

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean most active Dec contract on NCDEX continued to rise, though momentum was lacking towards the end of the week as spot market ended the week flat to slightly lower. Indore plant delivery averaged at 3375 at the end of the week while mandi averaged at 3285 at the end of the week. Arrivals at mandi's were low during second half of the week owing to festivals and holidays. The futures market will find it difficult to sustain the gains unless spot market follows higher.

With record Oct arrivals the production estimates is expected to exceed 104 lakh tons. We still maintain our conservative production estimates at 104 lakh tons. SOPA has given it first estimate of production at 114.87 lakh tons, but the dominant view in the market is for production in the range of 105-110 lakh tons.

The daily arrivals are recorded in between 7 to 9 lakh bags. With such arrivals pace the Nov arrivals may not reach 15 lakh tons. Arrivals between 12-14 lakh bags are expected to be a fair estimate. The arrivals are expected to be higher in the OND quarter due to the BBY and NAFED procurement program. Thus with estimates of higher production and higher probability of arrivals the OND quarter arrivals should record all-time high. Soybean exports pace in the Oct-Dec quarter is going to determine how soon we are going to dispose the surplus soybean produced.

At soybean front, 2 lakh tons of soybean has been booked by Iran which is going to be dispatched in Nov. SOPA has reported export of 1.6 lakh tons of soybean whereas SEA has reported just .34 lakh tons in its provisional estimates. In any case the soybean exports in Oct month is not very high to bring any aggressive rallies in Soybean complex. Indian soybean remained competitive in the market and more enquiries in the coming weeks is expected. Soybean crushers are finding good margin for the second consecutive year over higher soy oil and soy meal prices in Oct-Nov month. Demand from poultry farmers are going to increase as the farmers are going place higher number of chicks to meet coming rise in winter demand.

Rapeseed stocks auction are still not fast enough to offload its stocks entirely at the end of this year. Further as NAFED has halted daily auction in Rajasthan stocks at the end of season could remain in between 3-4 lakh tons. Thus the stock situation is going to remain tight in Dec-Jan months. The pace of rapeseed/Mustard sowing picked up last week. Total sowing as on 22 November stood at 52.93 lakh hectares- slightly higher than 51.37 lakh hectares same time last year, but far lower than five year average 55.52 lakh hectares for this time. Earlier expectations of record acreages this season do not seem to materialize. Rapeseed arrivals have been high y-o-y as farmers are enjoying good price. Next round of rise in crushing demand is expected to happen from Mid Nov onwards to meet peak Winter demand of Mustard Oil which is expected to help Mustard prices to gain towards last highs. Sowing is at a decent pace and we can expect a record acreage this season.

Overall soybean and Mustard is expected to trade in range bound manner.

### **Reports releasing this week**

1. USDA US Weekly Export Sales Report: 29<sup>th</sup> Nov
2. USDA US Weekly Export Inspection Report: 26<sup>th</sup> Nov
3. India Rabi Sowing Progress: 30<sup>th</sup> Nov

## Outlook – Cash Market

**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade rangebound between 3200 and 3400. CBOT continued to trade sideways, looking forward to negotiations between US and China on the sidelines of G20 meet. Any impact of CBOT on Indian prices is expected to remain minimal as Indian soybean usually remains decoupled with the CBOT during OND quarter. NCDEX December is expected to remain in the range of 3300 and 3525 over the next two weeks.

