

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean Oct contract at NCDEX witnessed negative trend taking cues from international market as well improvement in rains across central India and especially the malwa region. However spot prices also weakened after gaining initially in the week. The sowing status is indicating soybean acreages to come around 111-112 lakh hectares. CBOT Soybean has been under the influence if WASDE report and plunged down sharply on Friday as the report indicated towards higher production and ballooning US end stocks. Crop ratings has been revised down by 3% in the good to excellent conditions but has been outsmarted by upwards revision on yield to 51.6 bushels per acre as against 48.5 bushels in July WASDE report.

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. With current spell of rains across key soybean growing regions Agriwatch is expecting production to be around 104-105 lakh tons. Concerns remained in parts of NI Karnataka, Telangana and Marathwada as well as Vidarbha. All these areas has witnessed scanty rainfall consecutively for three weeks in till 8<sup>th</sup> of August.

CBOT Soy meal has witnessed sharp losses post bearish WASDE report and thus giving jitters to Indian soybean complex too. As the USDA WASDE report is indicating bean to fall below \$8 per bushels, meal prices is also indicating further fall and a below \$300 short ton is expected at CBOT in coming days. USDA has forecasted meal prices to remain in between \$295-\$335 per short ton for the season. On such prices Indian meal has to further fall towards INR 22000 per ton which also happens to be long term trend line support for meal and which is almost repetition of last year price outlook.

Rapeseed has been keenly looking towards the pace of rapessed stocks offloading by NAFED and as of now there hasn't been seen any rapid progress in it. A mustard price is also underpinned over the spread with bean which can sustain at INR 1000 per quintal. Thus Mustard prices remain under the consolidative phase.

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

### **Reports releasing this week**

1. USDA Crop Progress Report: 13<sup>th</sup> August
2. USDA Weekly Export Sales Report: 16<sup>th</sup> August
3. USDA Weekly Export Inspection Report: 13<sup>th</sup> August
4. India Sowing Progress: 17/18<sup>th</sup> August

## Outlook – Cash Market

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**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. Further a strong bearish WASDE report has taken away any bullish sentiments in the domestic market as the bean prices prepares to find exports parity to dispose its expected huge surplus stocks. New crop futures and forwards is expected to start falling in coming weeks with further development in weather is the key for price direction.

**Outlook – Soy meal (Spot, Indore):** Soy meal noticed range –bound with mixed price action across ex-mill price during the week. Soymeal prices are expected to weaken post mid of Sep as the seasonal rise in crush and higher disposable stocks. Indian meal might not see much interest in forward bookings except its regular buyers as the net importers of bean and meal is shifting towards the bargain prices offered by US.

**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. The pace of offloading will determine the weakness in Mustard.

## Sowing Status – Kharif Oilseeds 2018-19 as on 9<sup>th</sup> Aug, India

Sowing Progress as on 9 <sup>th</sup> 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	36.81	36.58	35.32	-3%	87%	84%
Soybean	112.5	108.86	101.56	110.72	9%	90%	98%
Sunflower	2.1	1.31	1.17	0.78	-33%	56%	37%
Sesame	14.5	12.87	11.36	12.72	12%	78%	88%
Niger	2.6	0.63	0.67	0.53	-21%	26%	20%
Castor	10.5	3.45	3.02	2.41	-20%	29%	23%
<b>Total</b>	<b>184.2</b>	<b>163.93</b>	<b>154.36</b>	<b>162.48</b>	<b>5%</b>	<b>84%</b>	<b>88%</b>
All figures in Lakh Hectares							

Source: Agricoop

Overall oilseed sowing is done in 162.48 lakh hectares against 154.36 lakh hectares last year. Groundnut sowing has been done in 84% of the normal area whereas soybean has been in 98%.

