

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean noticed positive tone during the week amid improving crush demand and expected tightening of stocks in coming months. However weakness in the CBOT Soybean with improvement in the soybean planting restricted aggressive gains. With the weekly crop progress report and bearish WASDE report for the month July CBOT bean continued to weaken further approaching \$8 per bushel mark. The yield has still be taken 48.5 bushels per acre which is low given the crop conditions and USDA historically has been conservative in taking yields. Thus the August WASDE report becomes very important in terms of yield and thus August production estimates of US.

In the domestic market, there is lack of availability of soybean in the spot market and with June exports clocking more than one lakh tons there can be apprehensions building of even tighter stocks in coming months. Soybeans acreages has improved much in the last week and is above last year sowing progress. Concerns still in Gujarat is also slowly fading as there has been come back of rains with forecast of same to continue in Gujarat in coming week and thus negating upside potential. Under such situation soybean and soymeal will find difficult to achieve higher highs and it seems the top has already been placed. Indicative of futures sentiments in the Oct contract clearly indicates the market is turning into bearish grip and thus market is expected to undergo consolidative phase before weakening towards seasonal bottom. Usually soybean used to place its top in May or July and weaken thereafter. Bearishness in international soy market has been instrumental in restricting aggressive gains in Indian market although the stocks have remained tight.

CBOT Soy meal noticed weakness with bean prices going down. Indian soymeal remained range bound as India prepares for surplus production of bean and in a bid to exports its surpluses meal prices has to come down to find parity with international meal prices. Indian meal will be in condition where it has to compete with US soymeal as well as Argentinean meal, with later being offered at much discount and thus might eat Indian customers especially in South East Asia. Bangladesh may also look for US soymeal given the relative cheapness after taking into consideration of freight against India. However any Chinese import demand is going to reverse this situation when India's dependency of neighboring nations decreases,

Rapeseed prices noticed firm tone during the week amid robust crushing by oil millers amidst strong buying by the stockiest from east.

Overall market is expected to remain mixed with extended period of consolidation.

### **Reports releasing this week**

1. NOPA Crush Report : 16<sup>th</sup> July
2. USDA Crop Progress Report: 16<sup>th</sup> July
3. USDA Weekly Export Sales Report: 20<sup>th</sup> July
4. USDA Weekly Export Inspection Report: 16<sup>th</sup> July

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean witnessed weakness during the week on rapid progress of soybean sowing in India and sustained weakness in CBOT soybean and meal. CBOT soybean and meal lost value after a bearish WASDE report and renewed trade conflict between US and China. Moving forward weather is the key to give direction to the market and with forecast of favorable weather the prices is expected to remain range bound in coming week with market underlying tone of sustained weakness. The prices are expected to feature range bound movement with firm bias between the price band of 3400 – 3700 level (Indore, Plant basis).

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed range –bound to firm tone during the week amid demand in the domestic market. However upside was limited following weakness in soy meal at CBOT. All depends on the strength in soybean and thus derived effect on soymeal prices. Higher soy oil has the potential to give cross discounts to soymeal keeping the margins in the comfortable zone. Soy meal, Indore is expected to be in the range of 28,500 – 31,500/MT levels during the week.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** The rapeseed-mustard noticed firm tone during the week amid robust crush demand from oil millers. The seed prices are likely to feature range-bound movement with weak bias and witness the levels between 4000 – 4300/Qtl; levels during the week post that the mustard prices will be underpinned by the spread with soybean and prospects of sowing after the performance of summer monsoon.

## Sowing Status – Kharif Oilseeds 2018-19 as on 13th July, India

Sowing Progress as on 13th July 2018					
Oilseeds	Normal Area	Normal For Corresponding Week	2017-18	2018-19	% Change from Last Year
Groundnut	42.01	23.73	25	15.9	-36%
Soybean	112.51	74.71	73.87	76.5	4%
Sunflower	2.14	0.8	0.92	0.6	-35%
Sesamum	14.46	4.24	4.7	3.37	-28%
Niger	2.59	0.16	0.2	0.16	-20%
Castor	10.47	0.68	0.57	0.43	-25%
Total Oilseeds	184.18	104.32	105.26	96.96	-8%
All figures in Lakh Hectares					

Source: Agricoop

Overall oilseed sowing is done in 96.96 lakh hectares against 105.26 lakh hectares last year. Groundnut Sowing is the worst performing in terms of sowing with only 15.9 lakh hectares brought under against 25 lakh hectares last year. Soybean sowing has recovered significantly sending bearish sentiments in the market with sowing exceeding last year pace and hence giving indication of higher acreages this year.

