

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean noticed slight negative trade as the good crop prospects continued to weigh on the market sentiments. NCDEX soybean however has firmed up taking cues from international market. CBOT Soybean gained after plunging to 10 years low on the account of falling crop ratings and improved prospects of exports from Non-China countries. With the forecast of drier spell in the coming week the crop ratings is expected to underpin the market sentiments and the weekly export sales and net sales data setting the tone for the trade in the last week. USDA has been conservative in taking the yield numbers and thus investors will be guessing over the coming WASDE yield number in coming weeks with the weather remaining the pivot point for price action.

In the domestic market, all eyes will be on the crop progress as the sowing reports has indicated good strides against last year and is at normal pace thus indicting an acreages at 112 lakh hectares or more. With the standing crop entering into flowering stage from the first week of August soil and air moisture will be crucial in terms of pod setting. Further during pod setting too the continuous drier spell can result in pod shedding and thus yields can be compromises. As there is a drier period forecasted in the key soybean growing regions the impact of the same as well as pest attacks will remain under the scanner in estimating the production number.

CBOT Soy meal restricted its weakness till \$324 per short ton but also could not able to find support from soybean also indicative of meal following its higher exports demand and domestic demand. This has allowed the International meal to quote at higher rates and thus limiting the scope of Indian meal to fall aggressively to find the parity of exports. Current season exports market is underpinned by the demand from EU and satellite nations as the SE Asian nations have been away from Indian markets. It will be interesting to see SE Asian buyer's preference in buying soymeal in between South America and US.

Rapeseed prices is underpinned by the stocks held by NAFED which has created stock squeeze for the time being but also traders are waiting for the tenders issued by the same to release the stocks in to the markets. If prices inch further up the NAFED will start planning for offloading the stock. Thus any aggressive gains is restricted and after a month market should be closing towards the formation of seasonal top.

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

### **Reports releasing this week**

1. USDA Crop Progress Report: 23<sup>rd</sup> July
2. USDA Weekly Export Sales Report: 27<sup>th</sup> July
3. USDA Weekly Export Inspection Report: 23<sup>rd</sup> July

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean Indore spot remained sideways as the traders failed to sell at higher prices. With the current situation of higher y-o-y acreages and forecast of favorable weather the old crop is expected to remain range bound with aggressive falls being restricted due to tighter 2017-18 end stocks. New crop futures and forwards however is going to reel under the impression of higher crop and with fall in international prices Indian soy complex tends to adjust accordingly.

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed range –bound with mixed price action across ex-mill price during the week amidst seasonal rise in demand in the domestic market coupled with tapering supplies of bean for crush. The upside was limited following weakness in soy meal at CBOT and downside potential too was limited due to lower old stocks. All depends on the strength in soybean and thus derived effect on soymeal prices. Moving forward crop development in ongoing kharif season coupled with US market is going to underpin the price direction.

**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 4200 – 4350/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. Moreover the prospects of offloading stocks by NAFED also remained crucial as any delay will result tighter market stocks in the time when mustard oil buyers aggressively stock esp in east India for the festive season.

## Sowing Status – Kharif Oilseeds 2018-19 as on 20th July, India

Sowing Progress as on 20th July 2018							
Oilseeds	Normal Area	Normal For Corresponding Week	2017-18	2018-19	% Change from Last Year	% of Normal Area 2017-18	% of Normal Area 2018-19
Groundnut	42.0	28.4	29.1	23.0	-21%	69%	55%
Soybean	112.5	94.2	84.6	93.9	11%	75%	83%
Sunflower	2.1	1.0	1.0	0.7	-31%	45%	31%
Sesamum	14.5	7.1	7.4	5.2	-30%	51%	36%
Niger	2.6	0.3	0.4	0.2	-33%	14%	9%
Castor	10.5	1.1	1.3	0.6	-50%	12%	6%
Total	184.2	132.4	123.7	123.6	-0.1%	67%	67%
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 123.6 lakh hectares against 123.7 lakh hectares last year. Groundnut sowing has been done in 55% of the normal area whereas soybean has been in 83%. Improved rainfall resulted in rapid progress of oilseeds sowing especially in soybean.

