

Oilseeds Weekly Research Report

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Executive Summary

Soybean Oct contract at NCDEX witnessed positive trend taking cues from international market. However spot prices weakened as the sowing status is indicating soybean acreages to come around 111-112 lakh hectares. CBOT Soybean gained over improved prospects of exports from Non-China countries and also rumor of new negotiations between US and China which eventually fizzled out and the market witnessed correction. . 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. Market is expecting yield to be above 50 bushels per acre in the upcoming WASDE report. We are also expecting the yield to be around 51 bushles per acre.

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 are concerns of prolonged dryness in Telangana, SI Karnataka and Vidarbha. Monsoon has also been very erratic in Gujarat but otherwise the spread of rain has been excellent indicative of above average production..

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 with NAFED started auctioning the same through e-platform of NeML the rate of offloading is going to determine the bearishness in the market. The market has discounted the news of NAFED offloading the stock. 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 khatrif 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: 6th August
2. USDA Weekly Export Sales Report: 9th August
3. USDA Weekly Export Inspection Report: 6th August
4. August USDA WASDE report: 10th August
5. India Sowing Progress: 10/11Th August
6. SEA Oilmeal July Exports estimates: 5th to 8th August
7. SOPA Soybean and Meal July SnD

Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade range in between the range of 3350 to 3500. With the current situation of higher y-o-y acreages and forecast of favorable weather the old crop is expected to fall further as market is betting on new crop rather on old crop. This week the prices in the physical market has already fall by 150 rupees per 100 kg and thus prices is expected to inch down further in coming weeks to 3250. 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 3300 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. With Soybean under the influence of bear the the 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): As NAFED has started auctioning the Mustard stock through auction NCDEX mustard is expected to find it difficult to break 4220 levels and the spot price is expected to limit its gains to 4340.

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

Sowing Progress as on 3rd August 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	35.24	34.98	33.64	-4%	83%	80%
Soybean	112.5	107.19	98.99	109.5	11%	88%	97%
Sunflower	2.1	1.24	1.15	0.76	-34%	55%	36%
Sesame	14.5	11.59	10.52	11.63	11%	73%	80%
Niger	2.6	0.52	0.56	0.5	-11%	22%	19%
Castor	10.5	2.32	2.72	1.5	-45%	26%	14%
Total	184.2	158.1	148.92	157.53	6%	81%	86%
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 157.53 lakh hectares against 148.92 lakh hectares last year. Groundnut sowing has been done in 80% of the normal area whereas soybean has been in 97%.

Weather Forecast and Current Status

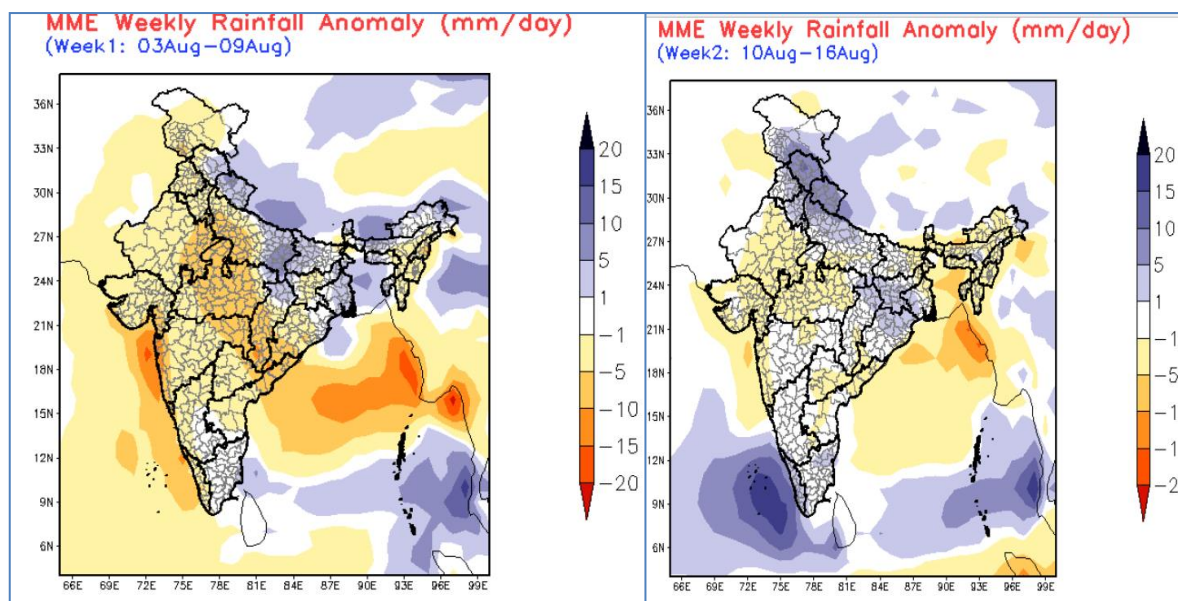
Forecast for the Rainfall during the Second Half of the Southwest Monsoon Rainfall:

