

# Oilseeds Weekly Research Report

## Contents

- ❖ Executive Summary
- ❖ Outlook – Cash Market
- ❖ Sowing Status – Kharif Oilseeds 2018-19
- ❖ Weather Forecast and Current Status
- ❖ Soybean – Domestic & International
- ❖ Soy meal- – Domestic & International
- ❖ Technical Analysis - Soybean
- ❖ Rapeseed - Mustard
- ❖ Technical Analysis – RM Seed
- ❖ Annexure – Prices etc.

## Executive Summary

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Soybean Oct contract at NCDEX recovered in the week after losing below the crucial support levels. There has been decent recovery in CBOT Soybean post WASDE report mainly due to bullish NOPA report and lowering of crop ratings of soybean by 1% in good to excellent conditions in the weekly crop status report. Moreover there has been talks of initiation of fresh talks between US and China over the trade issues which has also helped in gains. The market is more of sentiments driven rather over fundamentals wherein Trump is the trump card for further market cues.

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 indicating 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. SOPA concluded acreages survey and has reported acreages to be at 111.2 lakh hectares which is close to our estimates and also with Govt data. With current spell of rains across key soybean growing regions Agriwatch is expecting production to be around 104-105 lakh tons. Rains across central India further helped in evaporating weather premium in Soybean .

CBOT Soy meal recovered after back to back bullish reports but still the market has potential to dip towards \$300 per short tons. Soyneal has been trading range bound since 15<sup>th</sup> June. 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: 20<sup>th</sup> August
2. USDA Weekly Export Sales Report: 23<sup>rd</sup> August
3. USDA Weekly Export Inspection Report: 20<sup>th</sup> August
4. India Sowing Progress: 24/25<sup>th</sup> August

## 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. As the CBOT bean has recovered after sharp dip Indian soybean is expected to remain in the range as mentioned above. The next move will be in Sep month when Indian bean will undergo spread correction 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:

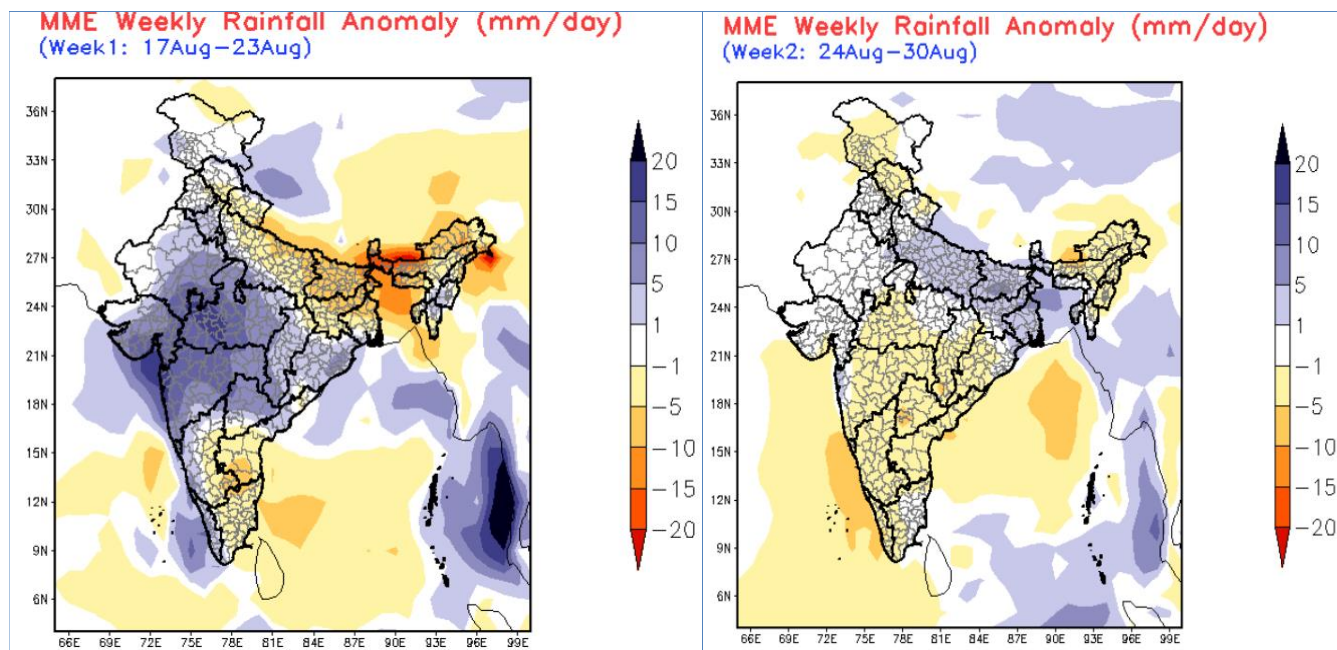
- The rainfall during August 2018 is likely to be  $96 \pm 9\%$  of LPA and expected to be higher than predicted in June.
- Quantitatively, the rainfall for the country as a whole during the second half of the season (August and September) is likely to be 95% of LPA with a model error of  $\pm 8\%$ .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