## Weather Forecast and Current Status

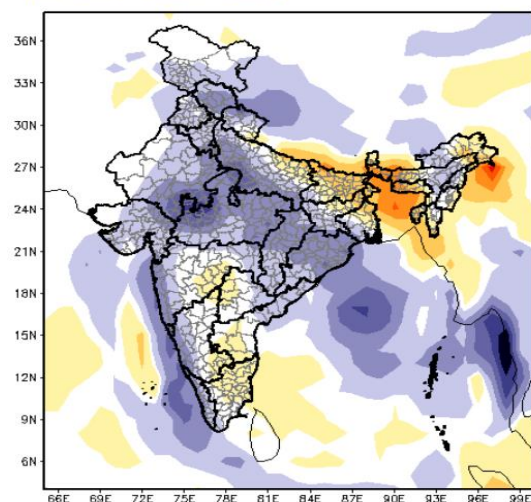
In the IMD's Operational 2<sup>nd</sup> stage Long Range forecast for the 2018:

- 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  $\pm 9\%$ .

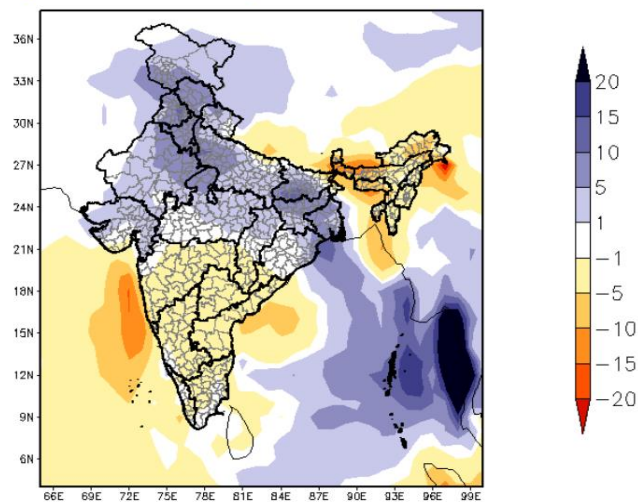
The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.

### Medium Range Forecast

**MME Weekly Rainfall Anomaly (mm/day)**  
(Week 1: 13Jul–19Jul)



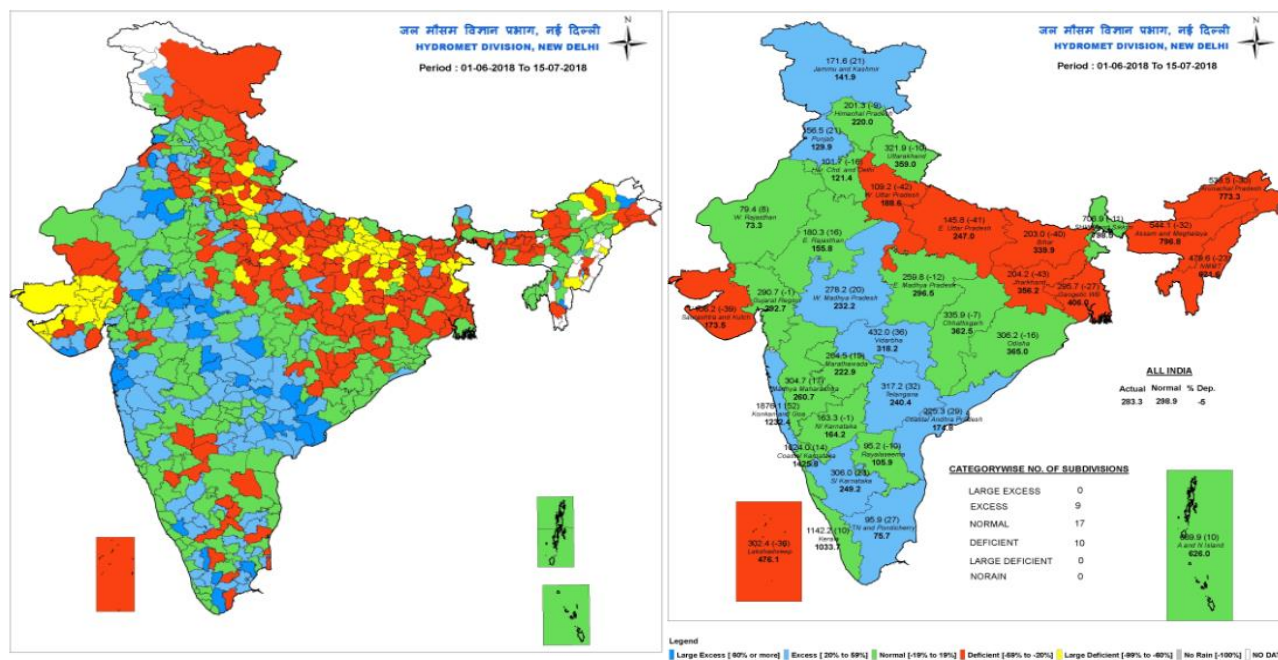
**MME Weekly Rainfall Anomaly (mm/day)**  
(Week 2: 20Jul–26Jul)