- The rainfall during August 2018 is likely to be $96 \pm 9\%$ of LPA and expected to be higher than predicted in June.
- Quantitatively, the rainfall for the country as a whole during the second half of the season (August and September) is likely to be 95% of LPA with a model error of $\pm 8\%$.
- The tercile probability forecasts for the rainfall over the country as a whole during the 2018 second half of the monsoon season are given in the table below.

Category	Rainfall Range (% of LPA)	Forecast Probabil (%)
Below Normal	<94	47
Normal	94 -106	41
Above Normal	>106	12

- Mid-season rainfall scenario realised over the country till the end of July 2018 suggests that distribution of rainfall is very good over all parts of the country except Bihar, Jharkhand and NE States. Such a scenario of favourable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favourable for agricultural operations.

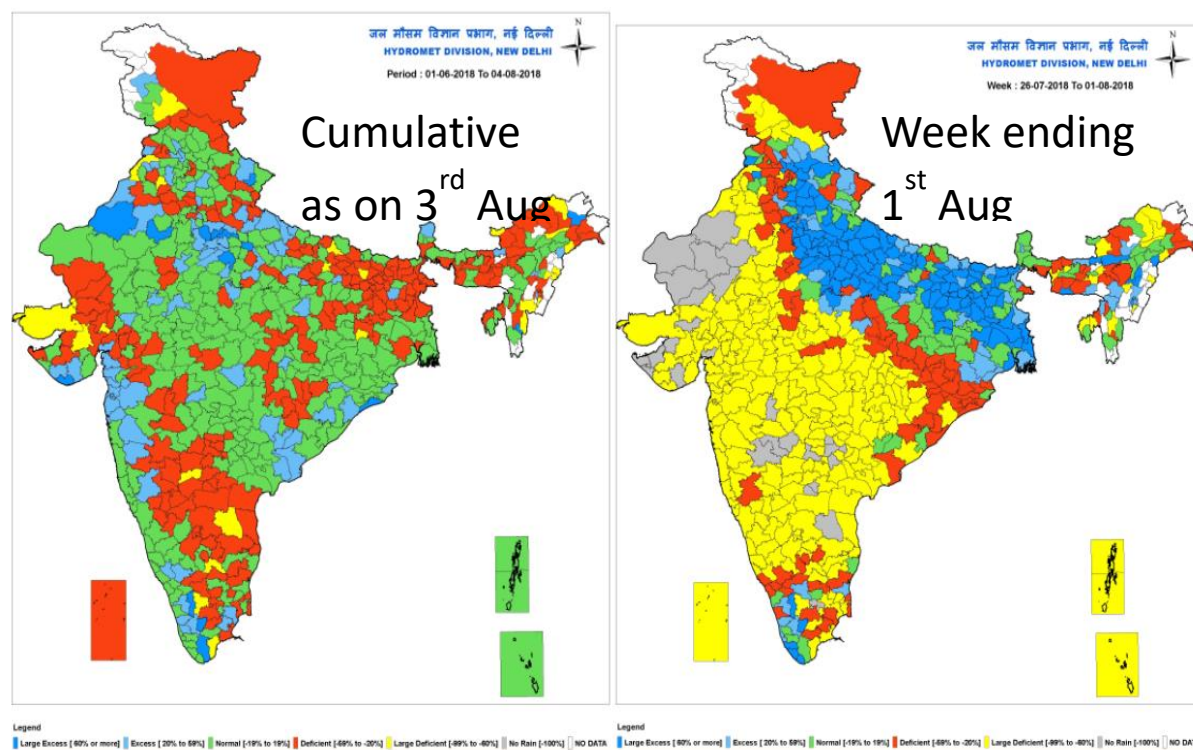
Medium Range Forecast



The monsoon activity is forecasted to remain concentrated in Eastern UP, Bihar. In the second week North West is forecasted to remain wet along with improvement in rainfall in southern peninsula.

Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 9% as on 4th August. Cumulative rainfall has much improved in east and UP whereas prolonged dryness has let the South Peninsular losing initial gains with most of the region towards the leeward side of the western ghats are in deficit. The deficits subdivisions include North Interior Karnataka, Telangana, AP and South Maharashtra.