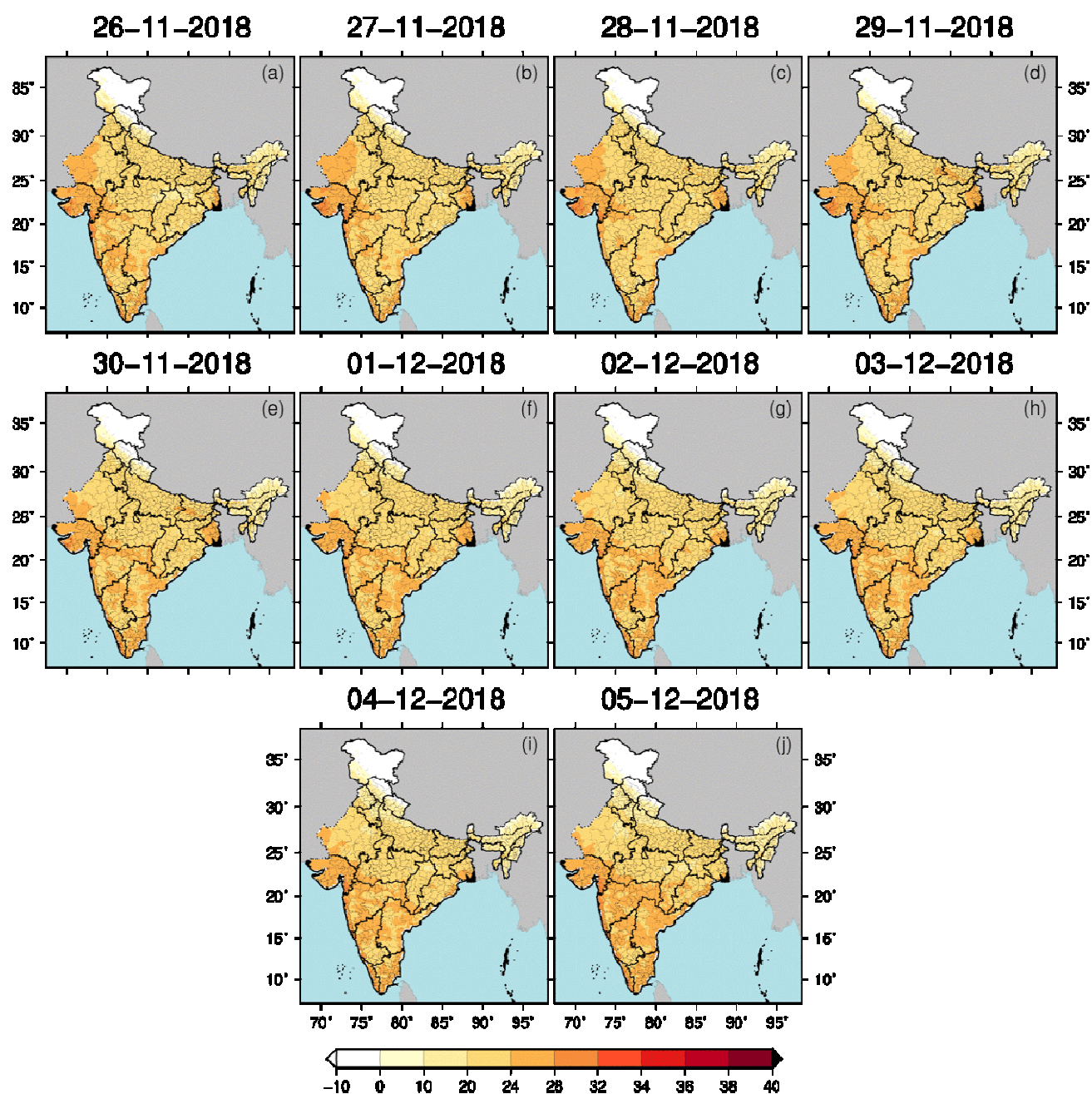
**Outlook – Soy meal (Spot, Indore):** Meal prices are expected to find support at current levels as the exports booking is reportedly strong. However short term correction can happen on cues from soybean price action. Indian meal is finding interest from non-regular buyers such as Iran due to Political Scenario and also from China. Thus forward bookings for OND delivery can exceed to 6 to 7 lakh tons. Much will depend on export pace and the quantum of exports disposed as compared to exportable surplus at the end of OND quarter.

**Outlook - Rapeseed-Mustard (Spot, Jaipur basis):** As the winter Mustard Oil Demand is going to rise the Crush demand of Mustard is expected to follow. Crushers will be buying more as Mills will start crushing again to meet the oil demand. December contract of Mustard is expected to remain supported above 4000 and may test 4225 on the upside over next two to four weeks.

