settled at US \$ 339.10 per short ton compared to US \$ 338.90 per short ton last week.

Net sales of 115,100 MT of soybean cake and meal for 2017/2018 were up 54 percent from the previous week, but down 22 percent from the prior 4-week average. Increases were reported for Colombia (31,600 MT), Japan (19,300 MT), the Dominican Republic (17,500 MT), Mexico (15,900 MT, including decreases of 200 MT), and Canada (12,700 MT) during the week June 08 -14, 2018. Reductions were reported for Chile (1,600 MT), Spain (500 MT), and Nicaragua (200 MT). For 2018/2019, net sales of 5,000 MT were primarily for Japan (2,300 MT) and Guatemala (1,800 MT). Exports of 210,100 MT were down 32 percent from the previous week and 13 percent from the prior 4-week average. The primary destinations were Spain (69,000 MT), Mexico (25,200 MT),

Japan (20,200 MT), Colombia (20,000 MT), and Canada (18,900 MT). The current week's net sales for 2017/18 are higher compared to net sales of 74,600 MT during the previous week.

The domestic soy meal prices at Indore were quoted at Rs 28,300 – 28,800/MT compared to Rs. 28,500/MT - 29,200/MT in previous week. At Latur and Nanded, Maharashtra, soy meal noticed steady to firm tone and were quoted at Rs 30,000/MT and 30,200/MT respectively compared to Rs 28,300/MT in Indore and Rs 28,800/MT in Kota.

### **Previous Updates**

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India has registered gains in the soy meal exports in the current season. Recovery in INR against dollar will eventually make India's soy meal export prices unattractive and help South American soy meal to gain market share.

India is expected to produce 7-7.5 million metric tonnes of soy meal this season. Out of which 5 million metric tonnes will be consumed domestically but another 2 -2.5 million metric tonnes must be shipped overseas, failing which, the disparity on crushing soybean will increase.

We expect India's soy meal exports to decline slightly in the new season, with lower 2017/18 soybean production leading to lower crushing eventually decreasing 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.*

India's Y-o-Y soy meal prices, Indore, are currently higher compared to previous year. Soy meal Indore was quoted higher between Rs 28,300 – 28,800/MT during the week compared to Rs 23,300 – 23,700/MT during the corresponding period last year.

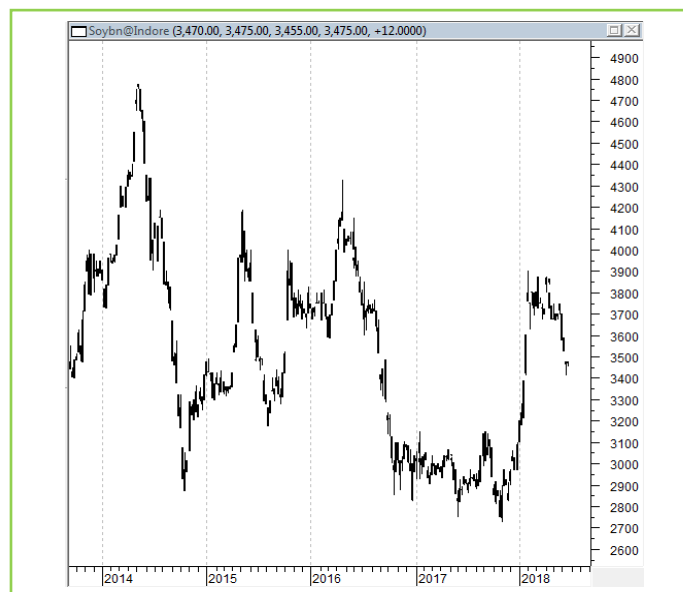
*The soy meal prices are likely to witness range –bound to firm tone amid expected demand in the market.*

### **Technical Analysis:**

#### **NCDEX Soybean Futures**



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



**\*Note: Daily Chart**

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

| <b>S1</b>   | <b>S2</b>   | <b>PCP</b>  | <b>R1</b>   | <b>R2</b>   |
|-------------|-------------|-------------|-------------|-------------|
| <b>3300</b> | <b>3250</b> | <b>3430</b> | <b>3600</b> | <b>3650</b> |

- Soybean noticed range –bound to weak tone, during the week.
- Prices closed below 18-day EMA.
- RSI is declining and stochastic is increasing in the neutral zone.
- MACD is increasing in the negative territory.
- The prices are expected to feature loss in the coming week.
- Trade Recommendation (NCDEX Soybean – July.): **SELL** Below 3500. Levels: T1 – 3400; T2- 3350, SL -3560.