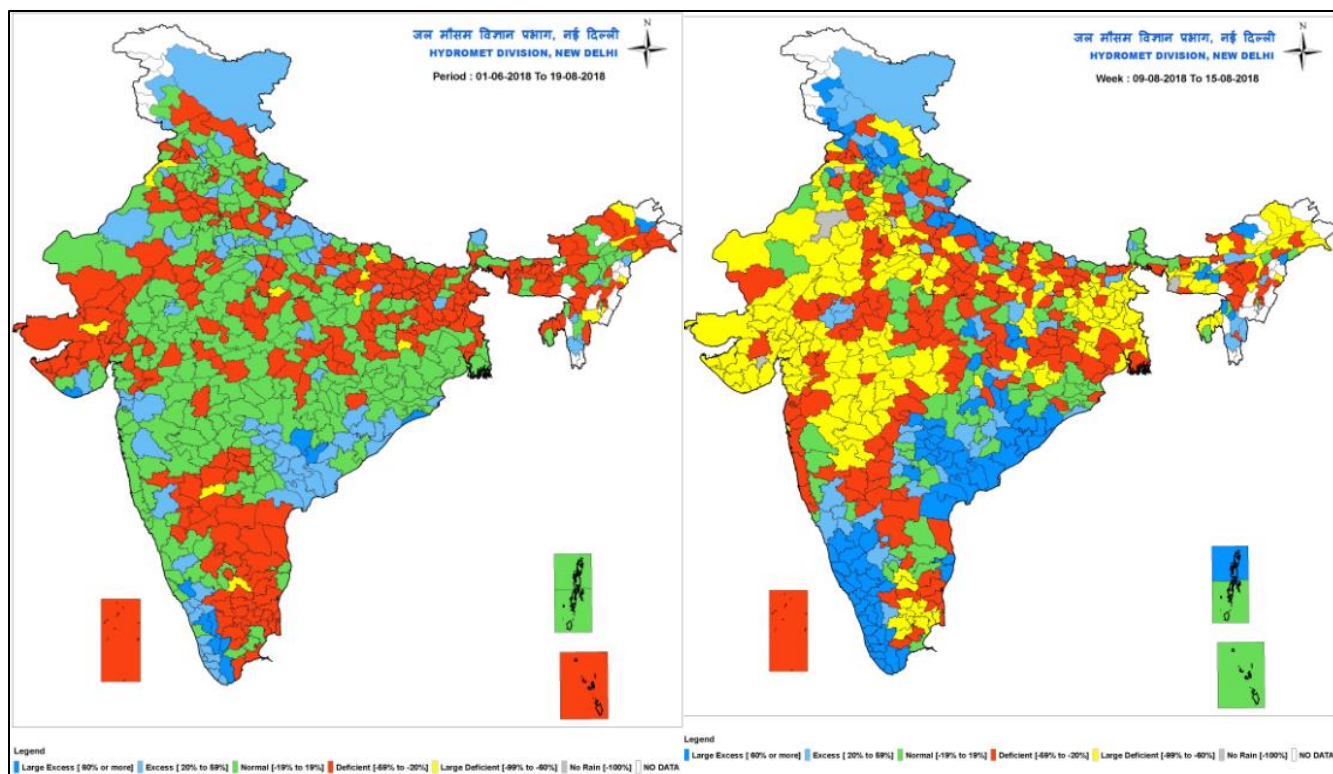
## Medium Range Forecast



Central and west is forecasted to receive widespread rainfall in till 23<sup>rd</sup> August. In the second week East and North West is forecasted to receive good spell of rains.

## Cumulative Rainfall as on 4th August

Monsoon rainfall deficit is at 8% as on 20th August. Cumulative rainfall has improved in Maharashtra after last week rains. Rayalseema and NI Karnataka have received below normal rains. Similarly Bihar and Jharkhand has also not received its full quota. Last week the rains was mainly concentrated towards East Coast.