Soybean

Domestic Market

Soybean price has been under the influence of bullishness in international market and expected weather premium evolving over heavy rains in North MP and drier spells in North interior Karnataka and Telangana. As of now the impact has been limited and the first two weeks of August is important for yields.

Soybean is in the flowering stage in the early sown crops and thus any severe soil and air dryness in this period can result in the flower shedding and thus has the potential to impact yields severely. Further dryness can result in shedding of pods. On an average there are 18-20 pods per plant and which may end up in 10-12 pods per plant.

All India oilseeds sowing have been completed in 157.54 lakh hectares which is high y-o-y by 8.63 lakh hectares mainly due to significant improvement in soybean sowing.

Soybean sowing has been completed in 109.5 lakh hectares against 98.99 lakh hectares last year and thus by this pace the total acreages is expected to come around 11-12 lakh hectares or at max to 114 lakh hectares. The normal sown area is 112 lakh hectares which is an average of last 5 year soybean acreages.

With continued dryness in Telangana soybean crop is expected to come under moisture stress. Almost all districts are facing deficit by 20% on an average. Rainfed soybean crop may face lower yield this season. The exports of soymeal in the coming two months are important in terms of the stock number that we are seeing at the end of marketing season.

International cues are going to have limited impact on Indian soy complex unless there are aggressive rallies or fall. The trump card is the US president next move in the soy international trade and US China trade war.

As of now soybean prices is going to edge down further with the exports parity match up potential. Further development in weather with another two months of -crop development should remain under vigil in determining the 2018-19 crop numbers for soybean.

Crush Margin in the July month is positive on an average basis indicating of the good crush demand. Export as well as domestic demand has also been in line with supplies and thus there hasn't been any supply surpluses neither bean and meal for aggressive falls. Overall Indian crushers have made good profit this year too consecutively.

India Meteorological Department (IMD) contradicted skymet forecasts of below par monsoon in rest of SW monsoon season and said that rains in August and September would be 'normal' at 95 per cent of the Long Period Average (LPA). During the last two months, IMD said there is 63 per cent chance of monsoon being normal and a 47 per cent probability of it being below normal.

The Met department in its weekly weather update said that the southwest monsoon is expected to be normal to above normal over East and North-East India along with Uttar Pradesh during the first week of August and thereafter increase its presence the along the North-Western parts of the country and also South Peninsular India.

In June and July, the southwest monsoon was 6 per cent below normal. So far, the rains have been normal in around 84 per cent of the country's landmass so far in the season, and deficient in the rest.

The distribution of rainfall is very good overall parts of the country except Bihar, Jharkhand and NE States. Such a scenario of favourable distribution of rainfall is expected to continue during rest of monsoon season of 2018 so as to remain favourable for agricultural operations

In the latest data from Central Water Commission (CWC) showed that water level in the 91-odd reservoirs continued to rise and during the week ended August 2 was 45 per cent of their full capacity level.

Since, July 19, the water level in the reservoirs have increased by over 13 per cent, which should augur well for coming rabi season mainly in those parts which are dependent on reservoirs for irrigation.

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
	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 international FC Stone projected the Soybean production at 4.574 billion bushels at an average yield of 51.5 bushels per acre, whereas has kept the US soybean yield at 48.5 bushels per acre in the last WASDE report.

Informa Economics raised its forecast for the U.S. 2018 soybean yield to 50.0 bushels per acre (bpa), from 49.8 previously. WASDE July estimates for Soybean yield is at 48.5 bushels per acre.

Soybean old crop sales are beginning to fade as the 2017/18 marketing year wraps up, finding only 3.4 million bushels last week. With another 20.0 million bushels in new crop sales, that brought total sales to 23.4 million bushels.

According to Safras and Mercado, sales of soy from the 2017/18 campaign, which is nearing its end, have reached 84 percent of the production compared to 74 percent at this time last year. Sales of soy yet to be produced in the new, 2018/19 season are at 18 percent of expected production versus 8 percent last year.

The Argentinean officials expects to export significant amounts of soymeal to China starting after the next harvest in May, a top agriculture ministry official said on Friday, as the South American grains powerhouse moves to take advantage of U.S.-China trade strife. Argentine officials were in Beijing on Friday finalizing the paperwork needed to ship the country's livestock feed to China.

August WASDE report is going to set the tone for the coming week trade with anticipation so higher US production leading to a expected bearish report. We will see what the market is expecting next week.