## Rapeseed - Mustard Seed

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The domestic rapeseed-mustard witnessed range –bound to weak tone during the week amid lack of demand from the millers and weak tone of palm oil at BMD. All India average arrival of rapeseed was reported to be around 1.70 lakh bags per day during the week.

**The all India seed supplies were reported between 1.65 – 1.70 lakh bags in a day compared to around 1.80 – 2.00 bags a day, previous week. The supplies were 1.85 -2.00 lakh bags a day during the corresponding period last year.**

The seed prices are higher at spot market and are quoted at around Rs 4,080 – 4,105 a quintal compared to Rs 3,660 – 3,720 a quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at July contract ended lower at 3965/Qtl compared to 4015/Qtl previous week.

The area coverage under rapeseed in 2017 is reported down 5.27% at 66.88 lakh hectares compared to 70.56 lakh hectares previous year.

The total sown area under *rabi* oilseeds is lower compared to the previous year's level which is down by 5.27% at 80.87 lakh hectares compared to 84.85 lakh hectares during the corresponding period last year.

India's total area under rapeseed in 2017 was 70.56 lakh hectares which was higher by 9.3% from 2016.

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 November.

The Association of German farm co-operatives have reduced Germany's 2018 winter rapeseed crop to 4.05 MMT, lower by 5 per cent compared to previous year.

According to the latest attaché report released by the USDA, sunflower and rapeseed planted areas are projected to increase for MY2018/19 in Ukraine. Soybean seed area is likely to reduce due to recent changes in domestic tax policy. Those changes will give soybean crushers an advantage for processing versus exporting unprocessed soybeans, which will result in more exports of soybean meal and oil. Soybean production is expected to decline by 14% to 3.3 MMT in 2018-19. The USDA forecasts sunflower seed production in 2018-19 at 15.6 MMT, a 16% increase over the previous year. Rapeseed planted area is forecast to increase by 25% while production is projected to rise by 21% to 2.6 MMT.

According to the latest monthly report released by consultancy, Strategie Grains, rapeseed production estimates in European Union has been lowered to 22.2 MMT compared to previous month's estimates of 22.5 MMT. Lower production is following hampered crop development in the top producing countries of Germany, France, Britain and Poland.



## Previous Updates

Agriwatch had 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 tonnes in 2015/16 while Solvent Extractors of India had estimated India's seed production at 7.2 million tonnes.

According to Solvent Extractors Association (SEA), India's May edible oil imports fell 5.89 percent y-o-y to 12.46 lakh tons from 13.24 lakh tons in May 2017. Palm oil imports in May fell 37.7 percent y-o-y to 4.97 lakh tons from 7.98 lakh tons in May 2017. CPO Imports fell 32.5 percent y-o-y to 3.32 lakh tons from 4.92 lakh tons in May 2017. RBD palmolein imports fell 46.26 percent y-o-y to 1.58 lakh tons from 2.94 lakh tons in May 2017. Soy oil imports rose 16.76 percent in May y-o-y to 3.97 lakh tons from 3.40 lakh tons in May 2017. Sunflower oil imports rose 113.5 percent y-o-y in May to 3.31 lakh tons from 1.55 lakh tons in May 2017. Rapeseed (canola) oil import fell to 24.14 percent 0.22 lakh tons compared 0.29 imports in May 2017.

According to Solvent Extractors Association (SEA), India's May edible oil stocks at ports and pipelines rose 13.86 percent m-o-m to 26.62 lakh tons from 23.38 lakh tons in April 2018. Stocks of edible oil at ports rose to 1,002,000 tons (CPO 320,000 tons, RBD Palmolein 170,000 tons, Degummed Soybean Oil 230,000 tons, Crude Sunflower Oil 270,000 tons and 12,000 tons of Rapeseed (Canola) Oil) and about 1,660,000 tons in pipelines. (Stocks at ports were 1,068,000 tons in April 2018). India is presently holding 42 days of edible oil requirement on 1st June, 2018 at 26.62 lakh tons compared to 37 days of requirements last month at 23.38 lakh tons. India's monthly edible oil requirement is 19.0 lakh tons.