## Soybean

### Domestic Market

With the given scene of persistent bearishness in CBOT Soybean complex, the gate has bow opened for the Indian bean and meal prices to plug towards last season lows i.e. NCDEX bean could achieve 2650 per quintal at exchange and meal prices can plunge towards 22000 or even low at physical market.

SOPA has estimated all Indian sowing of soybean in 111.73 lakh hectares in the recent field survey. In Madhya Pradesh sowing has been done in 54.1 lakh hectares up by 7.98%, Maharashtra 38.692 up by 12.2% and In Rajasthan 10.455 lakh hectares up by 13.09% year on year. The sown area estimated by SOPA is very close to government estimates.

In Maharashtra, Rajasthan and MP 5-10% crop has been affected by moisture stress during the flowering and pod formation stage which has negatively impacted yield. However recent rain is going to benefit the crop most and is going to limit reduction in yield. In Maharashtra large track of land has witnessed intercropping with red gram.

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



## **International Market**

Trump administration said it would start collecting tariffs on another \$16 billion worth of Chinese imports from Aug. 23, as it tries to put pressure on China to negotiate trade concessions. Beijing has said it will give tight responses in tit for tat deals and policies.

In the latest USDA crop progress report released yesterday, the condition of soybeans has declined slightly from 67% last week to 66% of soybeans in good-to-excellent condition this week. USDA rated 84% of the soybean crop as setting pods vs. 75% last week and the 72% five-year average.

Overall yield potential based on national ratings is expected to be at 51 bushels per acre, compared to the 51.6 bpa reported in August WASDE report of USDA.

Nearly the entire 2018 soybean crop is blooming as of last week, with 96% of the crop reaching that stage – slightly ahead of 2017's pace of 93% and the five-year average of 92%.

The weekly exports inspection ending 9th of August reported 580.824 thousand tons of soybeans weighed and inspected for exports as against 893.158 thousand last week and 590.887 thousand tons in the same time frame last year.

Soggy conditions in parts of the Midwest as scattered showers move across the central U.S has helped the US soybean crop to come over the drier conditions. This will help in improvement in crop ratings to be released coming Monday. As of now analysts are keeping the yield based on VHI below latest WASDE estimate. Further, a look at the latest seven-day cumulative forecast map from NOAA shows a significant amount of rainfall is likely to fall across much of the Ohio River Valley between now and August 22.

NOPA reported crush of 167.773 million bushels in July month as compared to 159.288 bushels previous month. This was the largest for July month and it was the second highest for all the months in history.

China sold 4.7 million bushels of its state reserves of 2013 soybeans at auction Wednesday, which was 42.1% of the total available for sale. China also sold 20,113 metric tons of its 2011 imported soybean reserves, which was 35.5% of the total available for sale.

According to China's Ministry of Commerce, a Chinese delegation led by vice commerce minister Wang Shouwen will travel to the United States for trade talks in late August.

Soybean exports reported 4.9 million bushels in old crop sales plus another 21.0 million bushels in new crop sales for a total of 25.9 million bushels. That nearly matched trade estimates of 27.6 million bushels but slipped moderately behind the prior week's tally of 35.1 million bushels.

Soybean export shipments were for 21.6 million bushels last week, with Iran (4.9 million bushels) occupying the No. 1 position.

Private exporters reported to USDA the sale of 5.7 million bushels of soybeans for delivery to Mexico for the 2018/19 marketing year, which begins September 1.

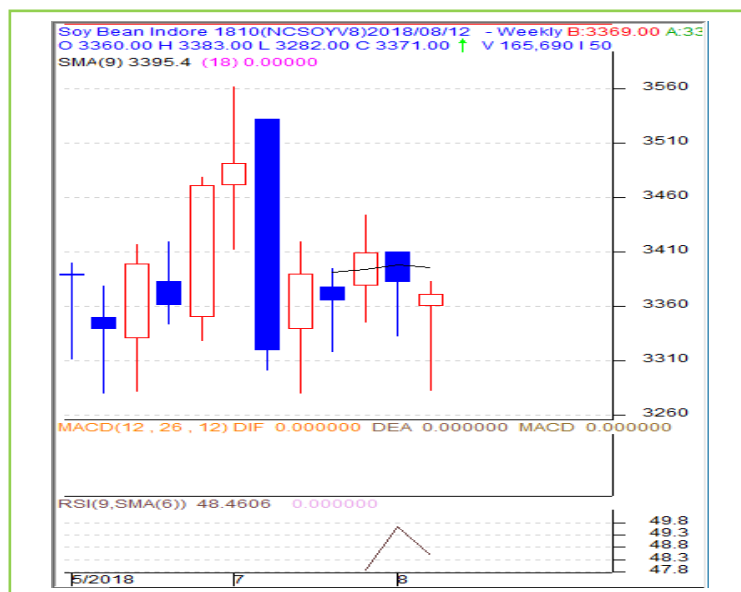
## Soy meal

As there has been gloomy soybean conditions overseas, advance or forward booking of new crop soy meal is expected to remain low and exporters may find only need based demand. Interesting is to see how much Bangladesh is keen to buy Indian meal given sharp discount available in US soybean and same goes for SE Asian nations which are more price elastic..