## Weather Forecast and Current Status

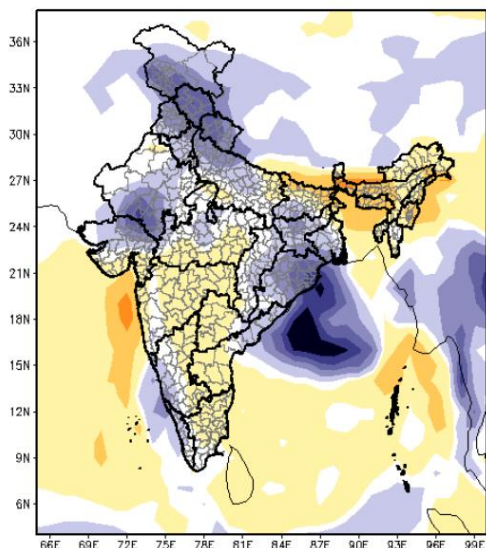
In the IMD's Operational 2<sup>nd</sup> stage Long Range forecast for the 2018:

- 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  $\pm 9\%$ .

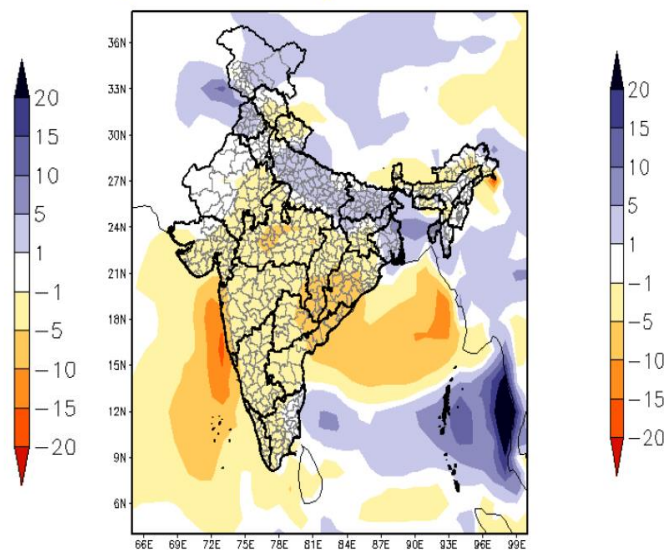
The event should prove beneficial for the *kharif* oilseeds as they are rain-fed.

### **Medium Range Forecast**

**MME Weekly Rainfall Anomaly (mm/day)**  
(Week1: 20Jul–26Jul)



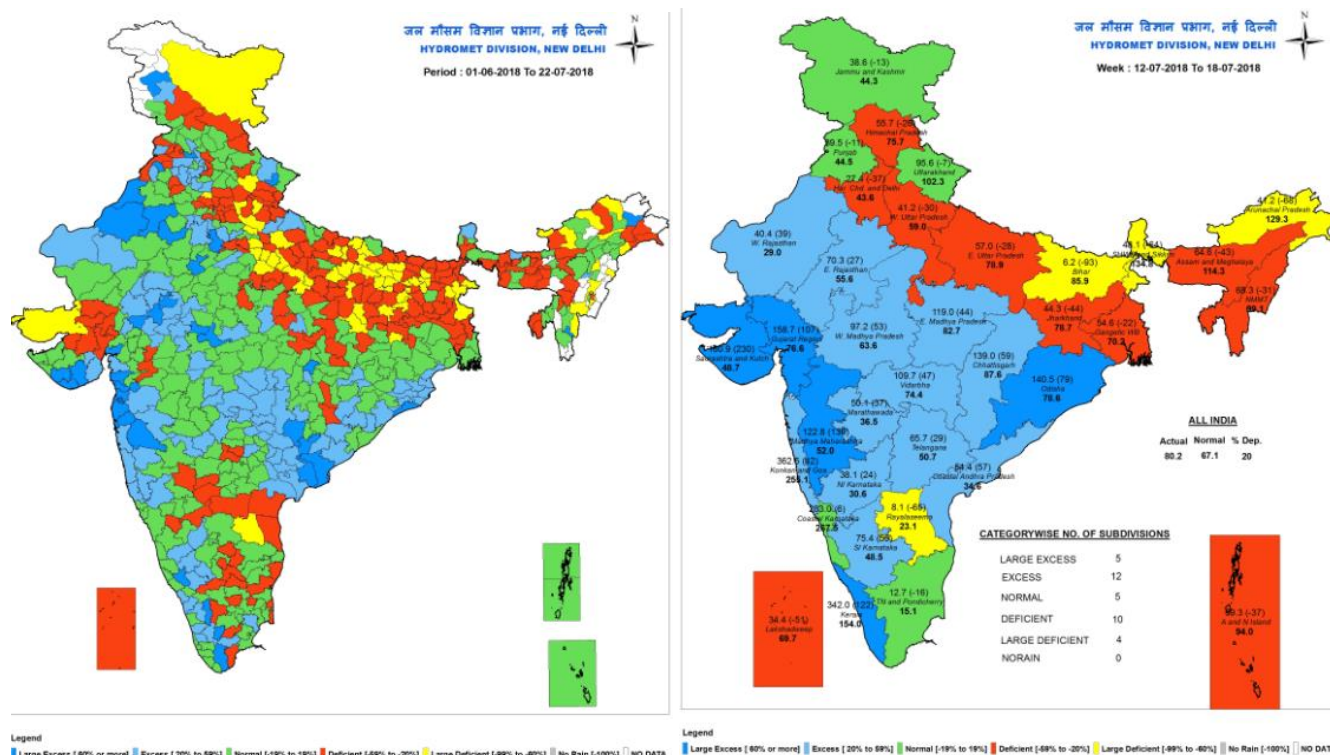
**MME Weekly Rainfall Anomaly (mm/day)**  
(Week2: 27Jul–02Aug)