The monsoon activity is forecasted to resume in the west and North in the second half of the month based on the Medium range weather forecast issued by IMD. This will provide much necessary rains to the west where the rainfall deficit is significant. However in the south there is going to be a lull period helping farmers to do inter-cultural operations and also higher sunshine hours will help in robust vegetative growth.

## **Cumulative Rainfall as on 15<sup>th</sup> July**

India SW monsoon rainfall deficit is at 5% as on 15<sup>th</sup> July. Some of worst performance of SW monsoon till 15<sup>th</sup> July has been in Gujarat, Jharkhand, UP and Bihar. NE States also didn't perform well this season. MP, Gujarat region and Odisha has shown significant improvement last week. Concerns of soybean sowing are almost evaporated in MP. Gujarat sowing is expected to improve this week.



## Soybean

### Domestic Market

Soybean sowing in India has progressed significantly with rains pounding into central India. In Maharashtra soybean sowing has been completed in 27.95 lakh hectares against 24.72 lakh hectares. In MP sowing has been completed in 34.7 lakh hectares against 36.2 lakh hectares last year. Rajasthan too is leading in terms of sowing against last year with 7.43 lakh hectares of soybean against 7.269 lakh hectares last year. Sowing in Telangana and Karnataka is also high against last year.

As Indonesia is planning to bring back Import tariff on US soybean which was earlier scrapped in 2013, Indian soybean/meal exports can find a chance to increase its exports volume to Indonesia. Indonesia used to be on of the largest importer of Indian soymeal but after the Indian meal got out priced in the US market after back to back lower crop In India the trade direction shifted towards American countries which didn't revived later even when the Indian meal was competitive.

Domestic oilseeds and oil meal market is expected to remain under the influence of tapering supplies and slowing arrivals amidst prospects of current oilseeds crop development and weather factors remaining the key for price direction.

There has been forecast of improvement in rains in Saurashtra and Gujarat in the second half of this month i.e. from 15-16 July onwards. With this the sowing of oilseeds is expected to improve much in the Gujarat region. Inflows of water in the Narmada are also going to improve with heavy rains lashing Maharashtra and Madhya Pradesh and thus facilitating sowing in the irrigated areas of Gujarat. However concerns still remains in overall lower sowing in Gujarat as the sowing is delayed significantly. Gujarat has sown improvement in rains with cumulative deficiency stands at 26% as on 12th July.



According to the weather model forecasted earlier, the first of the two anticipated low-pressure areas has formed over the North-West Bay of Bengal, which promises to change the complexion of the monsoon over East and Central India.

India Met Department (IMD) has predicted a mostly westerly track for the system after it dumps heavy rain over Odisha and Bengal, before tracking across Chhattisgarh, East and West Madhya Pradesh.

Another low pressure area is forecasted to form in Bengal and Odisha, intensifying into a depression or even deep depression by July 23. Earlier, the US Climate Prediction Centre had said that the familiar tracks that 'low's are known to tread over North India would stay active until July 27/28.

## 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 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh & 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

### Previous Update

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 210,000 bags compared to 165,000 bags reported in the previous week.

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.

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 soymeal 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, Maharashtra and Rajasthan during the week.

***The domestic soybean prices are likely to notice range –bound to firm tone amid lower availability in the domestic market.***

### **International Market**

Renewed threats of counteracting measures by China over another round of duty restriction on Chinese goods have helped keeping the overall tone of trade bearish. Earlier United States announced a list of tariffs on 200 billion U.S. dollars of Chinese goods on 10th July.

According to CONAB Brazil's 2017/18 soybean crop seen at 118.88 mln tons vs 118.05 mln tonnes in its previous estimate and 114.08 mln tons last season.