In the USDA weekly crop progress report, 70% of soybean is reported to be in good to excellent conditions unchanged from previous week and 11% high from last year in the same time frame.

Pod setting has been observed in 60 % of the crop against 5 year average of 41%. Soybean blooming has been reported in 86% of the crop against 77% of 5 year average.

Soybean crops in Kansas, Michigan, Missouri, and North Carolina continue to struggle. Overall there are apprehensions over such a rosy picture portrayed by USDA. All cue son WASDE yield numbers.

U.S. farmers could receive cash payments from a planned \$12 billion aid package as soon as late September, United States Agriculture Secretary Sonny Perdue told Reuters on Saturday.

According to study by bank Banco Itaú BBA., falling margins for soy growers in Brazil from currency swings and rising transport costs is not expected to derail farmers' plans to plant a record crop come September, as strong Chinese demand is expected to buoy the market.

Farmers' margins on soy are expected to fall to half of the previous crop cycle or to between 1,200 reais and 1,500 reais (about \$325-\$400) per hectare, as the weaker Brazilian currency boost the cost of imported farm inputs like fertilizers.

Soy meal

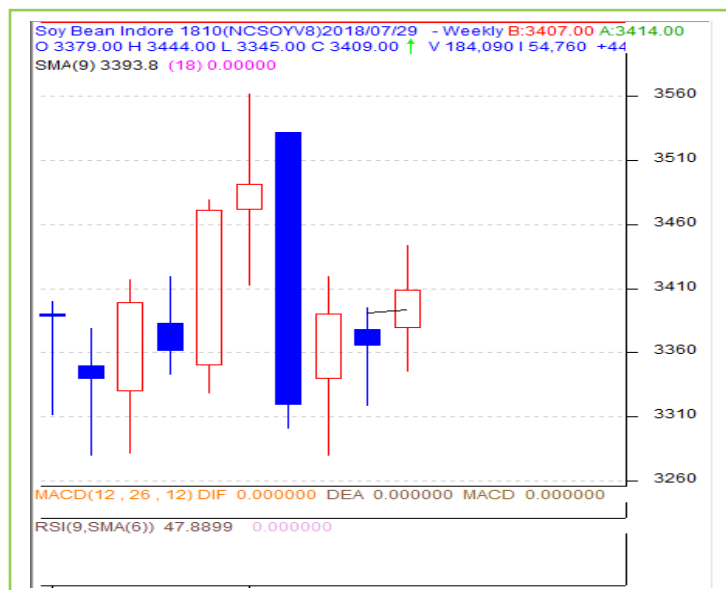
Indian soymeal was offered in international market at a premium of \$55-58 per ton over Argentinean soymeal thus the premium is more or less competitive enough and extent of correction by \$20-30 per ton will mostly depends on the upcoming production number and thus exportable surplus.

Oil meal ratio has been well above 2.3 since May indicating the higher soy oil share and thus crushers may tends towards crushing bean even for oil if the import duty remains consistently high.

US weekly export was recorded at 247663 tons against 215368 tons last week. The net sales for the old crop meal was low at 79016 thd tons against 166397 thd tons last week. New crop meal net sales however were high at 57290 tons against 37620 tons last week

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*Note: Weekly Chart

Support & Resistance NCDEX Soybean – Oct. Contract				
S1	S2	PCP	R1	R2
3260	3310	3410	3410	3470

- New crop soybean contract for Oct month breached the resistance of 3410 briefly and pulled back strongly to close at the same at the end of week.
- 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** Above 3400 Target – 3340; T2- 3310, SL –3450.

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 8.65 lakh bags as compared to 6.2 lakh bags in the previous week. The supplies were 6.95 lakh bags in the same time frame last year.

The spot prices have remained flat w-o-w over the strong crush demand on one hand and NAFED initiation of auction of its stocks. At the end of week mustard closed at 4360 per quintal as against INR 3855 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Aug contract ended higher at 4124/Qtl compared to 4292/Qtl previous week.

NAFED started auctioning mustard seed stock that they have procured under PSS scheme to a tune of 8.73 lakh tons from 3rd August in the open market. The auctioning process is at the NeML platform through e-auction. The auction will be on daily basis, twice in a day. NAFED has started the auction for the deliveries in Gujarat, MP and Rajasthan stocks.

