

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

Soybean Most active Nov contract at NCDEX gained after hitting trend lows on technical buying in the last week. Spot Market though has been at the 3380 and didn't weaken as aggressively as futures did. Currently in the spot chart there are limited bullish cues coming from it. The crush demand as crushers continued to crush heavily to meet their exports commitments. The arrivals are still not very high as compared to last year and thus we are still sticking to our estimate of nearly 104 lakh tons. Dec remains crucial both for arrivals and exports and thus is pivotal in the assessment of production and as well as how soon we are going to exhaust the exportable surplus. of then The production estimates has been in the range of 102 to 115 lakh tons with one lobby saying production in the range of 102 to 104 lakh tons whereas the other lobby keeping production between 111 to 118 lakh tons. SOPA has given it first estimated of production at 114.87 lakh tons. Many traders has been opined that the SOPA production figures are overestimated and production should be in the range of 105-110 lakh tons.

The daily arrivals are recording in between 7 to 8 lakh bags. The daily arrivals should range in between 9 to 10 lakh bags on an average continuously till Nov and which is going to confirm the production of above 110 lakh tons. The arrival is expected to be higher in the OND quarter due to the BBY and NAFED procurement program. However as there is new govt formed in MP there are doubt over continuation of BBY. Thus with estimates of higher production and higher probability of arrivals the OND quarter arrivals should record all-time high. Govt has reported record 19 lakh tons of arrivals whereas SOPA has reported 15 lakh bags. Market is in wait and watch position thus a prolonged consolidation is expected in coming weeks.

Soymeal exports to Bangladesh have been nil but other origins exports has been better as compared to last year over competitive parity of Indian soymeal. Iran too imported 55 thd tons in Nov and another 1.45 lakh tons is expected to be shipped. Bangladesh sooner or later is going to start taking Indian soymeal which they haven't due to limited rake availability and Bangladesh Imported heavily US soybean at bargain price.

Rapeseed stocks offloading are still not fast enough to offload its stocks entirely at the end of this year. However falling edible oil prices has restricted the demand of mustard oil as spreads widened between Mustard and soft oils. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side. NAFED still holds nearly lakh tons of Mustard with three months for the season to end. Sowing as at last year pace and has thus diminished the hopes of record acreages over higher MSP and good profit realization over Chana this season.

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

Reports releasing this week

1. USDA Weekly Export Sales Report: 20th Dec
2. USDA Weekly Export Inspection Report: 17th Dec
3. NOPA Crush Report: Dec 17th
4. India Rabi Sowing Progress: 21st Dec