The Indian meal is inching lower to find exports parity against the International meal, and thus giving bearish signal to entire meal basket. Seasonally the Indian meal tends to even out the spreads with Argentinean meal the top exporters of Soymeal to start looking for exports market in the OND window which happens to be the peak exporting season of Indian soy-meal.

### **Technical Analysis:**

#### **NCDEX Soybean Futures**



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



\*Note: Weekly Chart

#### **Support & Resistance NCDEX Soybean – Oct. Contract**

S1	S2	PCP	R1	R2
3260	3310	3371	3410	3470

- New crop soybean contract for Oct month continued to trade in the range of 3410 and 3310.



- Soybean breached 3310 briefly to witness sharp pullback forming a hammer candlestick.
- 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  
Weekly trade call: **Sell** Above 3380 and above Target – 3355; 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.

There has been no official statement from NAFED over the auction of Mustard Stocks from Rajasthan, Gujarat and MP. NAFED Haryana however sold 200 tons of Mustard at INR 4011 per quintal in last auction happened on 16<sup>th</sup> of August.

NAFED currently holds 8.7 lakh tons of stocks and which has the potential to keep the market stocks situation tight. All depends on the pace of Mustard offloading by NAFED.

Arrivals are at the very similar pace as compared to last year. Crushers are finding good margins after the steady rise in Mustard Expeller Oil and Mustard Kachhi Ghani Oils.

As we move towards peak festive season demand the mustard oil is not expected to fall in coming months and thus keeping the crush demand high.

## Technical Analysis:

### NCDEX RM Seed Futures



### RM Seed Spot, Jaipur



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

S1	S2	PCP	R1	R2
4100	4150	4188	4120	4210

- Mustard made a engulfing bullish candlestick in the weekly chart suggesting gains in upcoming weeks.
- Going ahead, the price is expected to extend gains towards 4220 and thereafter 4250. 4250 forms a strong resistance and hence it remains crucial for taking shorts.
- 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.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Aug)

Sell on rise target of 4200 and then 4150

Weekly trade call: **Sell** 4220-4250 or Above: Target – 4200; T2- 4150, SL –Below 4300.

### Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	17-Aug-18		10-Aug-18		
	Low	High	Low	High	
Indore –Plant	3450	3500	3425	3525	-25
Indore–Mandi	Closed	Closed	3250	3400	-

Nagpur-Plant	3560	3600	3660	3700	-100
Nagpur – Mandi	3100	3360	3150	3400	-40
Latur – Mandi	Closed	Closed	2900	3620	-
Akola – Mandi	3150	3300	3375	3375	-75
Kota-Plant	3300	3350	3375	3425	-75
Kota – Mandi	3250	3300	3200	3350	-50
Bundi-Plant	3350	3400	3400	3420	-20
Bundi-Mandi	3150	3200	3250	3300	-100
Baran-Plant	3300	3350	3400	3450	-100
Baran-Mandi	3150	3225	3275	3325	-100
Bhawani Mandi Jhalawar–Plant	3350	3425	3340	3450	-25
Jhalwar-Mandi	3250	3300	3360	3380	-80
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)(New Crop)	4365	4370	4355	4360	10
Alwar-(Condition)(New Crop)	4100	4150	4100	4175	-25
SriGanganagar-(Non-Condition-Unpaid)	3950	4000	3825	3925	75
New Delhi–(Condition)(New Crop)	4100	4160	4130	4150	10
Kota-Non-(Condition)(New Crop)	3800	3850	3600	3700	150
Agra-(Condition)(New Crop)	4700	4750	4700	4750	Unch
Neewai(New Crop)	4000	4050	4100	4270	-220
Hapur (UP)(New Crop)	4000	4150	4100	4150	Unch
<b>Groundnut Seed</b>					
Rajkot	Closed	Closed	865	865	-
<b>Sunflower Seed</b>					
Gulbarga	#VALUE!	#VALUE!	2851	3341	-
Latur	Closed	Closed	0	0	-
Sholapur	#VALUE!	#VALUE!	3600	3680	-
<b>Sesame Seed</b>					
Mumbai (White98/2/1	9000	9000	9000	9000	Unch
Soybean Prices are in INR/ctl. (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/ctl.					