## Weather Forecast and Current Status

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

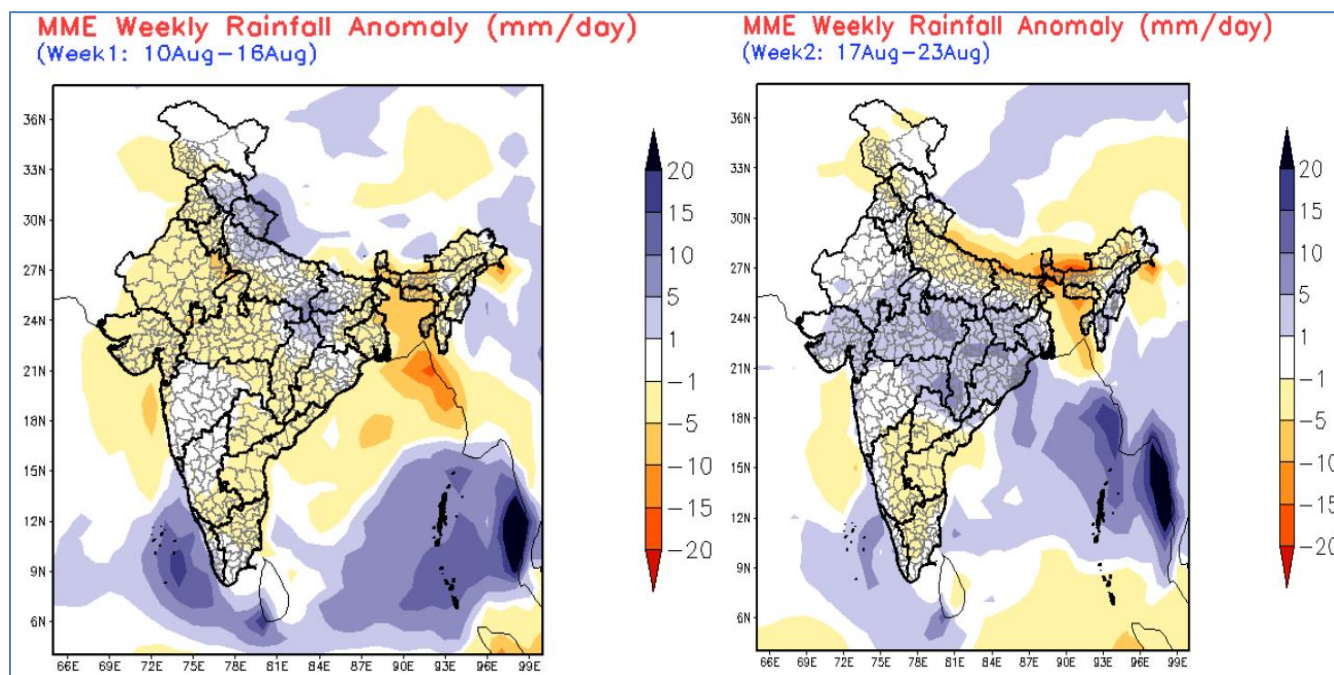
- The rainfall during August 2018 is likely to be  $96 \pm 9\%$  of LPA and expected to be higher than predicted in June.
- Quantitatively, the rainfall for the country as a whole during the second half of the season (August and September) is likely to be 95% of LPA with a model error of  $\pm 8\%$ .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