In the weekly USDA crop progress report released on 9 July; Soybeans blooming are reported at 47% which is up from 32% from the corresponding period last year and higher compared to the 5-year average of 27%. Soybean setting pods are reported at 11% which is up from 6% in corresponding period last year and 5-year average of 4%. About 71% of the soybean planted crop is under good to excellent condition which is up from 62% during the corresponding period last year.

Under the new scenario building up the Ministry of Agriculture's Chinese Agricultural Supply and Demand Estimates (CASDE) is pessimistic on y-o-y growth in the China Soybean Imports with imports of 93.5 new crop year (2018-19) starting this Oct. In the July estimate CASDE has estimated imports of 95.97 million tons for the 2017-18 marketing year.

China will produce 15.37 million tonnes of soybeans in the 2018/19 crop year, up 5.6 percent from last year, according to the latest report from the nation's Ministry of Agriculture and Rural Affairs

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According to the latest USDA WASDE report U.S. soybean supplies were forecast to rise to the highest ever as a trade war with China, , will cut into exports, for the 2018-19 marketing year. USDA pegged soybean ending stocks for the 2018/19 crop year at 580 million bushels, up from its estimate of 385 million bushels issued a month ago before China imposed tariffs on imports of U.S. soybeans. The government cut its export projections for soybeans by 250 million bushels to 2.040 billion bushels.



USDA also lowered its end stocks outlook for the 2017/18 crop year, which ends on Aug. 31, to 465 million bushels from 505 million bushels, due to increases in demand by crushers and higher exports in the current marketing year.

As the US Soybean is turning to out to be the cheapest importers are running towards opportunity of booking US soybean heavily. Argentina and Brazilian Soybean basis are high enough to route the bean trade from South America to US. All importers' advanced purchases of the next U.S. soybean crop shot up 127 percent through June, at 8 million tonnes,

Mexico has booked nearly 1 million tonnes in advanced purchases of U.S. soybeans - four times more than last year - while Pakistan's 273,000 tonnes in forward purchases are up 44 percent from a year earlier, the USDA data shows. Thailand's record 221,400 tonnes in advance deals are nearly 10 times larger than the average over the prior six years.

USDA also raised its outlook for the 2018/19 soybean harvest to 4.310 billion bushels, up 30 million bushels from its previous outlook. It left its yield forecast unchanged at 48.5 bushels per acre.

According to exporters association Anec, Brazil, the world's top soybean exporter, is prepping for major purchases of U.S. soybeans to feed its domestic processors as it diverts more of its own crops to China at premium prices,. Brazil may import up to 1 million tonnes of U.S. soybeans, with purchases likely ramping up in October.

Representatives of the U.S. Soybean Export Council have been meeting with buyers in Asia and Europe to encourage them to buy U.S. soy.

According to data from the China's General Administration of Customs, the country brought in 8.7 million tonnes of soybeans last month, up from 7.687 million tonnes a year ago. However, shipments were down 10.1 percent from last month's 9.68 million tonnes.

USDA has been more conservative in taking the yield numbers and has kept the yields at 48.5 bushels per acre. As the crop progress is indicating the soybean crop to be in very good situation there are fair chances that it may hit another record yield numbers or at least close to 2015-16 yield numbers. Thus in coming WASDE report/reports more surprises is expected to come from yield number adjustments.

As there has been rounds of good rains are happening in the mid-west regions there is very limited chances of development of any weather premium in the near term and CBOT Soybean is expected to remain under prolonged bearishness in the coming weeks.

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### **Previous updates**

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U.S. soybean export demand has been solid, despite the trade fight. The USDA reported export sales of U.S. soybeans in the latest week at 1,020,300 tonnes (old and new crop years combined), above a range of trade expectations for 400,000 to 900,000 tonnes.

According to data released by the Trade Ministry, Brazil's exports of soybean decreased to 10.42 MMT in June 2018 compared to 12.35 MMT in May 2018 and 9.18 MMT in June 2017. Exports of soy meal fell to 1.56 MMT in June 2018 compared to 1.65 MMT in May 2018 and 1.39 MMT in June 2017.

In the latest report released by Buenos Aires Grain Exchange (Bolsa DeCereals) Argentina's 2017/18 soy harvest ended at 36 million tonnes, much below the 54 million tonnes estimated at the beginning of the season due to a severe drought. This is the smallest crop of the past nine years, according to the exchange.

The trade dispute between US and China has boosted prices in Brazil, the top shipper, forcing EU processors to look elsewhere for supplies. However US will not be able to replace the GM Soybean market in EU. It is noted that US is 100% GM soybean producer whereas with Government encouragement Brazil GM Soybean is at 70% only. EU is the top buyer of Non GM soybean and many nations are 100% Non GM soybean importer.