Commodity	Centre	Arrivals in Bags/Qtl		Change
		12th Aug to 19th Aug 2018	4th Aug to 11th Aug 2018	
<b>Soybean</b>				
	Madhya Pradesh	205000	243000	-
	Maharashtra	110000	148000	<b>-38000</b>
	Rajasthan	64000	67000	-
	Bundi (Raj)	1470	320	<b>1150</b>
	Baran (Raj)	3900	9500	<b>-5600</b>
	Jhalawar (Raj)	6300	19000	<b>-12700</b>
<b>Rapeseed/Mustard</b>	Rajasthan	235000	320000	<b>-85000</b>

## 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.

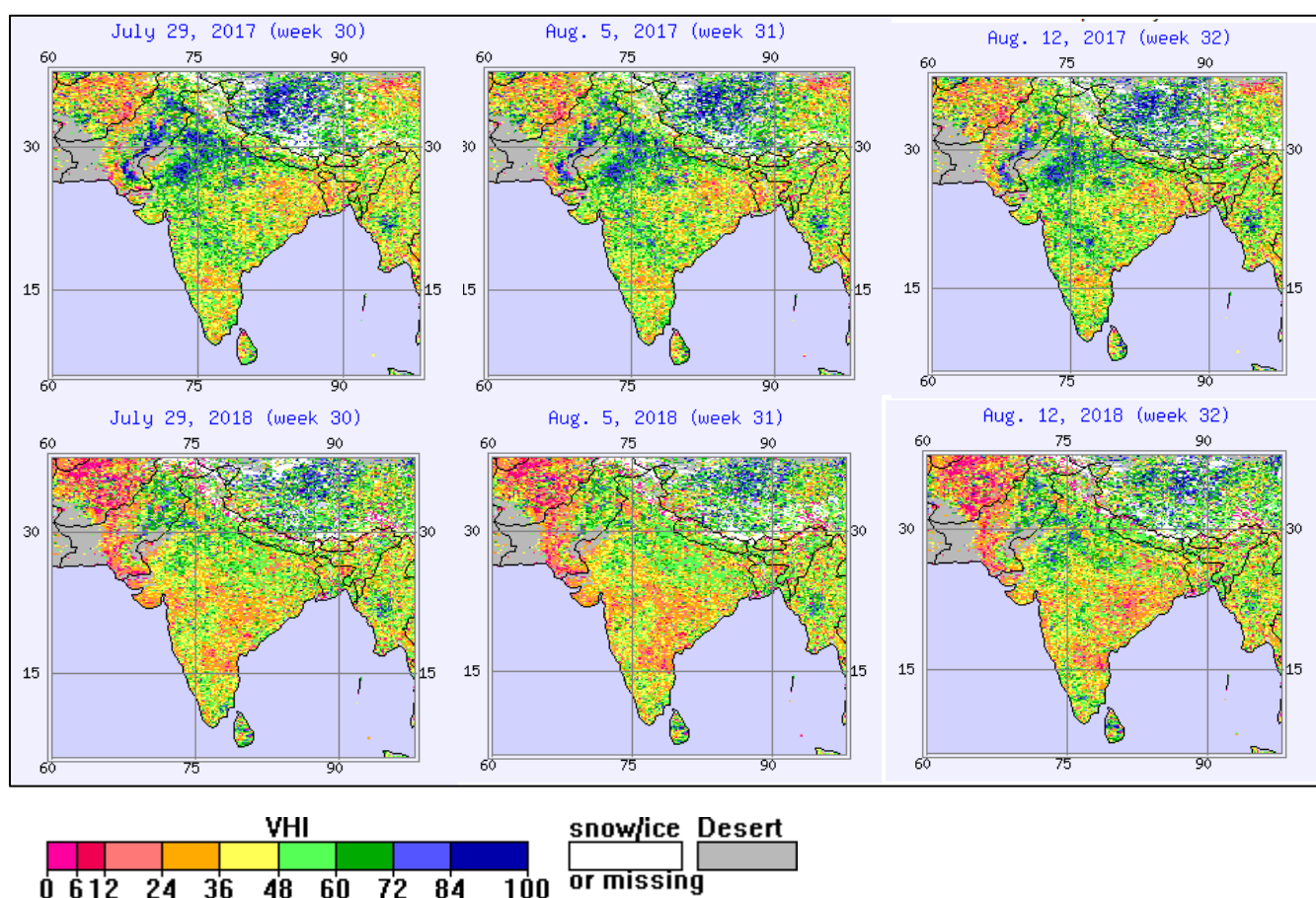
The production of Oilseeds during 2017-18 is higher by 0.204 million tonnes than the five year's average Oilseeds production. The current year's production is lower than the kharif production of 21.51 million tonnes during 2016-17.