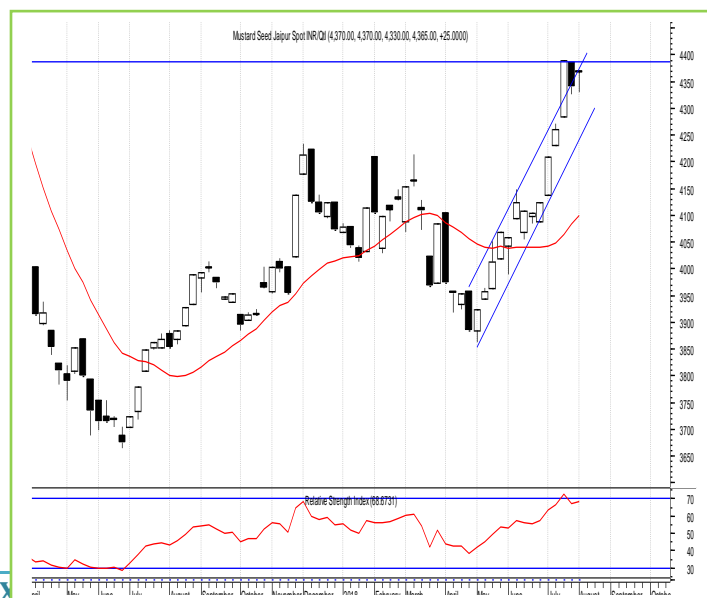
At Mustard front arrivals has been higher as compared to last year in the same time frame and which might be indicating for higher crop or higher offloading by farmers. Things might be even clearer as we move into coming months as there exist an ambiguity over production numbers. Down the line the production might be again revised based on arrival numbers.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



S1	S2	PCP	R1	R2
4100	4150	4177	4270	4370

- Prices continued to trade in channel and pulled back after testing the lower boundary briefly. The upside is limited by the strong resistance at 4220.
- Going ahead, as long as prices are holding below the INR 4220, sideways price action within INR 4220 to 4130 is likely to be seen.
- However, in the medium term the bullish sentiment remains intact.
- On the upside, INR 4220 shall act as immediate resistance. A sustained breach above the same shall prompt further extension of gains towards INR 4270 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 on dips setting target of 4220 and consider taking short anything above 4200

Week: **BUY** 4120-30 or below: Target – 4200; T2- 4220, SL –4050.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	03-Aug-18		27-Jul-18		
	Low	High	Low	High	
Indore –Plant	3550	3610	3480	3525	85
Indore–Mandi	3500	3550	3200	3350	200
Nagpur-Plant	3650	3675	3675	3700	-25
Nagpur – Mandi	3210	3470	3150	3400	70
Latur – Mandi	NR	NR	Closed	Closed	-
Akola – Mandi	3660	3660	3350	3425	235
Kota-Plant	3450	3500	3400	3425	75
Kota – Mandi	3350	3450	3300	3400	50
Bundi-Plant	3500	3525	3400	3450	75
Bundi-Mandi	3350	3400	3300	3350	50
Baran-Plant	3450	3500	3350	3400	100
Baran-Mandi	3300	3375	3250	3300	75
Bhawani Mandi Jhalawar–Plant	3450	3550	3350	3400	150
Jhalwar-Mandi	3450	3500	Closed	Closed	-
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4350	4355	4320	4325	30
Alwar-(Condition)(New Crop)	4150	4200	4000	4200	Unch
SriGanganagar-(Non-Condition-Unpaid)	4000	4050	3900	4000	50
New Delhi–(Condition)(New Crop)	4150	4200	4200	4215	-15
Kota-Non-(Condition)(New Crop)	3800	3900	3750	3850	50
Agra-(Condition)(New Crop)	4775	4825	4700	4775	50
Neewai(New Crop)	4150	4200	4000	4050	150
Hapur (UP)(New Crop)	4100	4150	4150	4200	-50
Groundnut Seed					
Rajkot	812	812	800	800	12
Sunflower Seed					
Gulbarga	2845	3568	2852	3542	26
Latur	NA	NA	NA	NA	-
Sholapur	3500	3600	3420	3660	-60
Sesame Seed					
Mumbai (White98/2/1	9000	9000	8800	8800	200

Soybean Prices are in INR/qtl. (1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR/qt (1 bag=85 kg) 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
		28th July to 03rd Aug 2018	21th to 27th July 2018	
Soybean				
	Madhya Pradesh	243000	99000	144000
	Maharashtra	148000	100000	48000
	Rajasthan	67000	42000	25000
	Bundi (Raj)	320	120	200
	Baran (Raj)	9500	2415	7085
	Jhalawar (Raj)	19000	Closed	-
Rapeseed/Mustard	Rajasthan	320000	160000	160000

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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