According to Rabo bank, China could replace around 4 million metric tons of U.S. soybeans with Brazilian supplies in the fourth quarter if tariffs are implemented. Those losses would be partially offset by 2 million tons of non-China demand moving from Brazil to the U.S., driven largely by the EU.

All eyes will be on the WASDE report where market is expecting downward revision in the Argentinean crop. Upward revision in Brazilian Crop, Upward revision in US ends stock, Downwards revision in China exports number and overall upwards revision in Global end stock.

In the weekly USDA crop progress report released on 1st July; Soybeans blooming are reported at 27% which is up from 10% from the corresponding period last year and higher compared to the 5 year average of 14%. About 73% of the soybean planted crop is under good to excellent condition which is up from 64% during the corresponding period last year.

According to Brazilian consultancy, Datagro, Brazil's soybean area will increase to 35.9 million hectares in 2018-19 and output is estimated at 120.5 MMT.

According to Datagro, South American soybean output in 2018-19 is expected at 189.5 MMT compared to 170.3 MMT this year following expected increase in acreage in Brazil and Paraguay.

According to latest USDA attache report, China's oilseed consumption continues to grow, driving demand for increased oilseed imports and government support to expand oilseed production. Total oilseed consumption to reach 164.3 MMT in MY18/19 based on the continued growth of the animal husbandry industry's demand for protein meal. In order to meet this demand, soybean imports are likely to increase to 100.5 MMT in MY18/19. The Government of China is also pushing for additional domestic soybean production and post forecasts that MY18/19 soybean production will exceed 15.2 MMT.

In the latest USDA quarterly stock report, it has been reported that the U.S. soybeans stored in all positions on June 1, 2018 totaled 1.221 billion bushels, up 26 percent from June 1, 2017. It is lower than average trade estimates of 1.225 billion bushels. On-farm stocks totaled 377 million bushels, up 13 percent from a year ago. Off-farm stocks, at 845 million bushels, are up 33 percent from a year ago. Indicated disappearance for the March - May 2018 quarter totaled 888 million bushels, up 15 percent from the same period a year earlier.

The USDA estimated 89.6 million acres of soybeans planted in the United States for 2018, down 1 percent from last year, according to the latest acreage report.

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.

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.

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 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.

The U.S. Department of Agriculture's 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 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 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 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.

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.

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 witness range –bound to weak tone on favourable weather in U.S. Midwest in the coming days.*

## Soy meal

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Soy meal noticed firmed up in the week amid demand consistent demand in the domestic market as well as decent pace of exports of soy meal. India is looking for Chinese market after China removed the 5% import duty on south east Asian nations. As among the SE Asian Nations India is the largest producer of soybean and hence is looking forward towards exporting soymeal to China. According to market sources, India could export up to 5 lakh metric tonnes oil meals after the recent removal of import duty. This will lend some support to the market in the coming days especially over the booking conditions of the new crop.

Under the influence of US soybean market Indian bean is losing steam although it has decoupled with the international market. With Indian soybean crop prospects getting brighter on forecast of extensive rains production of 90-100 lakh tons is on cards and in order to dispose the surplus stocks Indian bean/meal prices has to find parity with international prices to do so.

Thus even the stock of soybean is being very tight lack of support from International market is expected to keep the upside potential to be capped at 3700-3800. Meal prices too are not expected to breach 32000 per ton and thus limiting gains in the overall meal complex.

Domestic oilseeds and oil meal market is expected to remain under the influence of tapering supplies and slowing arrivals amidst prospects of current oilseeds crop development and weather factors remaining the key for price direction. Crucial for oilmeal basket is the soymeal which as of now has limited potential to gain towards 38000 per ton mark as there is limited support from international market and anticipations are high for surplus oilmeal production in the coming season.

India is eyeing to increase its exports if oil meal in coming marketing year to China as the country sought for looking for alternative source of proteins.

COFCO is in view that China can increase soybean imports from other countries. China can also buy more rapeseed, sunflower seeds, and bring in more soybean meal, rapeseed meal, sunflower meal and fishmeal to fill any supply gaps.

Internationally weakness in CBOT soy complex has been instrumental in bringing down soymeal prices globally.

The most actively traded Dec contract at CME has been crashed from a high of \$382 per short ton to \$322.3 per short ton in the last low within a span of a month, which is a fall of 15%. Argentina thus is enjoying tighter basis against US soymeal and enjoying advantage of selling at higher prices given their crop has not performed good.