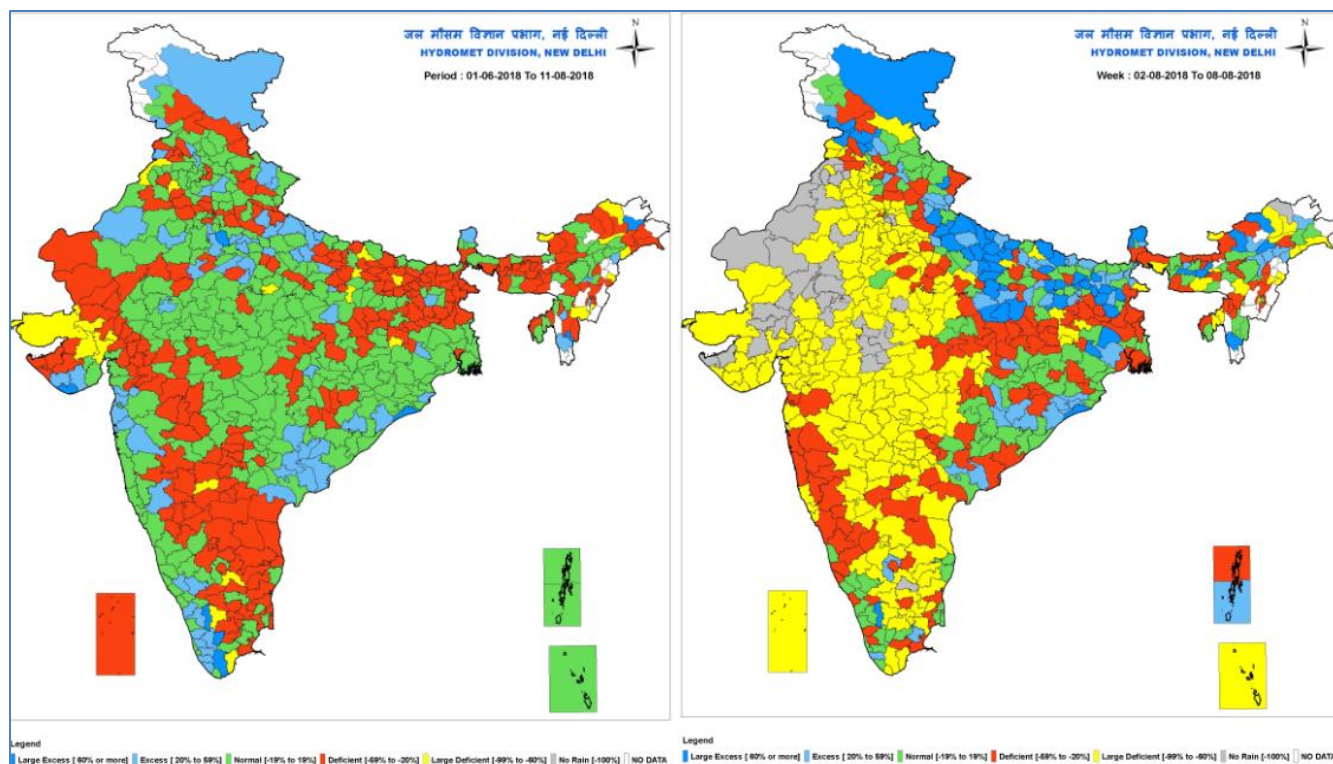
## Medium Range Forecast



The monsoon activity is forecasted to remain concentrated in Eastern UP, Bihar. Improvement in rainfall is forecasted in NI Karnataka and Maharashtra. In the second week across central India is forecasted to witness widespread rainfall.

## Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 11% as on 12th 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

All India progressive sowing of oilseeds as on 9th August stands at 162.47 lakh hectares as compared to 154.34 lakh hectares. Groundnut sowing has been carried out in 35.32 lakh hectares, soybean in 110.72 lakh hectares and sesame 12.72 lakh hectares.

MP CM Shivraj Singh Chauhan has requested center to include Kharif 2018 Soybean, Sesame to be included under PSS in coming season. Further Suresh Prabhu had a meeting with MP CM on increasing the exports of soybean and other agri based products.

According to a report published in Indian Council of research on international economic affairs, In total, 10.59 lakh soybean farmers registered with the Bhavantar Bhugtan Yojana (BBY) scheme which formed 48 percent of the total farmers registered. Out of 50 lakh total cropped area under soybean, but only 25 lakh ha (50 percent) was registered under the scheme. Out of total soybean production of 69.4 lakh MT, only 12.84 lakh MT of produce (18.5 percent) was compensated by the scheme.

SOPA is in the opinion that if the drier conditions persist in MP yield can be compromised. However as the same is forecasted in the same which is expected to erode any bullish sentiments evolving from the present conditions.



A production number of 104 lakh tons is on cards with further development of monsoon remaining crucial for yield. We are expecting all India yield to remain above median as of now.

### **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>	<b>109.71</b>	<b>83.50</b>

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

### **International Market**

According to international FC Stone, the Soybean production at 4.574 billion bushels at an average yields of 51.5 bushels per acre, whereas USDA has kept the US soybean yield at 51.6 bushels per acre in the August WASDE report.

According to the latest WASDE report the end stock has been revised up by 35% against July WASDE estimates which is almost double as compared to the 2017-18 end stock. In 2018-19 the US end stock is projected at 21.352 million tons against 11.691 million ton in 2017-18.