The monsoon activity is forecasted to remain concentrated in West, North West, Orissa, west Bengal and Jharkhand in the week ending 26 July. In the second week UP and Bihar is forecasted to remain wet. Central and Southern Peninsular Indian is forecasted to remain dry and this period will be useful for the farmers to increase the agricultural activities. However vigil has to be taken as the crop might go under moisture stress if such conditions continues.

### **Cumulative Rainfall as on 22<sup>nd</sup> July**

India SW monsoon rainfall deficit is at 3% as on 22<sup>nd</sup> July. East, North East and Northern states has been reeling under scanty rainfall. In South Peninsular India only Rayalseema is under scanty rainfall conditions. Other subdivisions have fared well.



## Soybean

### Domestic Market

As CME prices has corrected to their fundamentals and NCDEX reaching their levels based on their own fundamentals (Not so bearish though) under the influence of CME, upcoming prices action in international market may find Indian complex to find recoupling and thus Indian investors again look for international market for cues.

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.



**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.

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.

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

**International Market**

According to the U.S. Agriculture Department, U.S. soybean export sales totaled 865,700 tonnes in the latest reporting week, in line with analysts' expectations for 300,000 to 1 million tonnes,

Egypt, Pakistan, and Mexico have all been bargain hunting as bean prices have collapsed following China's withdrawal from the US market. Egypt has imported 2.1 MMT of US soybeans in this marketing year so far, compared to only 783,000 MT, Pakistan has imported 1.4 MMT high by 113% till this time and Mexico has imported 1 MMT, high by 180% till this time last year.

The USDA reported 613,400 MT of new crop soybeans net sales, with, Argentina, Mexico, and Pakistan top buyers which were a 126% increase week on week.

Argentina, bought U.S. soybeans in the latest reporting week. Traders said the deal was the result of a severe drought that reduced Argentina's harvest this year.

The US weather forecast is stating the drier period in Missouri. Locally heavy rain fell in the upper Midwest. Above normal temperature has been forecasted for the upper mid-west.

There have been problems in terms of farmers selling in Brazil after the government raised the truck freight rate by 150% as floor price which has sharply declined the farmer's margin. Farmers has left there soybean piled up in silos. The traders who buy from producers and export the crop discount freight costs from prices paid to growers. As the farmers are not willing to sale at such price traders are exporting from stockpiled supplies. Thus the middleman is reaping the lion's share of the wealth as domestic soybean premiums surge on robust Chinese demand although the Premiums and exchange rates are favoring rise in farmer's income.