### 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

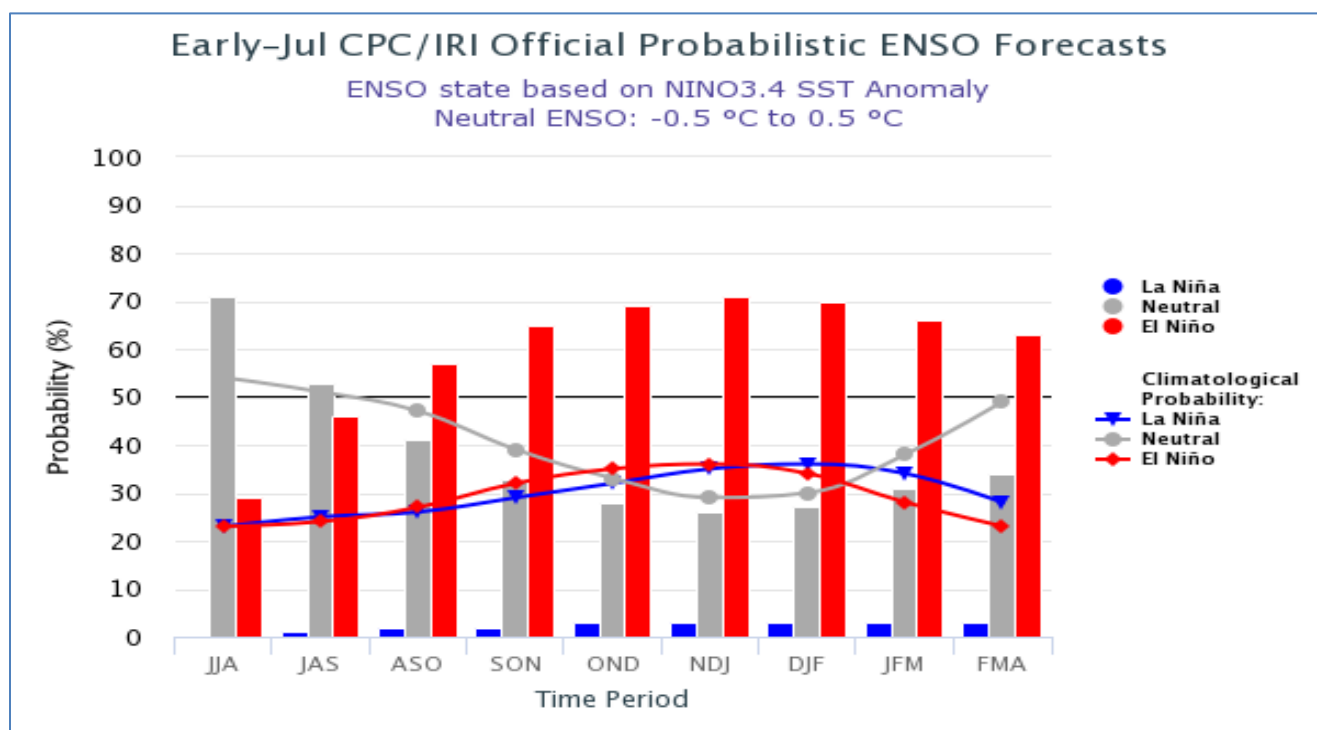


VHI is indicating relatively not so good conditions as compared to last year. However the VHI is indicating improvement in vegetation w-o-w.

