

Oilseeds Weekly Research Report

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Executive Summary

Soybean noticed slight negative trade in a choppy trading week as the good crop prospects continued to weigh on the market sentiments. NCDEX soybean however has also weakened as there are very limited bullish sentiments over the new crop futures of Oct month. CBOT Soybean gained over improved prospects of exports from Non-China countries and reflecting in the weekly exports of soybean where the USDA numbers are higher against market anticipations. Improvement in crop ratings has presently eroded aggressive bullish sentiments and the week will prepares for the WASDE report with bearish report is expected mainly over the yield and production numbers of US soybean. The exports related market sentiments has been discounted in CME market and largely recovered after exports remaining good enough.

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. We are expecting acreages to be in between 111 to 112 lakh hectares which is a normal 5 year average area. This will be a rise of 5-6 lakh hectares against last year. There have been limited reports of floods in soybean growing region and present spell of rains is more or less will helpful for the standing crop. Delayed but still within the time limit has helped to farmers for sowing more soybeans this year with re-sowing done only early sown crops and limited scope of next sowing to be in the other crop. Concerns might emanates in Maharashtra of the current dry spell prolongs with another two months of crop development. As of now soil and air moisture is sufficient for rapid vegetative growth.

CBOT Soy meal continued to trade in range and could not able to find strong support as the meal price is quite high as compared to soybean. 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 and center been in hurry to offload the stocks to clear the go downs for the expected very large procurement in the coming Kharif season. As the centre has increased the MSP of the crop there are food chances that the market prices will be lower than the MSP and in that event govt will procure most of the khatriif crop under PSS scheme. .

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

Reports releasing this week

1. USDA Crop Progress Report: 30rd July
2. USDA Weekly Export Sales Report: 3rd July
3. USDA Weekly Export Inspection Report: 30th July

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean Indore is expected to range in between the range of 3500 to 3600. 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 however as the Argentinean basis is tight and CME meal has not been as bearish as CME bean at current price new crop bean should trade in between 3200 to 300 in Oct month.

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. Indian meal should correct towards 25500-26000 which will be sufficient enough for finding exports parity and late will depend on the pace of soymeal exports

Outlook - Rapeseed-Mustard (Spot, Jaipur basis): The rapeseed-mustard noticed weaker tone during the week center has given initial indication of offloading the mustard stock before kharif harvest. This has limited that gains in the medium term and thus NCDEX mustard is expected to find it difficult to break 4220 levels and the spot price is expected to limit its gains to 3440.

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

Sowing Progress as on 27th 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	32.37	33.05	28.96	-12%	79%	69%
Soybean	112.5	101.85	95.7	101.53	6%	85%	90%
Sunflower	2.1	1.1	1.12	0.7	-38%	53%	33%
Sesame	14.5	10.2	9.67	8.07	-17%	67%	56%
Niger	2.6	0.37	0.43	0.41	-5%	17%	16%
Castor	10.5	1.88	2.41	1.07	-56%	23%	10%
Total	184.2	147.77	142.38	140.74	-1%	77%	76%
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 140.74 lakh hectares against 142.38 lakh hectares last year. Groundnut sowing has been done in 69% of the normal area whereas soybean has been in 90%.