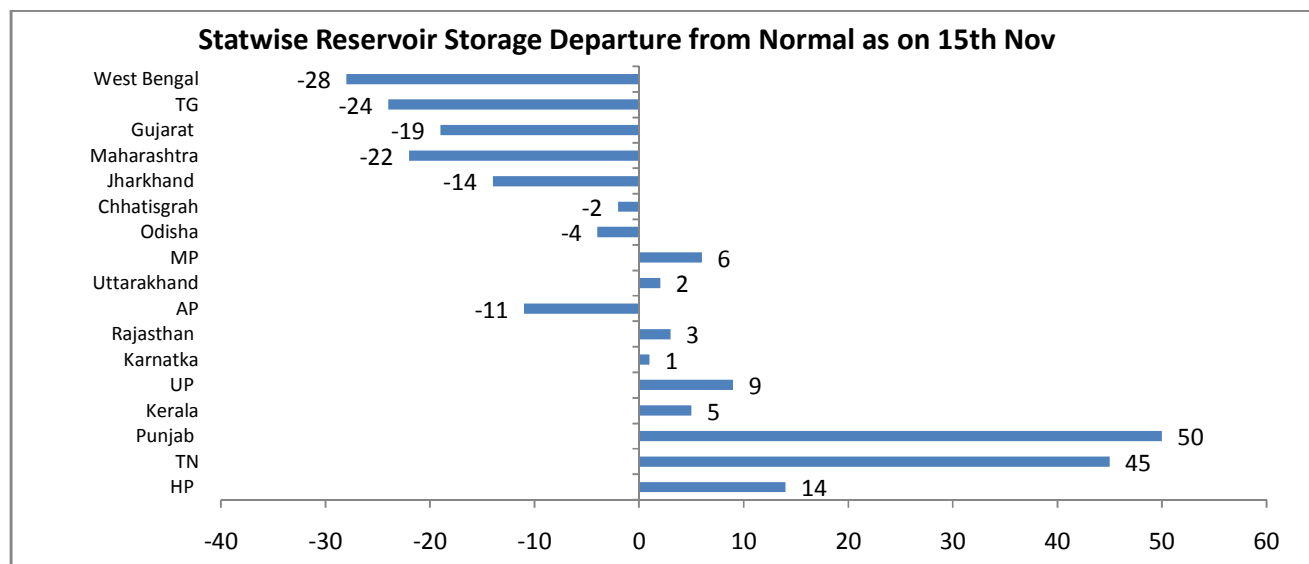
## Weather Forecast (For Rabi Oilseeds)

### Temperature

#### Temperature (°C) Forecast, IMD GFS-T1534



## Reservoir Status in States



## Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 22.11.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	55.52	51.37	52.93	3%	95.34%
Groundnut	7.85	2.25	2.19	1.66	-24%	73.78%
Safflower	1.62	0.69	0.49	0.21	-57%	30.43%
Sunflower	3.68	1.79	1.12	0.68	-39%	37.99%
Sesamum	3.04	0.22	0.12	0.11	-8%	50.00%
Linseed	2.93	1.41	1.47	1.25	-15%	88.65%
Other Oilseeds	0.15	0.17	0.11	0.09	-18%	52.94%
Total	80.62	54.38	49.5	47.85	-3%	87.99%

## Soybean

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### **Domestic Market**

Soybean arrivals were tepid through the week across all major states. On the whole approximately 28.5 lakh bags of arrivals were estimated in MP, Maharashtra and Rajasthan put together, compared to about 45 lakh bags during the last week. The spot market has not made any gains despite the decline in arrivals, even though futures market has made reluctant gains. Mustard seed all India arrivals stood at 8.85 lakh bags compared to about 8.6 lakh bags last week.