## SW Monsoon Weekly Spread of Rainfall

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	Week End 15- 8- 2018
CHHATTISGARH	70	117	-79	-38	-9	-12	59	18	-60	-21	4
EAST MADHYA PRADESH	-18	152	-77	-60	-9	-26	48	47	-43	-46	-28
EAST RAJASTHAN	-42	-11	-76	74	50	-29	26	88	-73	-94	-55
EAST UTTAR PRADESH	-43	-32	-80	-58	-1	-93	-27	-22	114	47	-24
GUJARAT REGION	-78	-97	-91	27	-27	1	107	51	-96	-91	-80
MADHYA MAHARASHTRA	37	-1	-66	91	-48	31	138	-9	-85	-64	-29
MARATHWADA	83	174	-85	54	-74	20	37	-71	-98	-86	-69
N. I. KARNATAKA	38	145	-67	-38	-65	4	22	-62	-86	-66	-12
RAYALASEEMA	78	28	-68	-76	11	-33	-65	-94	-99	-45	-16
S. I. KARNATAKA	55	199	-30	-42	-49	29	52	-21	-72	-49	134
SAURASHTRA & KUTCH	-85	-99	-98	-90	-44	-63	230	-39	-99	-99	-83
TAMILNADU & PONDICHERY	2	63	6	-60	279	-54	-16	-78	-41	-53	55
TELANGANA	49	253	-92	-4	-29	92	30	-56	-94	-54	101
VIDARBHA	62	230	-83	-32	11	139	47	-50	-90	-89	-35
WEST MADHYA PRADESH	-26	83	-69	31	-3	21	52	33	-54	-92	-48
WEST RAJASTHAN	-78	-40	-45	47	136	-80	39	48	-95	-98	-67