According to USDA June estimate, India's soy oil imports estimate in 2018/19 is increased to at 36.50 lakh tons from previous estimate of 35.50 lakh tons. Soy oil production estimate is unchanged at 16.35 lakh tons. Consumption estimate of soy oil is reduced to 51.0 lakh tons from previous estimate of 52.0 lakh tons. End stocks estimate of soy oil is increased to 4.28 lakh tons from 1.28 lakh tons in its previous estimate.

According to China General Administration of Customs (CNGOIC), China's March edible vegetable oil imports rose 14.0 percent to 399,000 tons from 350,000 tons in February. Exports fell 11.3 percent from March 2017 reported at 450,000 tons. Year to date imports fell 5.5 percent to 1,325,000 tons compared to corresponding period in 2017.

According to China's General Administration of Customs (CNGOIC), China's March palm oil imports rose 27.13 percent to 4.80 lakh tons compared to March 2017. Year to date imports of palm oil rose 5.53 percent to 13.21 lakh tons. Imports from Indonesia in March rose 35.29 percent to 3.47 lakh tons compared to March 2017. Year to date imports of palm oil from Indonesia rose 9.84 percent to 9.25 lakh tons. Imports from Malaysia in March rose 9.7 percent to 1.32 lakh tons compared to March 2017. Year to date imports of palm oil from Malaysia fell 3.39 percent to 3.95 lakh tons.

According to cargo surveyor Societe Generale de Surveillance (SGS), Malaysia's May palm oil exports fell 9.9 percent to 1,199,876 tons compared to 1,331,564 tons last month. Top buyers are European Union at 280,563 tons (294,573 tons), China at 190,903 tons (141,130 tons), Pakistan at 102,400 tons (100,100 tons), India at 91,920 tons (253,155 tons) and United States at 74,500 tons (50,770 tons). Values in brackets are figures of last month.

According to cargo surveyor AmSpec Agri, Malaysia's June 1-10 palm oil exports fell 20.1 percent to 324,947 tons compared to 406,689 tons in corresponding period last month.

According to Malaysia Palm Oil Board (MPOB), Malaysia's May palm oil stocks fell 0.51 percent to 21.70 lakh tons compared to 21.81 lakh tons in April. Production of palm oil in May fell 2.11 percent to 15.25 lakh tons compared to 15.58 lakh tons in April. Exports of palm oil in May fell 15.65 percent to 12.91 lakh tons compared to 15.30 lakh tons in April. Imports of palm oil in May fell 9.44 percent to 0.32 lakh tons compared to 0.36 lakh tons in April. Fall in end stocks of palm is lower than trade estimates.

According to Malaysia Palm Oil Board (MPOB), Malaysia's 2018 production is estimated to grow 3 percent to 20.5 MMT from 19.9 MMT in 2017. Malaysia's 2018 exports are estimated to rise 5.1 percent to 17.4 MMT. MPOB estimates palm oil stocks to fall 15.8 percent to 2.3 MMT.

According to Malaysia Palm Oil Board (MPOB), Malaysia kept crude palm oil export duty unchanged at 5 percent for July. Export duty of palm oil is calculated at reference price of 2,407.20 ringgit (\$611.41) per ton. Tax is calculated above 2,250 ringgit starting from 4.5 percent to a maximum of 8.5 percent.

According to Indonesian Palm Oil Association (GAPKI) Indonesia's shipment of palm oil and palm kernel oil dropped 7 percent to 2.39 million tonnes in April from a year earlier. Higher import duty has resulted in poor import demand from India, although usually the oil demand increases in the month prior to ramdaan. Year-on-year, January-April exports to India declined 24 percent to 1.8 million tonnes from 2.37 million tonnes in 2017.

According to GAPKI, exports of palm oil and palm kernel oil dropped 2.8 percent to 2.40 million tonnes in March from a year earlier. Indonesia had palm oil stocks of 3.65 million tonnes by end-March, up from 3.50 a month earlier.

According to the latest monthly estimates from Strategie Grains, rapeseed production estimates have been increased to 22.60 MMT in European Union for 2017/18 compared to previous estimates of 21.86 MMT and 20.34 MMT in 2016/17.