Further, higher truck freight rates has resulted inputs cost rising by 20% according to IMEA. Farmers may apply less fertilizers and thus can have an impact in terms of yield. Thus farmers will go for soybean planting with uncertainties on the margins they will get and especially if US-China trade spat fades away quickly.

China continue to offload its temporary soybean reserve and on 18th July 28.29% of it has been sold in the market. China also has not bought new contracts as of now but has to step in Sep-Oct as there will be a gestation period for the adjustments in new trade matrix.

In Uruguay the acreages are falling y-o-y as farmers stopped planting on unproductive land and the acreages has fallen to 12 million hectares from 1.5 million hectares. The production this year has been just 1.3 million tons against 3.9 million tons last year due to drought.

Pakistan has booked 199,500 metric tons of soybean for the delivery in 2018-19 marketing year. As the prices has plunged to historic low the Asian buyers are in hurry to book volumes from US rather than South American Countries. India might feel the pinch as Bangladesh which as of now has been steadily importing Indian soymeal might book heavy amount of soybean from US.

As the US soybean prices has declined US soy is looking more competitive over Brazil even after adjusting the new duty at Chinese ports. Other importing nations are already tempted to buy more beans in forwards. Current prices have increased the hopes of more exports and most of the importing nations other than China are going to flock to buy more of US soybean over its South American counterparts.

The Chinese demand is not going to fall as the soybean meal and soy based food demand is increasing albeit there may be substitution in the feed sector from DDGS, and other oilseed meal. It will be interesting to see the extent of filling the gap created by China in US by other countries in new adjustments in terms of trade flow.

For US, current fall in prices is the adjustments that have to happen in the prices due to stronger dollar and ballooned up stocks which were eventually triggered by the US-China trade spat. US bean never been so bullish with its own fundamentals and was been driven by the Argentinean bad crop.



Safras & Mercado expects 2018/19 Brazilian acreage for soybeans to jump 2.3% from last year, to ~88.958 million acres (36 Million hectares). With this Brazil production would reach 119.78 million tons in 2018-19 up by .3%.

In the first six months of the year, Brazil exported 35.9 million tonnes of soybeans to China, according to government data, 1.8 million tonnes more than in the same period last year, suggesting demand from the world's top buyer of the oilseeds remained strong.

Chinese imports of soybeans during June totaled 8.7 MMT according to customs data, down 10.1% from May. Port congestion has been an issue, with vessels seeing extended wait times to unload.

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.

Argentina may delay implementing elements of a tax reform passed last year to meet its fiscal deficit goals as part of a deal with the International Monetary Fund (IMF). Thus this may lead to withdrawing of the phase wise lowering of export duty on soybean with .5% lowering every month promised in the election by president Mauricio Macri.

### **Previous updates**

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.

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.

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.

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.

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.

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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.

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.

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.

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.

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.

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.

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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In terms of spread correction for Indian meal as compared to International meal, the international meal has been less bearish as compared to its bean counterpart. Thus in order to gain parity for exports in international market Indian meal has not to fall sharply to find exports market.

Argentinean meal FOB basis as on 17th July was high by \$15 per short ton over CME for August delivery. For OND which is crucial for Indian meal exports was offered at \$24 above CME prices. Thus at current prices of Oct contract the soymeal offered for OND months stands at \$396 whereas Indian meal is offered at \$446 thus a \$20-30 dollars will be sufficient enough to gain parity against Argentinean meal for exports.

However the major concern for Indian is the capacity by which US can eat India's soymeal exports market since it is offered at discount over South American part and India might not offer at competitive price against US soymeal.

Much will dependent on how much exportable surplus India is going to produce and so far the scenario is looking rosy for y-o-y higher production numbers. A 100 lakh tons production is also on cards with weather will be on the way for the ride till harvest.

The government raised incentives on agricultural commodities by three per cent under Merchandise Export from Indian Scheme (MEIS) from seven per cent to 10 per cent including soymeal apart from bringing in a number of other commodities under the MEIS net. The Directorate General of Foreign Trade (DGFT) notified it in a circular released on this Friday.

SEA is requesting to raise the incentive from 5% to 10 per cent on all oil meals (Only Soymeal is enjoying 7% incentive) and that (the MEIS) benefit be extended to groundnut meal.