Outlook – Cash Market

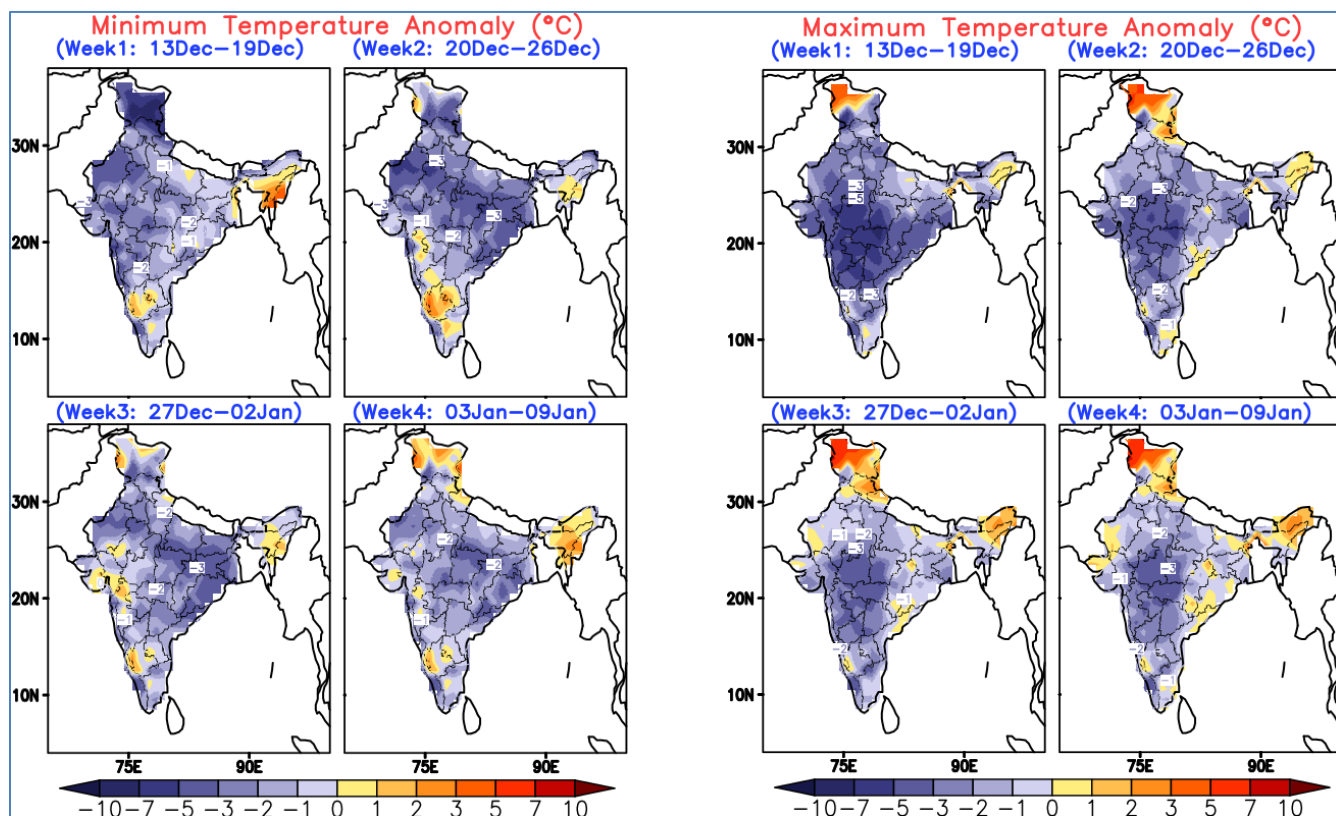
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3350 levels. As we move to Dec months NCDEX soybean is going to find good co-relationship with CBOT prices. In OND quarter Indian soybean remain decoupled with the CBOT. The bottom has been placed out and as we have moved to Dec month NCDEX is expected to reach new highs.

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.

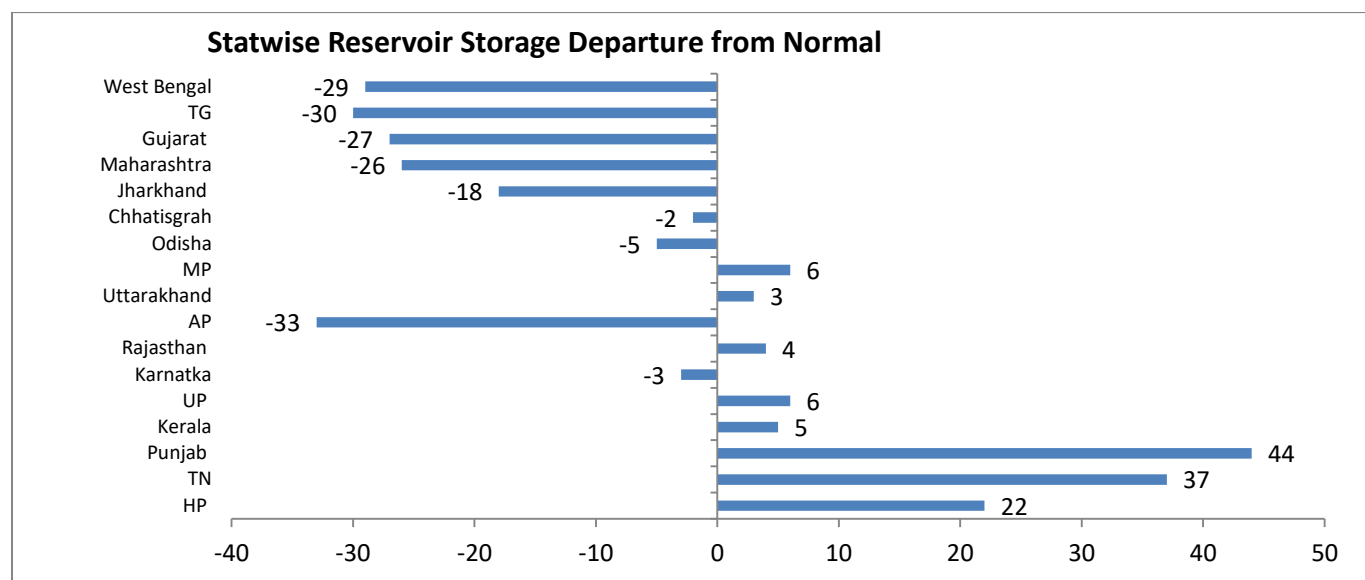
Outlook - Rapeseed-Mustard (Spot, Jaipur basis) Seasonal rise in Mustard prices is expected but with the given scenario of y-o-y higher acreages limiting any aggressive gains. Crush demand is expected to rise in late this month. Overall mustard is expected to find support at current levels after factoring good sowing progress and falling veg oil prices.