The major highlight of this report was upward revision of the US yield for the current crop. The yield has been taken at 51.6 bushels per acre (3.47 tons per hectares) against 48.5 bushels in July WASDE report. Y-o-Y the exports has been estimated down by 1.36 million tons but almost unchanged from the previous WASDE report.

USDA reported the weekly soybean exports sales within the range of market anticipations. or the period from July 27th to August 2nd reported corn sales of 1,212,162 metric tonnes which was within the 700,000 – 1,500,000 trade estimate. The old crop portion of the sale was the largest for this week in 12 years. Soybean sales were reported at 954,381 metric tons, also within the trade estimate.

Conab estimates Brazil's 2017/18 soybean crop at reported 118.98 million tons, just above last month's 118.88.

According to Oil World China may resume importing US Soybean in coming weeks as South American supplies tapers which might escalate chines domestic soybean prices. Or China may cut down its livestock production that will leads to higher domestic meal prices. There are also chances China may import soymeal instead but

that will also results in redirection of US soybean via Argentina. Argentina already importing US Soybean after 20 years over crop failure in post drought period this season.

In the latest move by President Donald Trump to put pressure on Beijing to negotiate trade concessions, Washington is set to begin collecting 25 percent tariffs on another \$16 billion in Chinese goods on Aug. 23.

According to the data released by China's General Administration of Customs China Imported 8.01 million tons of soybean as compared to 8.7 million tons last month. The imports is down by 2.07 million tons as compared to previous year figure in the same time frame.

In the latest Weekly crop progress report ending 5th Aug released by USDA, 67% of the crop has been in the good to excellent conditions as against 70% last week and 60% last year. Two per cent has been rise has been witnessed in very poor to poor conditions with 1% rise in each on w-o-w basis. 75% of the crop has witnessed pod setting as against 5 year average of 58%. Soybean blooming has been observed in 92% as against 5 year average of 86%.

According to the latest import figures released by European, 37 percent of the EU's soybean imports in June came from the US, compared with 9 percent in July 2017. This was due to the discounts available in US soybean against South American Soybean.

According to USDA weekly inspection report 893.109thousand tons of soybean has been inspected for exports as against 768.769 thousand tons last week and 686.770 thousand tons last year in the same time frame. The top buyers for the week is been Netherlands, Portugal, Bangladesh, Egypt, Spain, Vietnam and China.

According to China state media Economic Daily report, China is likely to cut imports of soybeans by more than 10 million tonnes this year, over new soymeal technology and the use of supplements such as sunflower seeds and palm seeds,

The use of low-protein formula in animal feed could cut China's annual demand for soymeal by 5-7 percent, equal to about 5 million tonnes of soybeans, citing Yin Yulong of China Academy of Science

China could also raise imports of animal feed made of sunflower seeds, palm seeds and rapeseed that can replace annual soymeal demand of about 4.8 million tonnes, equivalent to about 6 million tonnes of soybeans, the report said

Soymeal demand is expected to remain lackluster in the coming few months due to losses for some pig farmers, the paper added. Soymeal consumption fell 1.3 percent between April and June over the same year-ago period.



## Soy meal

According to the SEA, India exported 148983 tons of oilmeal in July 2018 as compared to 125904 tons in July 2017, in which soymeal exports recorded 63747 tons against 80797 tons in July 2017. Rapemeal exports have been recorded at 46364 tons in July'18 against 14753 tons in July'17.

Soymeal exports for the period Oct-July has been below last year in the same time frame by 17% and is at 9.44 lakh tons as compared to 11.41 lakh ton last marketing season.

There is nothing anomalous in exports figures that can spark any sudden rallies in the market. Major importing nations are already milking the opportunity to buy cheap US soybean and has already booked huge quantity. Bangladesh too has been too looking forward to import more bean over meal. Thus Indian meal exports prospects in Aug and Sep doesn't seem to be too rosy as of now with limited scope of any spot bookings and thus the Indian meal is expected to start correcting in coming weeks to compete with at least Argentinean meal.

According to the SOPA, in July India exported 1.01727 lakh tons of soymeal. Cumulatively in between Oct-July India exported 15.13 lakh tons of soymeal as being reported by DGFT.