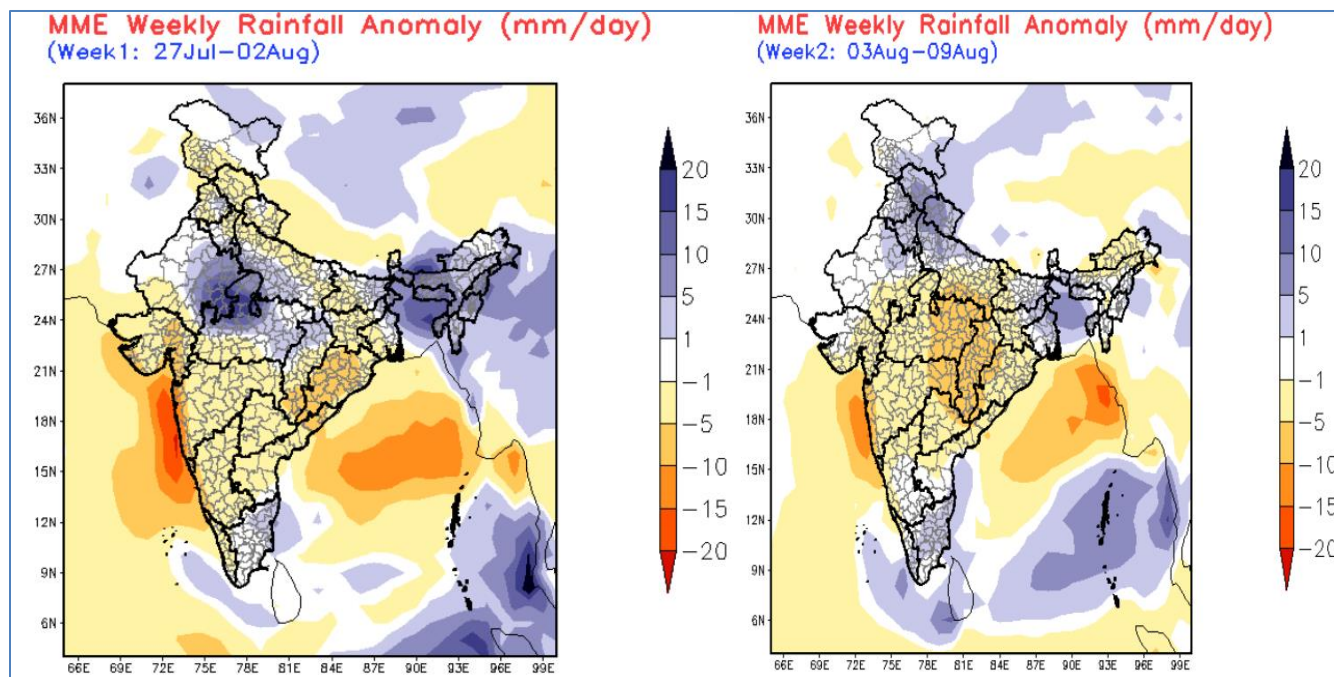
Weather Forecast and Current Status

In the IMD's Operational 2nd 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



The monsoon activity is forecasted to remain concentrated in UP, Bihar, Rajasthan, MP and NE States. In the second week North West is forecasted to remain wet. Central and Southern Peninsular Indian is forecasted to remain dry with Tamil Nadu receiving good spells of rains which is going to be useful for autumn groundnut crop..

Cumulative Rainfall as on 22nd July

India SW monsoon rainfall deficit is at 5% as on 29th July. East, North East and, Kutch and South Rajasthan along with South Peninsular India has received deficit in rainfall. South Peninsular India is facing drier conditions after good opening spell of SW Monsoon.

Soybean

Domestic Market

Transporters have called off a week long strike and thus any supply tightness related bullishness in the market was abated.

On the sowing front as per data released by the Ministry of Agriculture Oilseeds sowing has been completed in 140.74 lakh hectares. Last year the sowing has been completed in 142.39 lakh hectares in the same time frame. All oilseed are lagging behind except soybean.

Soybean sowing has been completed in 101.53 lakh hectares which is at normal pace and thus the acreages for the 2018-19 is expected to around 111-112 lakh hectares. Usually on an average another 9.5 lakh hectares is

added till the end of sowing window. The picture will be much clear in the next report. Last year the soybean sowing has been done in 105.92 lakh hectares.

Thus the production could be in between 95-105 lakh tons keeping average yield based on trade estimates. This is indicating an exportable surplus of nearly 30 lakh tons. At current prices Indian soybean has to correct to 3200-3100 per quintal in order to find export parity against Argentinean meal in SE Asian nations. However exports scenario in the last two years that India will find difficult to dispose such stocks and thus has to remain coupled with international market.

There has been intermittent report of floods and soybean crop submerged in the heavy rains. The assessment by govt has yet to be done. Further there has been forecast if heavy rains to continue in the East and North MP with heavy rains also forecasted for East Rajasthan and Chhattisgarh which is going to keep the crop status in vigil especially in low lying areas. The major belt of soybean i.e the Malwa belt will be relieved from the current monsoon fury and thus the overall production prospects is still bright.

Cumulative arrivals of soybean for 2017-18 in three states (MP, Rajasthan and Maharashtra) till June stands at 552.5 lakh bags as compared to 588.16 lakh bags last year, indicating y-o-y lower production.

SOPA SOYBEAN 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	Chhattisgarh	1.34	0.86
7	Gujarat	1.38	0.89
8	Rest Of India	1.13	0.46
	Grand Total	109.71	83.50

The domestic soybean prices are likely to notice range-bound trade in the domestic market.

International Market

According to Agriculture Minister of Brazil, the country is vying for a million tonnes export quota to sell soymeal and soybean oil to China. The agriculture minister is expected to make a request to China's president in the upcoming meeting. According to govt data China bought 78 percent of Brazil's soybean exports in the first half of the year.

Further the Brazil's president also wants to export soybean oil and meal and also looking forward towards the possibilities of doing so.

According to the USDA weekly exports report, the soybean export sales recorded 1.502 million tonnes, above market forecasts for 400,000 to 900,000 tonnes.

The United States and the European Union agreed to work toward zero tariffs, barriers and subsidies. Thus paving the way for increased exports of US soybean in EU.