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

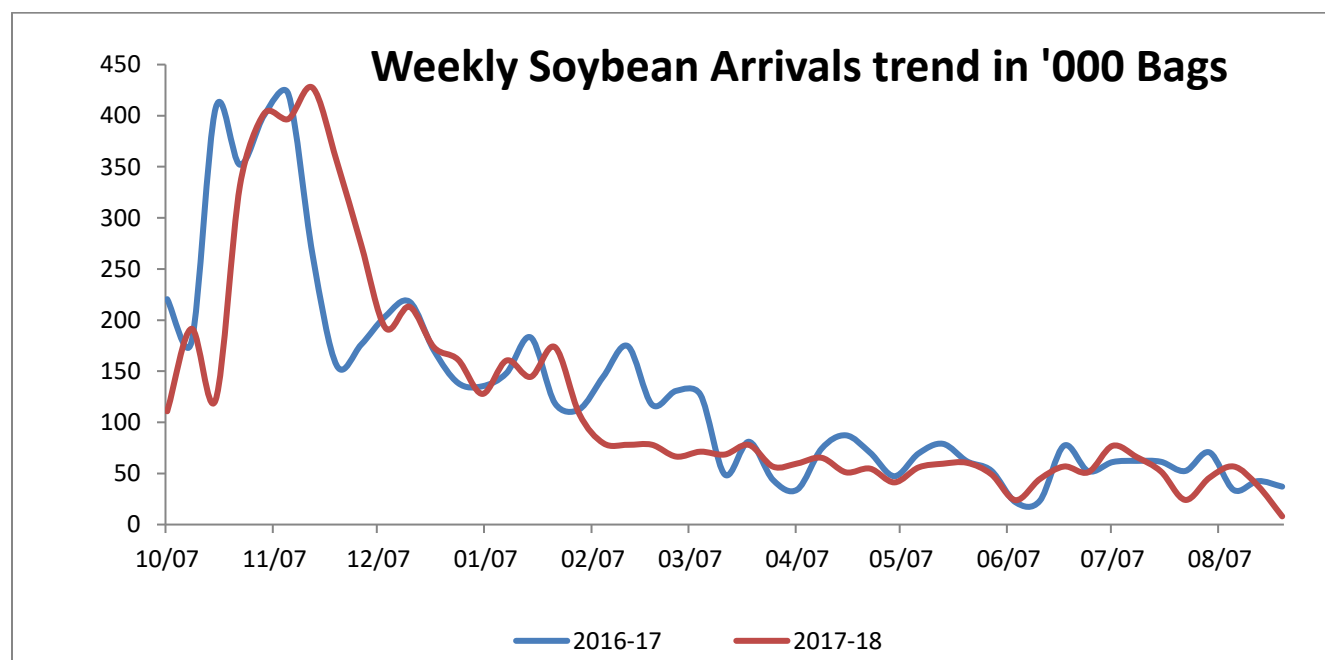


## SOPA SOYEAN REVISED PRODUCTION ESTIMATES KHARIF 2017 As on 07.02.2018

Area in Lakh Ha, Yield in Kg. Per Hectare, Production In Lakh MT

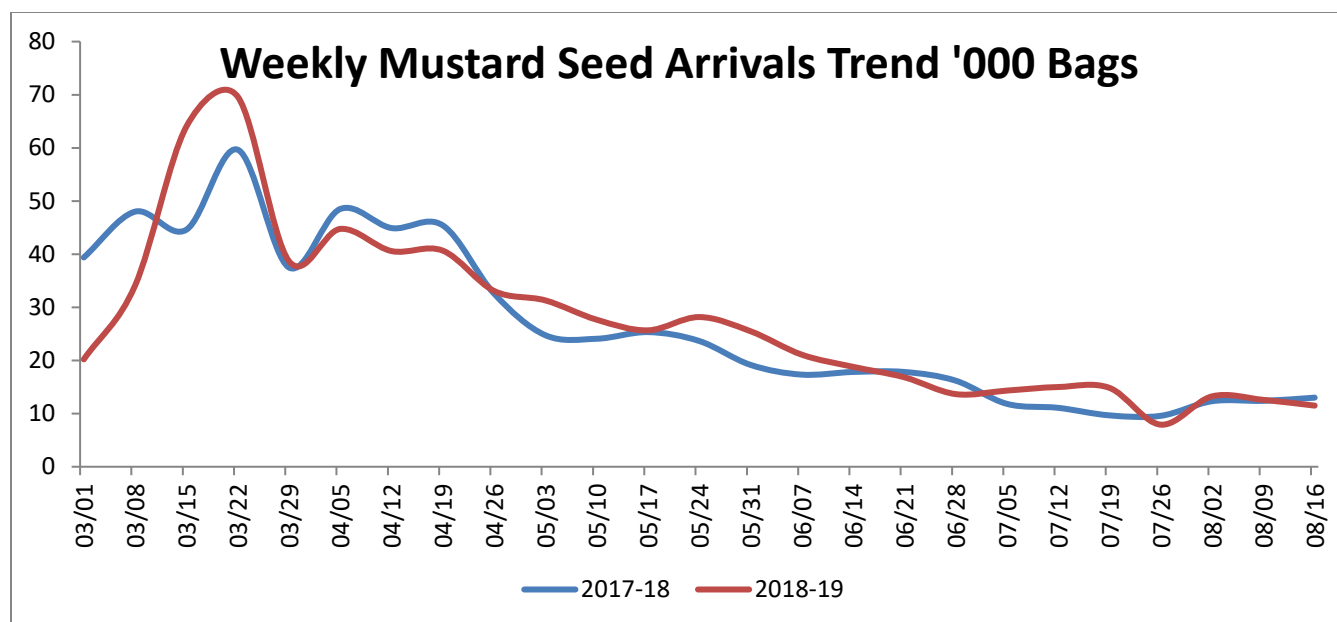
S.No.	Division/District	Kharif 2016 Production	Kharif 2017 Production
1	Madhya Pradesh	54.01	42.00
2	Maharashtra	35.81	29.00
3	Rajasthan	9.81	7.50
4	Andhra Pradesh & Telangana	2.99	1.06
5	Karnataka	3.24	1.73
6	Chattisgarh	1.34	0.86
7	Gujarat	1.38	0.89
8	Rest Of India	1.13	0.46
	<b>Grand Total</b>	<b>109.71</b>	<b>83.50</b>

## Weekly Soybean Arrivals (Rajasthan + MP + Maharashtra)



## Weekly All India Mustard Arrivals





## State-wise Groundnut Sowing Progress

State wise Groundnut Sowing Progress in Lakh Hectares Update 10 <sup>th</sup> August					
	Normal Area	Normal Sowing	2016	2017	2018
Andhra Pradesh	9.10	6.31	8.55	4.09	4.13
Gujarat	14.73	14.67	15.96	16.20	14.54
Karnataka	4.52	3.77	5.05	2.98	2.66
Madhya Pradesh	2.27	2.16	2.21	2.09	2.09
Maharashtra	2.37	1.74	2.166	2.02	1.76
Rajasthan	4.87	4.49	4.132	5.63	6.07
Tamil Nadu	2.14	1.18	1.424	0.83	1.32
Others	2.03	2.50	2.5	2.75	3.75
<b>Total</b>	<b>42.01</b>	<b>36.81</b>	<b>42.017</b>	<b>36.59</b>	<b>36.32</b>

## State-wise Soybean Sowing Progress

Statewise Soybean Sowing Progress in Lakh Hectares					
	Normal Area	Normal Sowing	2016	2017	2018
Telangana	2.33	2.47	2.84	1.58	1.78
Chhatisgarh	1.09	1.41	1.32	1.31	1.28
Karnataka	2.44	2.79	3.23	2.53	3.19

MP	58.45	56.05	53.61	47.95	53.18
Maharashtra	35.84	34.53	38.25	37.05	38.43
Rajasthan	10.80	9.82	10.25	9.20	10.46
Others	1.57	1.80	2.42	1.95	2.41
Total	112.51	108.87	111.91	101.57	110.72

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