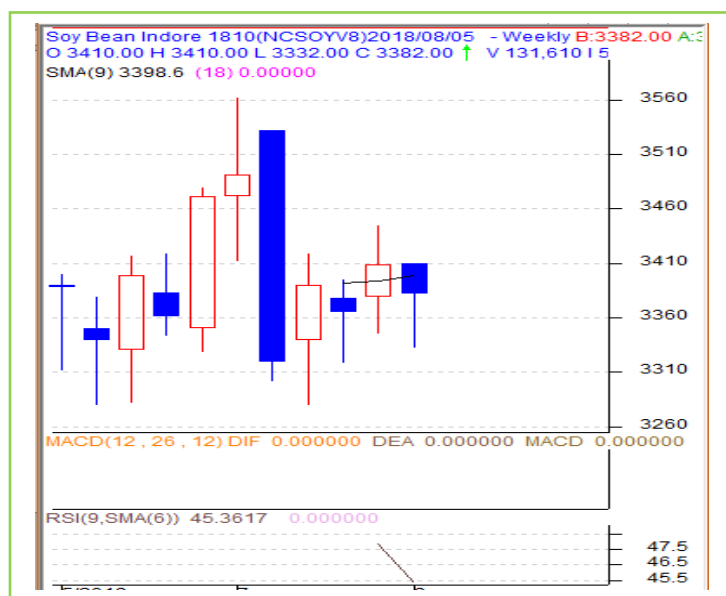
At the end of July 73 lakh tons of soybean has been crushed as against 72.5 lakh tons last year. Stocks at the end of July is at 9.28 lakh tons. ---

India consumed 43.6 lakh tons of meal by the end of July that includes 39 lakh tons of meal consumed as feed and 4.6 lakh tons as food. Stocks of soymeal are at .62 lakh tons at the end of July.

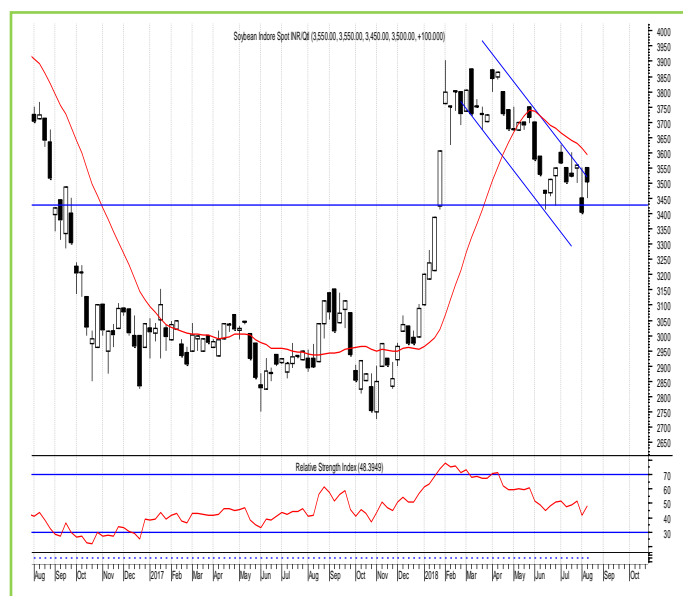
US weekly export was recorded at 247663 tons against 215368 tons last week. The net sales for the old crop meal was low at 79016 thd tons against 166397 thd tons last week. New crop meal net sales however were high at 57290 tons against 37620 tons last week.

### **Technical Analysis:**

#### **NCDEX Soybean Futures**



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



\*Note: Weekly Chart

## Support & Resistance NCDEX Soybean – Oct. Contract

S1	S2	PCP	R1	R2
3260	3310	3382	3410	3470

- New crop soybean contract for Oct month continued to trade in the range of 3410 and 3310.
  - 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 7.55 lakh bags as compared to 7.95 lakh bags in the previous week. The supplies were 9.1 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 3865 per quintal during the corresponding period last year at the benchmark, Jaipur.

At NCDEX futures, the seed prices at Aug contract ended low at 4108/Qtl compared to 4124/Qtl previous week.

As there are rounds of oilseeds offloading by NAFED with the intention of clearing go downs for fresh procurement of rabi crops under PSS scheme the oilseeds market is under bearish grip.