Analysts also opined that the latest emergency aid to the farmers of 12 billion dollar, highest since 1998 will result in higher stocking by farmers. US president also said that China has deliberately targeted US farmers by applying higher duty over US agricultural products.

According to the USDA weekly crop condition report released on 23rd July, 70% of the soybean crop was in good to excellent conditions, a one percent increase against last week and 13% high against last year in the same time frame. .

Pod setting has been in 44% of the crop ahead of 5 year average of 23%. Pod setting is has increase by 18% from previous week of 26%. Flowering is also high against 5 year average and USDA reported 78% of crop has seen blooming against 5 year average of 63%.

Soy meal

According the USDA weekly exports sales report The week ending 19th July weekly sales reported at 215.368 thousand tons against 341 thd tons last week. The cumulative exports have been accumulated at 9.83 million tons with another two months to go close the marketing year. USDA has estimated 2017-18 soymeal exports sales at 12.24 million tons nearly 1.7 million tons high against last year exports.

Old crop net sales has been reported at 166.39 thd tons against 131 thd tons last week whereas New crop net sales is down at 37.62 thd tons against 90.97 thd tons last week.

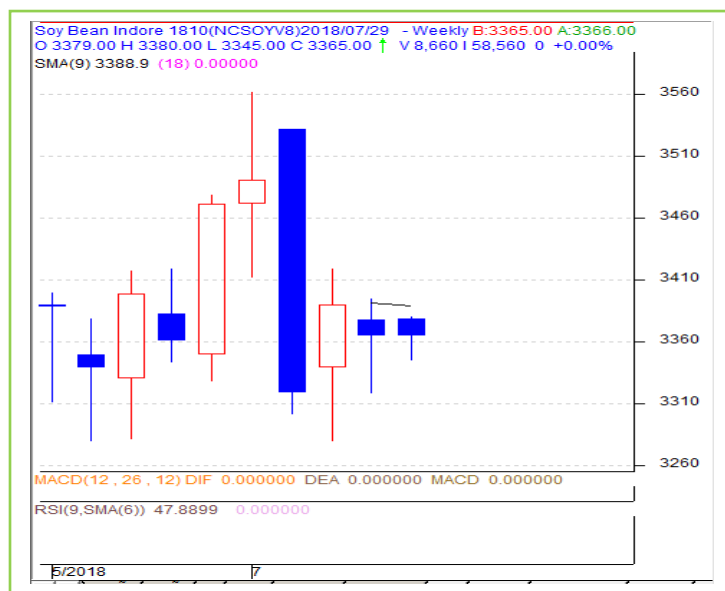
The soy meal prices are likely to notice range –bound to firm tone amid good demand in the market.

Indian soymeal is expected to correct at least by 25000 to 30000 from current levels to find exportable parity especially in SE Asian nations. India can afford \$20-30 per ton premium over Argentinean meal as the protein content is high and India has distance advantage.

With good prospects of soybean crop India may have almost 30 lakh tons of surplus soymeal in coming season to dispose in the international market.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Weekly Chart

Support & Resistance NCDEX Soybean - Oct. Contract

S1	S2	PCP	R1	R2
3260	3310	3390	3410	3470

- New crop soybean contract for Oct month traded in between the range of 3410 and 3310 on a choppy note without any clear trend.
 - 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) Sell on any rise above 3380
- Week: **Sell** 3380-3410 or below: Target – 3340; T2- 3310, SL –3350.

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 7.91 lakh bags as compared to 8.9 lakh bags in the previous week. The supplies were 6.9 lakh bags in the same time frame last year.

The spot prices has weakened w-o-w over the strong crush demand and at the end of week mustard closed at 4335 per quintal as against INR 4385 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Aug contract ended higher at 4177/Qtl compared to 4222/Qtl previous week.

At mustard front, bearishness in soybean is going to resist aggressive gains in Mustard and market is expected to hold 4210 levels and its break out will depend on how soon the NAFED tenders are issued. If the stocks are offloaded within two months a prolonged consolidative period is going to emerge and thus the prices will inch towards 4300 only. In an after Nov. Moreover sowing prospects and rains in Sep in the key mustard growing regions has to be also watched closely.

There has been no confirmation over any immediate offloading of the mustard stocks whose procurement closed early this month. There can be limited chance of offloading mustard immediately and NAFED rather focuses on offloading pulses and groundnut stocks. Further as the govt is planning to vacate the godowns for kharif season there are good chances that tenders can be issued in the next month. Thus under such situation aggressive gains are expected to remain limited.

Most probably in the coming season soybean is also going to be procured by NAFED under PSS scheme as the MSP has set at 3450 and the prices are already trading below MSP in the NCDEX Oct futures.

Centre has directed NAFED to submit a proposal within 3 days based on the market rates and area sown, yesterday. Centre wants to vacate the godowns for successful execution of procurement in coming kharif marketing season 2018. NAFED has procured 8.73 lakh tons of mustard in 2018-19 rabi marketing season. The procurement window closed on 4th of July 2018.