Weather Forecast (For Rabi Oilseeds)

Temperature



Reservoir Status in States 14.12.2018



Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 14.12.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	63.55	61.26	63.13	3.1%	103.1%
Groundnut	7.85	3.34	3.67	2.69	-27%	34.3%
Safflower	1.62	0.96	0.68	0.31	-54%	19.1%
Sunflower	3.78	2.13	1.32	0.93	-30%	24.6%
Sesamum	3.04	0.39	0.23	0.23	0%	7.6%
Linseed	2.93	2.78	3.15	2.62	-17%	89.4%
Other Oilseeds	0.15	0.37	0.27	0.31	15%	206.7%
Total	80.62	73.52	70.58	70.22	-1%	87.1%

Soybean

Domestic Market

According sources, the Chinese government this week asked the Indian government for a draft of protocol for Indian soybean meal, to be discussed during the GACC visit to India starting December 10. A Chinese trade delegation is coming to India on Dec. 10 to inspect soymeal plants. Earlier China has cleared few soybean plants.

According to the Ministry of Commerce/Export Inspection Council of India stated that China will resume import of Rapeseed Meal from India. Five units have already approved by General Administration of Customs of the People's Republic of China, GACC (formerly AQSIQ) and will able to resume the export of Rapeseed Meal to China once their registration with Chinese Ministry of Agriculture (MoA) is done which is cumbersome process and takes a long time.

The daily soybean arrivals at this point of time is nearly 1 to 1.5 lakh bags less than the usual pace with the production of 100 lakh tons. However the sudden surge in arrivals before Diwali and then the fall in arrivals has overall compensated the cumulative arrivals figures and thus ND arrivals is y-o-y high.

Cumulative arrivals according to govt sources is 30 lakh tons which is higher by 6 lakh tons y-o-y till Nov (MY starting in Oct).

SEA has revised the Oct soymeal exports to 1.5 lakh tons as against .38 lakh tons in its provisional estimates which seemed unrealistic. In Nov SEA has given provisional estimate of 2.17 lakh tons of soymeal exports which is slightly higher y-o-y. In the ND months the exports has been higher y-o-y but still not enough to eat away the surpluses soon. India needs to at least exports 8-10 lakh tons of meal by Dec end or Mid Jan to tighten the Indian situation.

India was able to export 55 thd tons of rapemeal in Nov improving m-o-m but lesser as compared to last year exports considered in the same month. Overall India's rapemeal exports has improved significantly as the prices offered remained very stable and remained well cheap as compared to Soymeal. India this year has able to gain the lost market thus rapeseed crushing season.

Bangladesh a key buyer of soymeal from India has not taken any quantity of soymeal on Nov which is may be due to unavailability of railway rakes and /or aggressive buying of US soybean and crushing at overcapacity domestically, given the discounts US soybean enjoyed after the US-China fiasco.

Bangladesh used to import 2-2.5 lakh tons of soymeal annually in the Oct –Sep period. Iran however took just 55 thd tons of soymeal out of 2 lakh tons the country booked for immediate delivery. Hopefully the remaining will be get exported in Dec month which may result in Dec exports clocking 3.5 lakh tons or even more. Thus in such situation we might able to dispose nearly 50% of the surpluses if the production of bean is at 104-105 lakh tons.

The domestic soybean prices are likely to be in tight range in the domestic market.

International Market

In the G20 Summit held in Buenos Aires, Argentina a lot of positives is coming out of it from US and China over easing tensions between Beijing and Washington. Trump has agreed upon leaving tariffs on \$200 billion worth of product at the 10% rate, and not raise it to 25% at this time from Jan 1. On the other hand China will agree to purchase a not yet agreed upon, but very substantial, amount of agricultural, energy, industrial, and other product from the United States to reduce the trade imbalance between our two countries. Further China agreed to start purchasing agricultural product from our farmers immediately. No additional tariffs will be imposed after January 1 and negotiations between the two sides will continue.