After, MP, Gujarat and Rajasthan NAFED, (Chandigarh) is also commencing the sale of Mustard Seed( PSS) R-2018 lying in State of (Haryana) w.e.f.07.08.2018 through NCDEX e Markets Limited.

### Technical Analysis:

#### NCDEX RM Seed Futures



#### RM Seed Spot, Jaipur



Support & Resistance NCDEX RM Seed – July. contract				
S1	S2	PCP	R1	R2
4100	4150	4108	4120	4210

- Prices continued to trade in channel and pulled back after testing the 61.8% Fibonacci retracement of the last rally.
- Going ahead, as the mustard seed has completed its corrective wave from here onwards the prices is expected to inch towards 4220
- Overall it is expected to remain in the long consolidation between the 4050 and 4220. Any breakout of 4220 will extend its gains towards 4370.
- As August contract is near expiry, traders are advised to exit their position within this week.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug)

Buy on dips setting target of 4120 and then 4220

Week: **BUY** 4050-4070 or below: Target – 4120; T2- 4220, SL –Below 4050.

## Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	10-Aug-18		03-Aug-18		
	Low	High	Low	High	
Indore –Plant	3425	3525	3550	3610	-85
Indore–Mandi	3250	3400	3500	3550	-150
Nagpur-Plant	3660	3700	3650	3675	25
Nagpur – Mandi	3150	3400	3210	3470	-70
Latur – Mandi	2900	3620	3200	3660	-40
Akola – Mandi	3100	3375	3660	3660	-285
Kota-Plant	3375	3425	3450	3500	-75
Kota – Mandi	3200	3350	3350	3450	-100
Bundi-Plant	3400	3420	3500	3525	-105
Bundi-Mandi	3250	3300	3350	3400	-100
Baran-Plant	3400	3450	3450	3500	-50
Baran-Mandi	3275	3325	3300	3375	-50
Bhawani Mandi Jhalawar–Plant	3340	3450	3450	3550	-100
Jhalwar-Mandi	3360	3380	3450	3500	-120
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)(New Crop)	4355	4360	4350	4355	5
Alwar-(Condition)(New Crop)	4100	4175	4150	4200	-25

SriGanganagar-(Non-Condition-Unpaid)	3825	3925	4000	4050	-125
New Delhi-(Condition)(New Crop)	4130	4150	4150	4200	-50
Kota-Non-(Condition)(New Crop)	3600	3700	3800	3900	-200
Agra-(Condition)(New Crop)	4700	4750	4775	4825	-75
Neewai(New Crop)	4100	4270	4150	4200	70
Hapur (UP)(New Crop)	4100	4150	4100	4150	Unch
<b>Groundnut Seed</b>					
Rajkot	865	865	812	812	53
<b>Sunflower Seed</b>					
Gulbarga	2851	3341	2845	3568	-227
Latur	NA	NA	0	0	-
Sholapur	3600	3680	3500	3600	80
<b>Sesame Seed</b>					
Mumbai (White98/2/1)	9000	9000	9000	9000	Unch
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
		4th Aug to 11th Aug 2018	28th July to 03rd Aug 2018	
Soybean	Madhya Pradesh	340000	243000	97000
	Maharashtra	148000	148000	Unch
	Rajasthan	80000	67000	13000
	Bundi (Raj)	560	320	240
	Baran (Raj)	6300	9500	-3200
	Jhalawar (Raj)	8200	19000	-10800
Rapeseed/Mustard	Rajasthan	315000	320000	-5000