As the prices are above MSP of INR 4000 per quintal with procurement done at same, current market price is good enough for offloading mustard stock.

NAFED is also currently offloading groundnut stocks and to maintain the quality they are doing on FIFO basis. NAFED has not been able to offload the stock aggressively due to issues with tendering and higher prices in the tenders and thus NAFED is able to offload only 20000 ton per week.

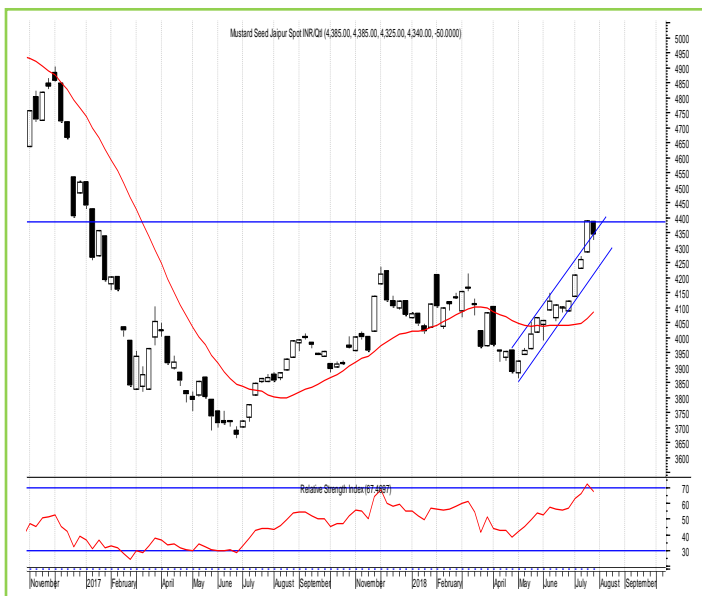
Outlook: The rapeseed-mustard is likely to notice range bound trend in the coming week with support from soybean and aggressive crush demand from millers.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



*Note: Weekly Chart

Support & Resistance NCDEX RM Seed – July. contract				
S1	S2	PCP	R1	R2
4100	4150	4177	4270	4370

- Prices traded within the channel in the week and pulled back after testing 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 week moving averages indicating sustained firm trend in the market.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug)

Buy till the prices remain below 4180 for a target of 4220. Traders can short above 4200 for a target of 4150 to 4110.

Week: **BUY** 4180 or below: Target – 4210; T2- 4220, SL –4050.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	27-Jul-18		20-Jul-18		
	Low	High	Low	High	
Indore –Plant	3480	3525	3500	3575	-50
Indore–Mandi	3200	3350	3300	3500	-150
Nagpur-Plant	3675	3700	3600	3630	70
Nagpur – Mandi	3150	3400	3100	3475	-75
Latur – Mandi	Closed	Closed	3300	3565	-
Akola – Mandi	3350	3425	3400	3415	10
Kota-Plant	3400	3425	3425	3475	-50
Kota – Mandi	3300	3400	3250	3450	-50
Bundi-Plant	3400	3450	3420	3480	-30
Bundi-Mandi	3300	3350	3350	3470	-120
Baran-Plant	3350	3400	3450	3500	-100
Baran-Mandi	3250	3300	3350	3400	-100
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3350	3400	3500	3550	-150
Jhalwar-Mandi	Closed	Closed	3400	3500	-
Rapeseed/Mustard					
Jaipur-(Condition)	4320	4325	4385	4390	-65

Alwar-(Condition)	4000	4200	4250	4320	-120
SriGanganagar-(Non-Condition-Unpaid)	3900	4000	4030	4120	-120
New Delhi-(Condition)	4200	4215	4200	4225	-10
Kota-Non-(Condition)	3750	3850	3850	3900	-50
Agra-(Condition)	4700	4775	4775	4825	-50
Neewai	4000	4050	4240	4320	-270
Hapur (UP)	4150	4200	4250	4320	-120
Groundnut Seed					
Rajkot	800	800	810	810	-10
Sunflower Seed					
Gulbarga	2852	3542	2850	3400	142
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	3420	3660	3600	3650	10
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
		21th to 27th July 2018	14th to 20th July 2018	
Soybean	Madhya Pradesh	99000	265000	-166000
	Maharashtra	100000	175000	-75000
	Rajasthan	42000	79000	-37000
	Bundi (Raj)	120	470	-350
	Baran (Raj)	2415	6200	-3785
	Jhalawar (Raj)	Closed	9000	-
Rapeseed/Mustard	Rajasthan	160000	360000	-200000

Annexure

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

The 2nd 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

Crop	2018	2017	% Change
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
Total Oilseeds	80.87	84.85	-5.27

Source: GOI

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