Rajasthan state co-operative marketing federation limited (RAJFED) are buying soybean and groundnut in the state and more than Rs 31 crore have been transferred directly to the bank accounts of the farmers via online mode. The number of such farmers is 2,956. In the state, the purchase of soybean is being done since October 11 while groundnut is being bought since October 16. For purchasing these crops 295 centers across the state have been set up by the department of cooperatives and more than 3 lakh farmers had got them registered for the purchase of these crops. About 1.7 lakh farmers of groundnut had registered online.

Gujarat government has announced Rs 110 bonus to farmers over and above the Rs 4,890 MSP per quintal declared by the Centre for 2018-19 kharif season. The responsibility of procurement has been shifted from the co-operative to Food and Civil Supplies Department. The state will set up 122 procurement centers across the state, and will start procuring groundnut from farmers from November 15. Procurement will be done under the price support scheme (PSS) of the Central government.

***The domestic soybean prices are likely to stay rangebound in the domestic market.***

### **International Market**

USDA has reported that Argentina has become the largest importer of US soybean over the last three months as trade declines between China and US. Almost 1.3 million tonnes of US soybean has been inspected for export to Argentina between 1 Sep and 22 Nov which compares with none in the year ago period. Normally Argentina processes its own soybean to export meal and oil, but with China looking for non American soybean, the country is shipping out more raw beans and buying from US to feed its own mills.

As per data reported by China's General Administration of Customs, the country's soy imports from Brazil were also reported to have nearly doubled in Oct 2018 to 6.53 million tonnes compared to 3.38 million tonnes in Oct 2017. Soybean imports from Russia in October were at 92,806 tonnes, up 60% from 57,643 tonnes a year ago. Overall soybean stocks rose to a record in early October at 9 million tonnes, while soybean meal stocks were also higher than in previous years.

According to EC, European Union soybean imports in the 2018/19 season that started on July 1 totaled 4.6 million tonnes by Nov. 11, up 4 percent from 4.5 million a year earlier. EU 2018/19 soybean imports had reached 6.2 million tonnes, down 17 percent from a year-earlier 7.4 million.



According to Ukrainian Ministry of Agriculture, Ukraine has almost completed 2018's sunflower harvest at 13.6 million tonnes compared with 11.7 million tonnes in 2017. Ukraine's 2018 soybean harvest near end at 4.3 million tonnes versus 3.5 million tonnes in 2017.

In South America, soybean sowing pace is recorded higher as compared to average sowing pace. In Argentina Sowing has been completed in 9.4 % which is higher by 6.9% y-o-y. In Brazil sowing has been completed in 70% of the intended area as compared to 57% of average sowing pace.

According to NOAA, the chances of El Nino evolving this Dec has been increased to 90% as compared to previous month forecast of 70%.

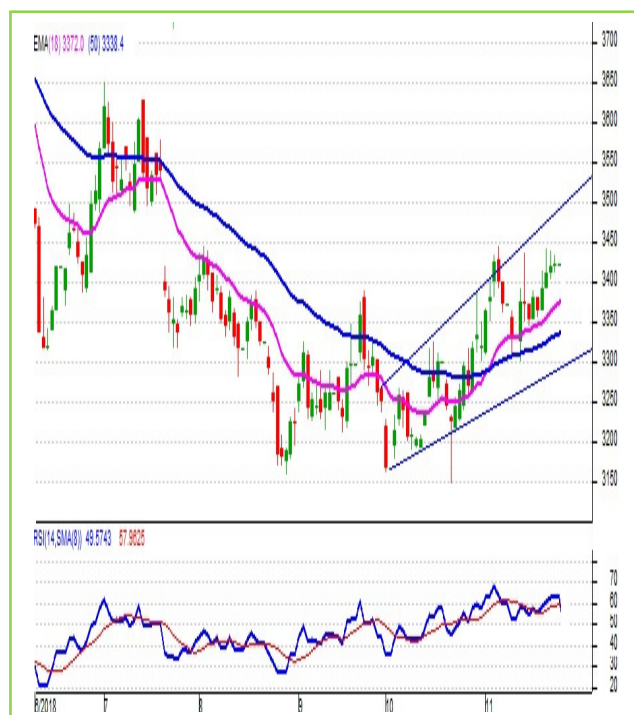
## Soy meal

CBOT soymeal remained sideways on CBOT following cues from soybean.