## 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.

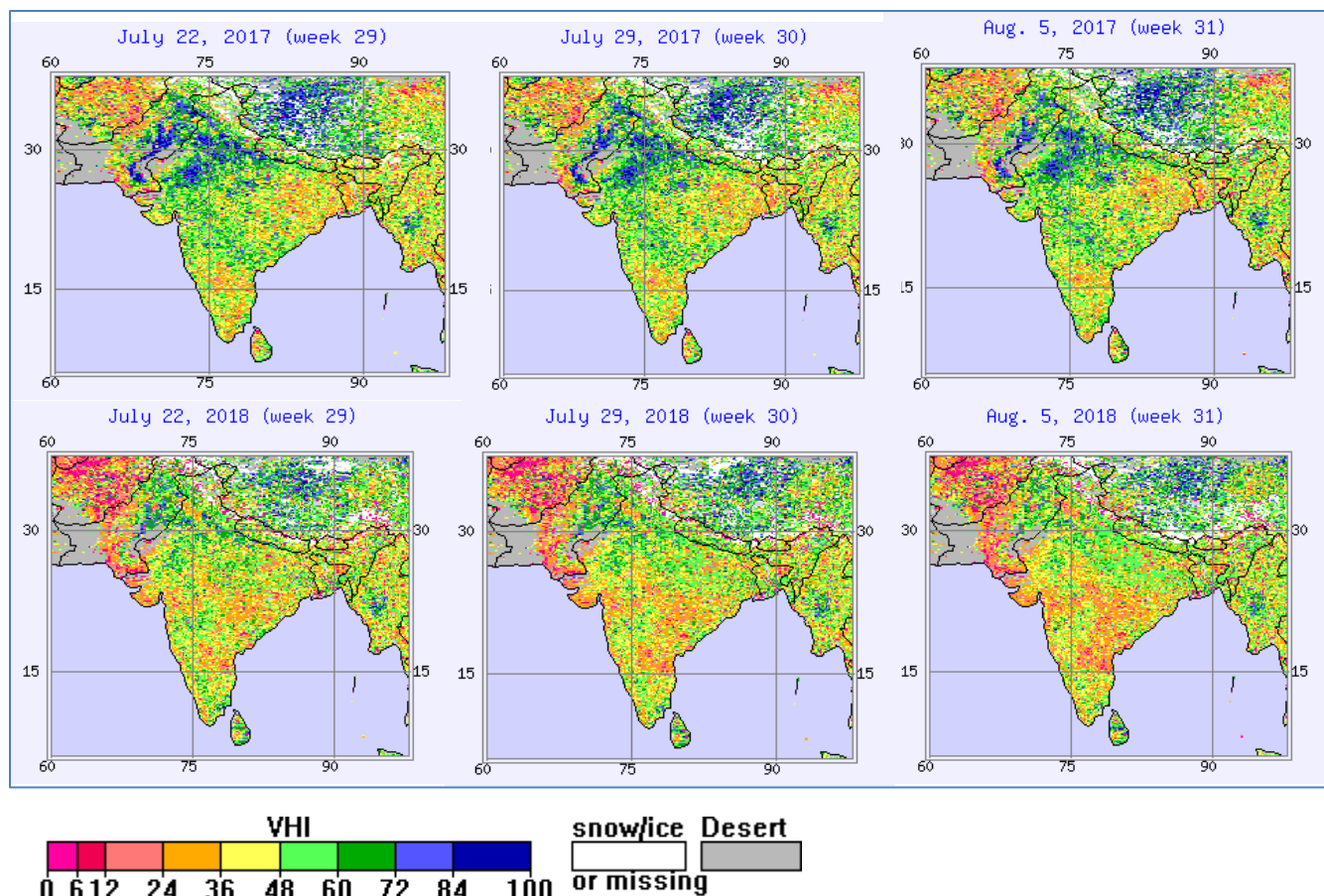
## MSP for 2018/19 Kharif Oilseeds

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).