***In the latest monthly oilmeal exports data released by SEA India's export of oil meals during April to June 2018 stands at 654,774 metric tonnes as compared to 599,346 metric tonnes in the corresponding period of previous year showing a decline of 9.25% according to data released by the Solvent Extractor's Association of India.***

***The exports of rapeseed meal have increased by nearly 89% to 285,998 metric tonnes during the period. In the month of June 2018, export of oil meals declined 33.6% to 166,833 metric tonnes compared to 251,124 metric tonnes during the corresponding period previous year.***

***Soymeal exports during the period April –June 2018 was reported down at 248,378 metric tonnes compared to 219,249 metric tonnes during the corresponding period previous year, higher by 13.29%.***

***In the month of Jun 2018, export of oil meals declined to 166,833 metric tonnes compared to 251,124 metric tonnes during the same period previous year. Soymeal exports (subject for further revision) has been recorded at 1.04 lakh tons against 45.9 thd tons last year in the same time frame.***

## **Previous Updates**

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Demand from unorganized poultry farms also is expected to boost prices as the summer ends and farmer's tries to capitalize the demand in between sawan and festivals months.

During off season the bean/meal ratio narrows to 1.1 from 1.3 during the peak crushing season in OND quarter. Thus with current bean prices of 3500 to 3600 per quintal meal prices can easily inch towards 3200 per quintal within one-two weeks. However as soy oil prices are high there is cross discount available on the meal.

Internationally Argentinean meal has been under the pressure of aggressive fall in CBOT meal prices which have resulted in the meal to fall towards \$380 per month for 1 month forward deliveries. Indian meal has to fall back towards \$400-410 per ton in the new season in order gain parity for exports.

India is producing 15-20 lakh tons of surplus meal for the last two years. Exports to Bangladesh and Nepal has helped to dispose significant volume as Indonesian and Malaysian buyers majorly stayed away from Indian meal over quality issues faced in two-three years before.

Soybean crushers are enjoying excellent margins especially due to higher soy oil prices. Back to back duty hike has resulted in soy oil prices to trade well above INR 700 per 10 kg which has resulted in higher returns from the soy oil. Thus there is cross discounts available for soy meal which has resulted in high differential between the bean and meal prices.

According to SOPA the meal stocks at the end of June was at .84 lakh tons down by .45 lakh tons from the previous month. In June month the production was 4.86 lakh tons up by .81 lakh tons from previous month. Exports of meal were at 1.36 lakh tons against .45 lakh tons of May. And also high from previous year in June month which was 1.11 lakh tons.

According to SOPA estimates India would be able to export 15 lakh tons of soymeal through SEA and Land with food consumption of 5 lakh tons and 45 lakh tons of feed uses. Which results total disposals of 65 lakh tons of soymeal. The end stock at the end of 17-18 marketing year is projected at .88 lakh tons.

Some of the major importers of Indian meal has been Bangladesh, France and Germany. Bangladesh has been consistently importing soy meal in the range of 10-30 lakh tons as against last year when the same imported most of its requirements in the first four months of 207-18 marketing year. Bangladesh has an appetite of soymeal nearly 3 lakh tons.

France too has been consistently buying Indian meal. Interestingly Germany imported 57.6 thd tons in June. In May June most of the countries has not shown interest in Indian meal to the premium over Argentinean counterpart.



India is also eyeing Iran for exports as US Threatened to impose sanctions again. Also US threatened other nations to follow him and thus as of now the exports to Iran doesn't seems to possible. However India will look opportunity once the matter cools off. In earlier sanction Iran imported heavily Indian meal after imposition.

Nepal has imported exceptionally well this marketing year and as of now has imported 1.4 lakh tons against on average import of 70 thd tons which is almost double. Growth in Nepal poultry Industry has helped in the increasing the import of Indian soymeal.

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.