*Outlook: The rapeseed-mustard is likely to witness range –bound to weak tone amid lack of demand from the millers.*

### Technical Analysis:

#### NCDEX RM Seed Futures



\*Note: Daily Chart

#### RM Seed Spot, Jaipur



#### Support & Resistance NCDEX RM Seed - July. contract

| S1   | S2   | PCP  | R1   | R2   |
|------|------|------|------|------|
| 3800 | 3750 | 3965 | 4100 | 4150 |

- Downward movement witnessed in RM seed.
- Prices closed below 18-day EMA.
- RSI and stochastic are declining in the neutral zone.
- MACD is declining in the negative territory.
- The prices are expected to feature range-bound movement with weak bias, during the week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – July) Week: **SELL** Below 4025. Levels: Target – 3925; T2- 3875, SL –4085.

## Annexure

**Oilseed Prices at Key Spot Markets:**

| Commodity / Centre                         | Prices (Rs/Qtl) |      |           |      | Change |
|--|-----------------|------|-----------|------|--------|
| Soybean                                    | 22-Jun-18       |      | 15-Jun-18 |      |        |
|  | Low             | High | Low       | Low  |        |
| Indore –Plant                              | 3400            | 3550 | 3400      | 3525 | 25     |
| Indore–Mandi                               | 3200            | 3400 | 3200      | 3400 | Unch   |
| Nagpur-Plant                               | 3540            | 3580 | 3520      | 3580 | Unch   |
| Nagpur – Mandi                             | 3150            | 3375 | 3000      | 3210 | 165    |
| Latur – Mandi                              | 3250            | 3575 | 3300      | 3510 | 65     |
| Kota-Plant                                 | 3300            | 3425 | 3300      | 3350 | 75     |
| Kota – Mandi                               | 3300            | 3400 | 3200      | 3300 | 100    |
| Bundi-Plant                                | 3400            | 3450 | 3400      | 3450 | Unch   |
| Bundi-Mandi                                | 3200            | 3350 | 3300      | 3350 | Unch   |
| Baran-Plant                                | 3200            | 3400 | 3300      | 3400 | Unch   |
| Baran-Mandi                                | 3200            | 3250 | 3000      | 3320 | -70    |
| Bhawani Mandi Jhalawar–Kota-Plant Delivery | 3300            | 3450 | 3350      | 3400 | 50     |
| Jhalwar-Mandi                              | 3300            | 3400 | 3300      | 3340 | 60     |
| Rapeseed/Mustard                           |                 |      |           |      |        |
| Jaipur-(Condition)(New Crop)               | 4095            | 4100 | 4105      | 4110 | -10    |
| Alwar-(Condition)(New Crop)                | 3850            | 3900 | 3850      | 3900 | Unch   |
| SriGanganagar-(Non-Condition-Unpaid)       | 3640            | 3750 | 3700      | 3810 | -60    |
| New Delhi–(Condition)(New Crop)            | 3875            | 3925 | 3900      | 3980 | -55    |
| Kota-Non-(Condition)(New Crop)             | 3550            | 3600 | 3550      | 3700 | -100   |
| Agra-(Condition)(New Crop)                 | 4350            | 4425 | 4350      | 4450 | -25    |
| Neewai(New Crop)                           | 3950            | 4025 | 3900      | 4000 | 25     |
| Hapur (UP)(New Crop)                       | 3900            | 3975 | 3900      | 4000 | -25    |
| Groundnut Seed                             |                 |      |           |      |        |
| Rajkot                                     | NA              | NA   | NA        | NA   | -      |
| Sunflower Seed                             |                 |      |           |      |        |
| Gulbarga                                   | 2950            | 3400 | 3265      | 3468 | -68    |
| Latur                                      | NA              | NA   | NA        | NA   | -      |
| Sholapur(New Crop)                         | NA              | NA   | NA        | NA   | -      |
| Sesame Seed                                |                 |      |           |      |        |
| Mumbai (White98/2/1                        | 8700            | 8700 | 8650      | 8650 | 50     |