## Vegetative Health Index

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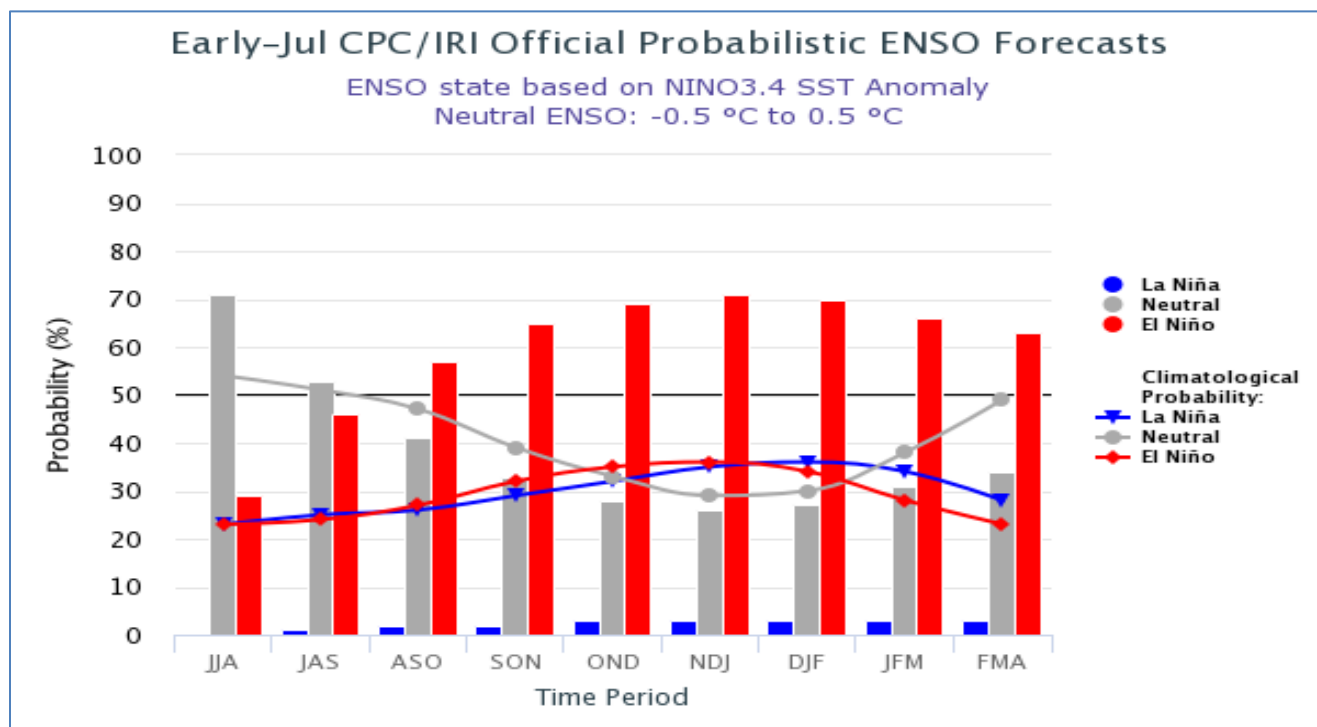
VHI is indicating relatively not so good conditions as compared to last year.

## SW Monsoon Weekly Spread of Rainfall

Weekly Distribution of Rainfall in Key Oilseeds Growing Region										
MET. SUBDIVISION	Week End 6-6- 2018	Week End 13-6- 2018	Week End 20-6- 2018	Week End 27-6- 2018	Week End 4-7- 2018	Week End 11-7- 2018	Week End 18-7- 2018	Week End 25-7- 2018	Week End 1-8- 2018	Week End 8-8- 2018
CHHATTISGARH	70	117	-79	-38	-9	-12	59	18	-60	-21
EAST MADHYA PRADESH	-18	152	-77	-60	-9	-26	48	47	-43	-45
EAST RAJASTHAN	-42	-11	-76	74	50	-29	26	88	-73	-94
GUJARAT REGION	-78	-97	-91	27	-27	1	107	51	-96	-91
MADHYA MAHARASHTRA	37	-1	-66	91	-48	31	138	0	85	88
MARATHWADA	83	174	-85	54	-74	20	37	-71	-98	-86
N. I. KARNATAKA	38	145	-67	-38	-65	4	22	-62	-86	-62
RAYALASEEMA	78	28	-68	-76	11	-33	-65	-94	-99	-45
S. I. KARNATAKA	55	199	-30	-42	-49	29	52	-21	-72	-45
SAURASHTRA & KUTCH	-85	-99	-98	-90	-44	-63	230	-39	-99	-99
TELANGANA	49	253	-92	-4	-29	92	30	-56	-94	-53
VIDARBHA	62	230	-83	-32	11	139	47	-50	-90	-89
WEST MADHYA PRADESH	-26	83	-69	31	-3	21	52	33	-54	-92



## NOAA ENSO Update (6<sup>th</sup> August 2018): Probability of El Nino and La Nina



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