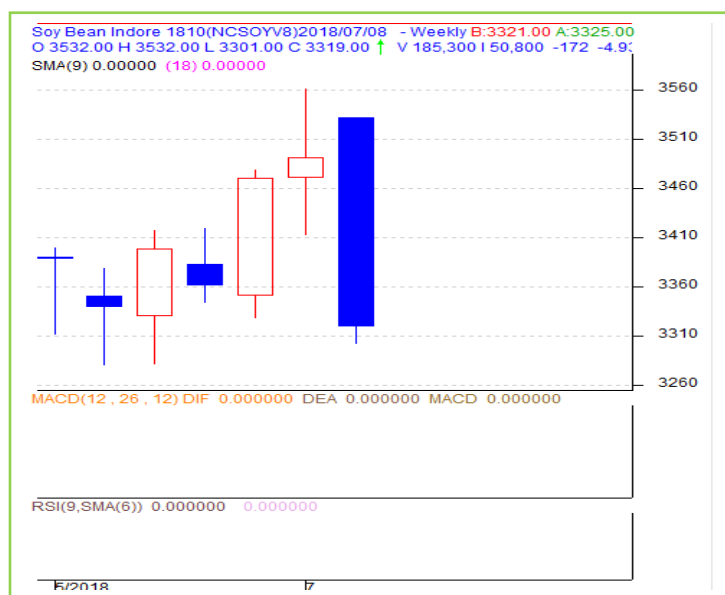
We expect India's soy meal exports to decline slightly in the new season with lower 2017/18 soybean production leading to lower crushing eventually decreasing the meal supplies.

*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.*

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

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*Note: Weekly Chart

### Support & Resistance NCDEX Soybean – July. Contract

S1	S2	PCP	R1	R2
3310	3560	3319	3310	3250

- New crop soybean contract for Oct month made a bearish candle recoiling after touching the resistance of 3310.
- Prices have pulled back sharply after testing support of 3310 and presently trading below its 9-Day EMA thereby suggesting lack of positive momentum.
- Going ahead, as long as prices are holding above INR
- 3310, sideways price action within INR 3410 to 3310 is likely to be seen in the coming trading days.
- On the upside, INR 3410 shall act as immediate resistance followed by INR 3510
- On the downside, INR 3310 shall act as immediate support.

## Rapeseed - Mustard Seed

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The domestic rapeseed-mustard noticed firm tone with support from soybean in the futures as well as spot market.

**The all India weekly seed supplies were reported 9.0 lakh bags as compared to 8.6 lakh bags in the previous week. The supplies were 7.8 lakh bags in the same time frame last year.**

**Total arrivals in Mar-June month is at 338.45 lakh bags against 331.65 lakh bags last year and thus keeping the production at 65.5 lakh tons seems to be comfortable till date.**

The spot prices has gained w-o-w over the strong crush demand and at the end of week mustard closed at 4255 per quintal as against INR 3810 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at July contract ended higher at 4091/Qtl compared to 4054/Qtl previous week.

The robust demand of mustard seed for crushing, with the later finding good demand, as the spread with soft oil and mustard oil has narrowed is helping mustard to inch higher. In the blend space of mustard the soft oil and palm oil has lost interest as the blending is less profitable this year as compared to years with lower import duties.

Thus the prices is expected to remain supported in medium term with the bearishness in soybean prices halting any aggressive gains. Thus we are expecting mustard prices will find it difficult to breach 4300 levels and turns back with the rabi sowing anticipations playing key role in giving further price direction in the month of Oct-Nov.

Moreover as the monsoon has arrived earlier and the progress in North West has been 15 days before the sowing window for mustard is going wide enough. September rains will be important as failing which will again create the problem of higher temperature which will deter prospects of large scale sowing.

Further As Nafed has procured huge quantities of mustard under PSS scheme farmers may get assured of getting prices at MSP. Thus guaranteeing their income and there are good possibility that the MSP of Mustard will also rise given that we are heading towards general election and the centre has promised 150% income against the cost.

NAFED has procured 8.73 lakh tons of Mustard this year and the procurement window has closed. Market will also be looking towards the tender issued into the market. With such huge stocks at NAFED and aggressive

gains is limited as the offloading of stocks by NAFED at higher prices will buffer any supplies constrain in the market.

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**Previous Updates**

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According to Marudhar Trading Agency in Rajasthan Mustard crop is estimated at 70 lakh tons with March-Jun arrivals at 47.65 lakh tons and crush of 32.5 lakh tons. Thus the meal availability is decent enough and all depends on exports pace in disposing this stock.

In the SEA Sponsored Mustard conclave held this weekend the production number according to SEA/COOIT has been at 65.8 lakh tons up by 63.5 lakh tons from the Feb estimate in Globoil conference. However Marudhar Trading Agency has kept the production number at 70 lakh tons unchanged from his previous estimate.

SEA has also downsized previous marketing year production to 66.5 lakh tons from the earlier estimate of 70.5 lakh tons.

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.