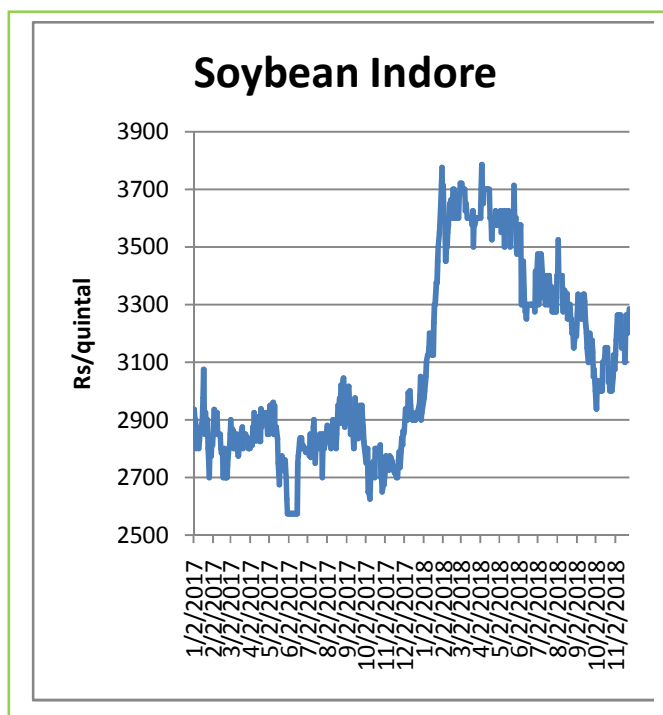
Chinese demand of soybean meal may decline further as the incidence of African swine flu is seen rising. A fresh outbreak of the flu was reported from Huangshi city in Hubei province last week, and another one was reported in Beijing. Overall 73 cases have been reported so far from 20 provinces and 600,000 pigs are officially reported to have been culled since the flu was first detected in August. The incidence was limited to just 5 provinces till early September. With no antidote or vaccine, the only known control method is to cull animals- which is why soymeal demand stands to get adversely impacted unless the flu gets under control.

### Technical Analysis:

**NCDEX Soybean FUTURE\***



**Soybean Spot, Indore**



\*Note: Daily Chart

Support & Resistance NCDEX Soybean – Dec Contract				
S2	S1	PCP	R1	R2
3293	3337	3423	3520	3570

- Soybean Dec contract rallied initially during the week, but the momentum was seen softening later during the week.
- On the upside, INR 3520 shall act as immediate resistance followed by INR 3570
- On the downside, INR 3337 shall act as immediate support followed by 3293
- Trade Recommendation (NCDEX-Soybean – Dec) Buy on dips

Weekly trade call: **Buy** 3350 to 3360 Target – T1-3500; T2- 3560 , SL – 3280

## Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 8.6 lakh bags as compared to 1.25 lakh bags in the previous week. The supplies were 10.45 lakh bags in the same time frame last year.

The spot price continued to remain sideways as the market lacks direction.

At NCDEX futures, the seed prices at Dec contract closed at INR 4130/Qtl compared to INR 4125/Qtl previous week.