### Previous Updates

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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.

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.

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.

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.

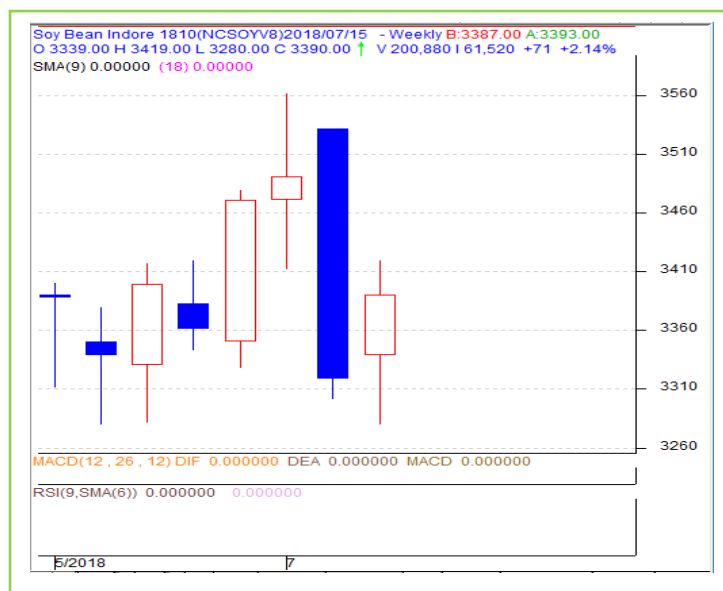
Nepal has imported exceptionally well this marketing year and as of now has imported 1.4 lakh tons against on average import of 70 thd tons which is almost double. Growth in Nepal poultry Industry has helped in the increasing the import of Indian soymeal.

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.

*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 – Oct. Contract**

<b>S1</b>	<b>S2</b>	<b>PCP</b>	<b>R1</b>	<b>R2</b>
<b>3260</b>	<b>3310</b>	<b>3390</b>	<b>3410</b>	<b>3470</b>

- New crop soybean contract for Oct month breached the support briefly and recoiled with a weekly close of 3390
- A sustained breakout of 3410 is required for the prices to inch towards 3510.
- 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.
- Trade Recommendation (NCDEX-Soybean – Oct)  
Wait till the chart gives a break out for longs above 3410 till then buy on dips to be on safer side  
Week: **BUY** 3350 or below: Target – 3410; T2- 3470, SL –3250.

## **Rapeseed - Mustard Seed**

The all India weekly seed supplies were reported 8.75 lakh bags as compared to 9.15 lakh bags in the previous week. The supplies were 5.9 lakh bags in the same time frame last year.

The spot prices has gained w-o-w over the strong crush demand and at the end of week mustard closed at 4385 per quintal as against INR 4255 per quintal during the corresponding period last year at the benchmark, Jaipur.



At NCDEX futures, the seed prices at Aug contract ended higher at 4100/Qtl compared to 4222/Qtl previous week.

As NAFED has holding good stocks in there ware house there is an immediate tapering of the stocks as compared to last year. NAFED for the time being is mulling over offloading the groundnut stocks and thus release of stocks from NAFED is not expected to happen in coming weeks.

On the other hand the robust millers demand continues to eat away the mustard stocks from the market and thus fundamentals are indicating the prices should inch towards 4300 and above levels. Interesting to observe is the reaction into the soybean and whether mustard is going to drive bean prices or not.

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### **Previous Updates**

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.

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
4100	4150	4216	4270	4370

- Prices traded within the channel in the week and pulled back after breaching briefly.
- Going ahead, as long as prices are holding below the INR 4250, sideways price action within INR 4250 to 4130 is likely to be seen.
- However, in the medium term the bullish sentiment remains intact.
- On the upside, INR 4270 shall act as immediate resistance. A sustained breach above the same shall prompt further extension of gains towards INR 4370 and above.
- The technical oscillators like 14-Day RSI is at equilibrium indicating mixed price action
- On the downside, immediate support is located at INR 4130 followed by INR 4100.
- Prices also closed above the 9-18 day moving averages indicating sustained firm trend in the market.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug)  
Wait till the chart gives a break out for long position above 4210 or buy on dips to be on safer side  
Week: **BUY** 4150 or below : Target – 4250; T2- 4370, SL –4050.

## Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	20-Jul-18		13-Jul-18		
	Low	High	Low	High	
Indore –Plant	3500	3575	3550	3600	-25
Indore–Mandi	3300	3500	3300	3400	100
Nagpur-Plant	3600	3630	3650	3720	-90
Nagpur – Mandi	3100	3475	3200	3450	25
Latur – Mandi	3300	3565	3350	3630	-65
Kota-Plant	3425	3475	3425	3450	25
Kota – Mandi	3250	3450	3300	3400	50
Bundi-Plant	3420	3480	3400	3450	30
Bundi-Mandi	3350	3470	3350	3420	50
Baran-Plant	3450	3500	3500	3570	-70
Baran-Mandi	3350	3400	3375	3450	-50
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3500	3550	3450	3500	50
Jhalwar-Mandi	3400	3500	3300	3400	100
Rapeseed/Mustard					
Jaipur-(Condition)	4385	4390	4260	4265	125
Alwar-(Condition)	4250	4320	4100	4150	170
SriGanganagar-(Non-Condition-Unpaid)	4030	4120	3800	3925	195
New Delhi–(Condition)	4200	4225	4000	4070	155
Kota-Non-(Condition)	3850	3900	3650	3700	200
Agra-(Condition)	4775	4825	4625	4675	150
Neewai	4240	4320	3950	4000	320
Hapur (UP)	4250	4320	4120	4150	170
Groundnut Seed					
Rajkot	810	810	771	771	39
Sunflower Seed					
Gulbarga	2850	3400	2682	3404	-4
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	3600	3650	NA	NA	-
Sesame Seed					
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
		14th July to 20th July 2018	7th July to 13th July 2018	
Soybean				
	Madhya Pradesh	265000	365000	-100000
	Maharashtra	175000	203000	-28000
	Rajasthan	79000	92000	-13000
	Bundi (Raj)	470	380	90
	Baran (Raj)	6200	8200	-2000
	Jhalawar (Raj)	9000	10100	-1100
Rapeseed/Mustard	Rajasthan	360000	375000	-15000

## Oil Meal Prices at Key Spot Markets:

Centres	Ex-factory rates (Rs/ton)		
	20-Jul-18	13-Jul-18	Parity To
Indore (MP)	28500	29200	Gujarat, MP
Kota	29200	29200	Rajasthan, Del, Punjab, Haryana
Dhulia/Jalna	31300	30800	Mumbai, Maharashtra
Nagpur (42/46)	30100	30700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Nanded	30800	31700	Andhra, AP, Kar, TN
Latur	31000	30500	-
Sangli	32000	32200	Local and South
Sholapur	32000	32300	Local and South
Akola	29000	30000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	31500	32000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Bundi	29000	29000	-

## Soy DOC at Port

Centers	Port Price	
	19-Jul-18	12-Jul-18
Kandla (FOR) (INR/MT)	30800	31000
Kandla (FAS) (USD/MT)	447	450

## International Soy DOC

Argentina FOB USD/MT	19-Jul-18	12-Jul-18	Change
Soybean Pellets	376	380	-4
Soybean Cake Flour	376	380	-4
Soya Meal	Unq	Unq	-
Soy Expellers	Unq	Unq	-

Sunflower (DOC) Rates	Ex-factory rates (Rs/ton)		
Centers	20-Jul-18	13-Jul-18	Change
Adoni	21000	20500	500
Khamgaon	Unq	Unq	-
Parli	Unq	Unq	-
Latur	Unq	Unq	-

Groundnut Meal (Rs/MT)	20-Jul-18	13-Jul-18	Change
Basis 45%, Saurashtra	20500	20200	300
Basis 40%, Saurashtra	18000	18500	-500
GN Cake, Gondal	19500	20000	-500

Mustard DOC/Meal	20-Jul-18	13-Jul-18	Change
Jaipur (Plant delivery)	14000	13300	700
Kandla (FOR Rs/MT)	14500	13500	1000
Sri Ganganagar	1770	1730	40

## 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 4,450Qtl (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

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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