*Outlook: The rapeseed-mustard is likely to notice upward trend in the coming week with support from soybean and aggressive crush demand from millers.*

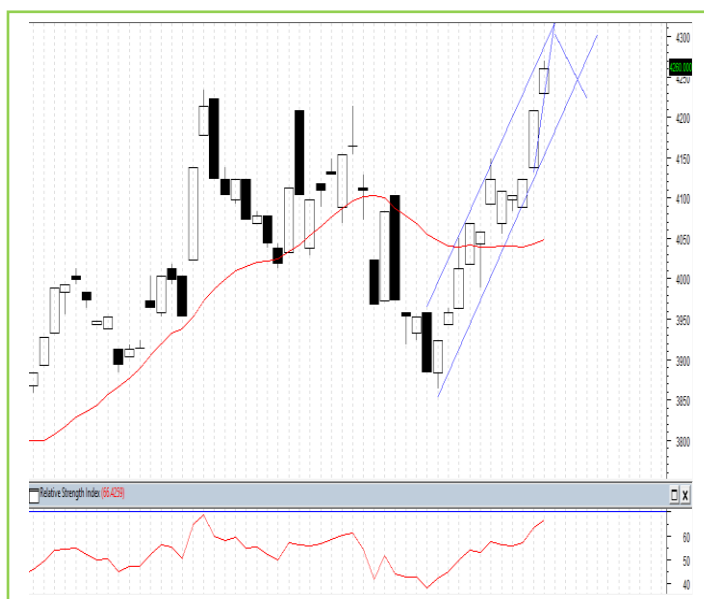
**Technical Analysis:**

## NCDEX RM Seed Futures



\*Note: Weekly Chart

## RM Seed Spot, Jaipur



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

S1	S2	PCP	R1	R2
4047	4080	4091	4150	4270

- Prices continued to trade in the upward channel and remain above the lower support touched in the last week
- Going ahead, as long as prices are holding below the INR 4130, sideways price action within INR 4130 to 4050 is likely to be seen.
- However, in the medium term the bullish sentiment remains intact.
- On the upside, INR 4130 shall act as immediate resistance. A sustained breach above the same shall prompt further extension of gains towards INR 4190 and above.
- On the downside, immediate support is located at INR 4080 followed by INR 4047.
- Prices also closed above the 9-18 day moving averages indicating sustained firm trend in the market.
- Trade Recommendation (NCDEX Rapeseed-Mustard – July) Week: **BUY** Above 4100. Levels: Target – 4150; T2- 4200, SL –4000.

## Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	13-Jul-18		6-Jul-18		
	Low	High	Low	High	
Indore –Plant	3550	3600	3550	3600	Unch
Indore–Mandi	3300	3400	3300	3475	-75
Nagpur-Plant	3650	3720	3600	3725	-5
Nagpur – Mandi	3200	3450	3200	3490	-40
Latur – Mandi	3350	3630	3300	3640	-10
Kota-Plant	3425	3450	3500	3550	-100
Kota – Mandi	3300	3400	3300	3450	-50
Bundi-Plant	3400	3450	3400	3450	Unch
Bundi-Mandi	3350	3420	3350	3420	Unch
Baran-Plant	3500	3570	3400	3480	90
Baran-Mandi	3375	3450	3350	3400	50
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3450	3500	3500	3620	-120
Jhalwar-Mandi	3300	3400	3430	3530	-130
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)	4260	4265	4200	4205	60
Alwar-(Condition)	4100	4150	3950	4050	100
SriGanganagar-(Non-Condition-Unpaid)	3800	3925	3800	3850	75
New Delhi–(Condition)	4000	4070	4025	4050	20
Kota-Non-(Condition)	3650	3700	3650	3750	-50
Agra-(Condition)	4625	4675	4450	4575	100
Neewai	3950	4000	4070	4120	-120
Hapur (UP)	4120	4150	4100	4150	Unch
<b>Groundnut Seed</b>					
Rajkot	771	771	814	814	-43
<b>Sunflower Seed</b>					
Gulbarga	2682	3404	2754	3452	-48
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	NA	NA	NA	NA	-
<b>Sesame Seed</b>					
Mumbai (White98/2/1)	8800	8800	8800	8800	Unch
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
		7th July to 13th July 2018	30th June to 6th July 2018	
Soybean				
	Madhya Pradesh	365000	455000	-90000
	Maharashtra	203000	220000	-17000
	Rajasthan	92000	95000	-3000
	Bundi (Raj)	380	380	Unch
	Baran (Raj)	8200	8200	Unch
	Jhalawar (Raj)	10100	4600	5500
Rapeseed/Mustard	Rajasthan	375000	360000	15000

## Annexure

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

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

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 4,450/Qtl (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

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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