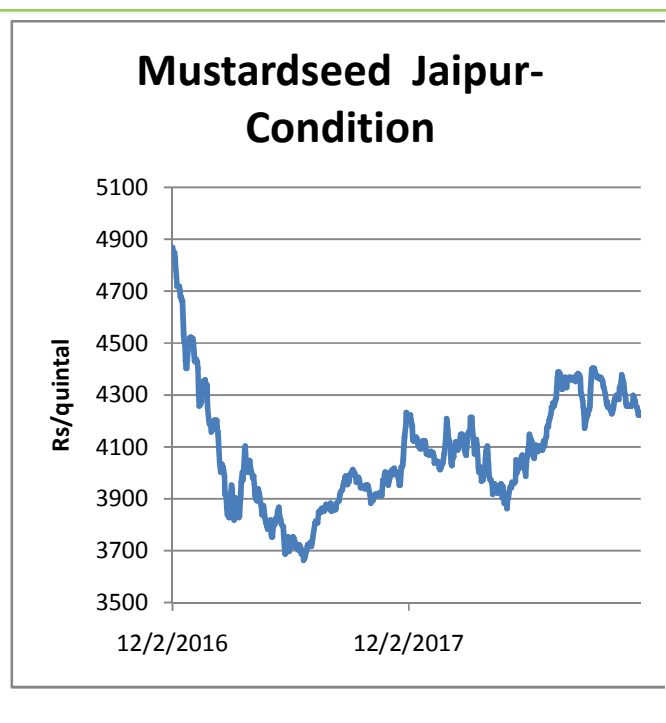
Although Mustard sowing started at a brisk pace but could not able to sustain same momentum and as on 02<sup>nd</sup> Nov 27.84 lakh hectares has been brought under Mustard/rapeseed/Toria against 26.568 lakh hectares last year and 5 year average of 23.522 lakh hectares.

The Mustard crush demand is going to rise from current week onwards. NAFED auction will be important in this period as seasonally prices used to rally and thus any rise in NAFED released has the potential to cushion the same. NAFED is expected to end the RMS with record Mustard stock.

In a recent move, NAFED has suspended the auction of Mustard from immediate effect in Rajasthan till further notice.



**Technical Analysis:**



**NCDEX RM Seed Futures**

**RM Seed Spot, Jaipur**

Support & Resistance NCDEX RM Seed – Novcontract				
S1	S2	PCP	R1	R2
4027	4050	4095	4166	4235

- Rising Triangle formation has been witnessed in RMSEED first month continuous contract. Currently the support is seen at 4027. A resistance around 4235 has been tested thrice since July and has held strong.
- For the next 2-3 weeks we expect the price to remain within this range. The support level will keep rising gradually.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Dec)

Weekly trade call: **Buy** 4040: Target – T1- 4100 T2- 4160, SL – 4000.

**Oilseed Prices at Key Spot Markets:**

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	23-Nov-18		16-Nov-18		
	Low	High	Low	High	
Indore –Plant	3400	3450	3400	3425	25
Indore–Mandi	3200	3300	3100	3300	Unch
Nagpur-Plant	3490	3550	3430	3500	50
Nagpur – Mandi	3100	3370	3000	3390	-20
Latur – Mandi	2740	3480	3100	3530	-50
Akola – Mandi	3350	3350	3350	3350	Unch
Kota-Plant	3325	3400	3300	3350	50
Kota – Mandi	3150	3325	3150	3300	25
Bundi-Plant	3200	3270	3340	3370	-100
Bundi-Mandi	3200	3250	3220	3280	-30
Baran-Plant	3280	3360	3360	3440	-80
Baran-Mandi	3200	3250	3200	3260	-10
Bhawani Mandi Jhalawar–Kota-Plant Delivery	3300	3350	3300	3350	Unch
Jhalwar-Mandi	3200	3300	3130	3250	50
<b>Rapeseed/Mustard</b>					
Jaipur-(Condition)	4230	4235	4275	4280	-45
Alwar-(Condition)	4050	4100	4050	4100	Unch
SriGanganagar-(Non-Condition-Unpaid)	3740	3850	3850	3900	-50
New Delhi–(Condition)	4125	4150	4175	4200	-50
Kota-Non-(Condition)	3620	3760	3850	3900	-140
Agra-(Condition)	4452	4500	4476	4524	-24
Neewai	3910	3960	3950	4000	-40
Hapur (UP)	4075	4125	4075	4125	Unch
<b>Groundnut Seed</b>					
Rajkot	944	944	953	953	-9
<b>Sunflower Seed</b>					
Gulbarga	3512	3678	3400	3650	28
Latur	NA	NA	NA	NA	-
Sholapur(New Crop)	3800	4050	3750	3950	100
<b>Sesame Seed</b>					
Mumbai (White98/2/1)	13900	13900	13800	13800	100
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
		17th to 23rd Nov 2018	10th to 16th Nov 2018	
Soybean				
	Madhya Pradesh	2150000	2420000	-270000
	Maharashtra	710000	940000	-230000
	Rajasthan	450000	685000	-235000
	Bundi (Raj)	2600	5200	-2600
	Baran (Raj)	30000	34000	-4000
	Jhalawar (Raj)	31000	26000	5000
Rapeseed/Mustard	Rajasthan	255000	345000	-90000