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  |
|------------------|----------------|-----------------------------|--|---------|
|                  |                | 18th June To 22nd June 2018 | 9th June To 15 <sup>th</sup> June 2018 |         |
| Soybean          |                |                             |  |         |
|                  | Madhya Pradesh | 275000                      | 180000                                 | 95000   |
|                  | Maharashtra    | 175000                      | 225000                                 | -50000  |
|                  | Rajasthan      | 58000                       | 60000                                  | -2000   |
|                  | Bundi (Raj)    | 210                         | 310                                    | -100    |
|                  | Baran (Raj)    | 5800                        | 5300                                   | -500    |
|                  | Jhalawar (Raj) | 2450                        | 2950                                   | -500    |
|                  |                |                             |  |         |
| Rapeseed/Mustard | Rajasthan      | 400000                      | 560000                                 | -160000 |

## India's Kharif Oilseeds Production Seen at 20.36 Mn T vs 21.51 Mn T in 2<sup>nd</sup> Adv Est. - GOI

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The 2<sup>nd</sup> Advance Estimates of production of major crops for 2017-18 have been released on 27 February, 2018 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 floods and erratic rainfall during monsoon 2017, the country has witnessed lower food grain production in the current year compared to previous year.

The estimated production of major Kharif Oilseeds during 2017-18 is as under:

Oilseeds – 20.36 million tonnes

- Soybean – 11.39 million tonnes
- Groundnut – 6.61 million tonnes
- Castorseed – 1.49 million tonnes

With a decline of 1.15 million tonnes over the previous year, total kharif Oilseeds production in the country is estimated at a level of 20.36 million tonnes. It is lower by 2.25 million tonnes than the all time record production of 22.61 million tonnes achieved during 2013-14.

The production of Oilseeds during 2017-18 is higher by 0.204 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 21.51 million tonnes during 2016-17.

## MSP for 2018/19 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 2018-19 season, the MSPs of all the Kharif oilseeds are raised for this season.

The MSP of Yellow Soybean is increased by 9.0% to Rs 3325/Qtl for 2018-19 season from Rs. 3050/Qtl (including Rs 100 bonus) in 2017-18, Groundnut -in- shell by 5.2% to Rs 4,680/Qtl from Rs 4,450Qtl (including Rs 100 bonus), Sunflower seed by 3.7% to Rs 4,250/Qtl from Rs 4,100/Qtl (including Rs 200 bonus), Nigerseed by 5.5% to 4,275/Qtl from Rs 4,050/Qtl (including Rs 100 bonus) and Sesamum by 5.7% to Rs 5,600/Qtl from Rs 5,300/Qtl (including Rs 200 bonus).

## MSP for 2017/18 Rabi Oilseeds

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The Cabinet Committee on Economic Affairs has approved the Minimum Support Prices (MSPs) for Rabi Oilseeds Crops of 2017-18 season are as follows: The MSP of Rapeseed/Mustard is raised (8.1%) by Rs. 300/Qtl to Rs. 4,000/Qtl from Rs. 3,700/Qtl earlier. For Safflower too it is increased (10.8%) by Rs. 400/Qtl to Rs. 4,100/Qtl from Rs. 3,700/Qtl in 2016-17.

## Sown Area – *Rabi* Oilseeds, India

In the official Rabi oilseeds planting report, by the Government of India, the total coverage area under Rabi oilseeds is reported at 80.87 lakh hectares, down 5.27% from 84.85 lakh ha in the corresponding period of last year. Of the major oilseeds, rapeseed-mustard sowing is reported down by 5.27% at 66.88 lha compared to 70.60 lha during the corresponding period of last year. Groundnut at 6.39 lha vs 6.36 lha, safflower at 0.81 lha vs 1.05 lha, sunflower at 1.74 lha vs 1.71 lha, sesamum 0.68 vs 0.70 and Linseed at 4.01 lha vs 3.84 lha during the corresponding period last year.

Area in Lakh Hectares

| <b>Crop</b>           | <b>2018</b>  | <b>2017</b>  | <b>% Change</b> |
|-----------------------|--------------|--------------|-----------------|
| Rapeseed/Mustard      | 66.88        | 70.60        | -5.27           |
| Groundnut             | 6.39         | 6.36         | 0.38            |
| Safflower             | 0.81         | 1.05         | -22.98          |
| Sunflower             | 1.74         | 1.71         | 1.46            |
| Sesamum               | 0.68         | 0.70         | -3.43           |
| Linseed               | 4.01         | 3.84         | 4.48            |
| Others                | 0.36         | 0.58         | -37.93          |
| <b>Total Oilseeds</b> | <b>80.87</b> | <b>84.85</b> | <b>-5.27</b>    |

Source: GOI

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