## Annexure

### India's Total Oilseeds Production Seen at 313.1 Lakh Tons in 4<sup>th</sup> Adv Est. - GOI (Kharif + Rabi + Summer)

The 4th Advance Estimates of production of major crops for 2017-18 have been released on 28<sup>th</sup> August, 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 oilseeds production in the current year compared to previous year.

The estimated production of major Oilseeds during 2017-18 is as under:

Oilseeds – 313.1 Lakhtonnes

- Soyabean – 109.34 Lakh Tons
- Groundnut – 91.8 Lakh Tons
- Rapeseed – 83.2 Lakh Tons
- Castorseed – 14.9 Lakh Tons
- Sesame/Sesamum/Gingelly/Til – 7.44 Lakh Tons
- Nigerseed – 0.75 Lakh Tons
- Sunflower – 1.9 Lakh tons
- Linseed - 1.73 Lakh Tons

## India's Kharif Oilseeds Production 2018-19 1<sup>st</sup> Advanced Estimates

The 4th Advance Estimates of production of major crops for 2017-18 have been released on 28th August, 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.

Oilseeds – 313.1 Lakhtonnes

- Soyabean – 134.59 Lakh Tons
- Groundnut – 63.28 Lakh Tons
- Castorseed – 15.17 Lakh Tons
- Sesame/Sesamum/Gingelly/Til – 7.1 Lakh Tons
- Sunflower – .94 Lakh ton

## 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 4,450/Qtl (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 2018/19 Rabi Oilseeds

Centre has increased the MSP of Mustard/Rapeseed by INR 200 from last year and kept it at INR 4200 per quintal. Last year the MSP of Mustard/rapeseed was INR 400 per quintal including bonus of INR 100.

Safflower MSP has been increased to INR 4945 from INR 4100 per quintal of last year. Last year MSP includes a bonus of INR 100 per quintal.

## SOPA Soyebean Production Estimates Kharif 2018 As On 08.10.2018

SOPA Estimates of Soybean Production in Lakh Tons
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S.No.	Division/District	2016	2017	2018
1	Madhya Pradesh	54.01	42.0	59.2
2	Maharashtra	35.81	29.0	38.3
3	Rajasthan	9.81	7.5	1.0
4	Andhra Pradesh & Telangana	2.99	1.1	1.6
5	Karnataka	3.24	1.7	2.9
6	Chattisgarh	1.34	0.9	1.1
7	Gujarat	1.38	0.9	1.2
8	Rest Of India	1.13	0.5	1.0
	Grand Total	109.71	83.5	114.8

## North East Monsoon forecast for 2018

### North East Monsoon forecast for 2018

#### Seasonal Rainfall over South Peninsula IMD's operational forecast for the 2018

Northeast monsoon season (October-December) rainfall over south Peninsula (Tamil Nadu, Coastal Andhra Pradesh, Rayalaseema, Kerala and South Interior Karnataka) is most likely to be normal (89% -111% of long period average (LPA)) with a tendency to be in the positive side of the normal. The LPA of the North-east monsoon seasonal rainfall over the south Peninsula for the base period, 1951-2000 is 332.1 mm. The 2018 Northeast monsoon seasonal rainfall over Tamil Nadu is most likely to be above normal ( $\geq 112\%$  of LPA). The long period average (LPA) of the Northeast monsoon seasonal rainfall over Tamil Nadu for the base period, 1951-2000 is 438.2 mm.

The normal timeline for the arrival of the North-East monsoon is between October 15 and 20, but the IMD does not announce a date in advance for the season.

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