Both parties agree that they will endeavor to have this transaction completed within the next 90 days. If at the end of this period of time, the parties are unable to reach an agreement, the 10% tariffs will be raised to 25%.

China reports soybeans up 4% in 2018, Corn production at 257.33 MMT, and soybeans at 19.14 MMT. China will suspend additional tariffs on U.S. auto parts and U.S. made vehicles for three months starting Jan. 1 as Beijing continues to move toward mitigation on trade. 300,000 MT of beans to China, 130,000 beans to unknown, with 125,000 corn to Japan on daily reporting. Soybeans slump continues as market awaits more Chinese biz, as first sales still deemed insufficient.

A Brazilian judge has reversed a previous order that resulted in higher truck rates. Brazilian truckers have threatened a strike based on this decision. The next step to be taken from the standpoint of challenging this decision is not clear.

Soy meal

Indian soymeal has gained premium over Argentinean meal as the later has remained under the beaeish influence of CBOT soymeal prices. Soymeal prices hasn't inched high even the bean prices has inched towards \$9 per bushels as the meal stocks has swelled in the last few months. Thus the Argentinean meal prices didn't gained any premium. On the other hand Indian soymeal under the speculation or rising exports to China and Iran has gained in last few weeks which has resulted in gain in the premium over Argentinean meal.

Indian soymeal premium is at the highest premium which can be adjusted through the freight advantage to the SE Asian nations and satellite countries if India. Any rise in premium has the potential to erode Indian soymeal exports demand.

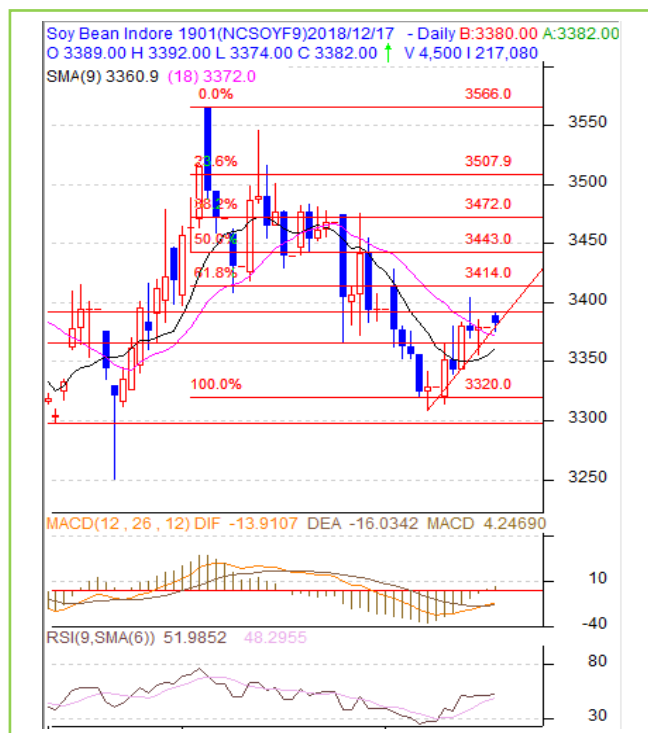
Indian soybean crush margin continued to remain health as the soy oil has again gained after falling to the recent lows. The crush margin that Indian crushers are earning is one of the best in 4-5 years which is mainly

over the higher imported duty over soy oil. Indian soy oil prices has remained crucial for soybean crush margin and since it is co related with international market crush margin fluctuations are very high.

In the domestic market India is witnessing peak demand from poultry farmers and also from compound feed manufacturers who are eyeing better sales especially this summer due to poor performance of monsoon in many parts of India. Lack of forage and fodder and crop residues and also the fall in cocud production is expected to increase the demand of cattle feed.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jan Contract

S2	S1	PCP	R1	R2
3300	3310	3381	3390	3414

- Soybean Jan contract inching high after making the lows. .
- On the upside, INR 3390 shall act as immediate resistance followed by INR 3414
- On the downside, INR 3320 shall act as immediate support followed by 3330
- Trade Recommendation (NCDEX-Soybean – Jan) Buy

Weekly trade call: **Buy** 3330-40 Target – T1-3390; T2- 3412, SL – 3300

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 7.3 lakh bags as compared to 6.7 lakh bags in the previous week.

The spot price has gained w-o-w to flat as the market over seasonal gains but as the marketsman stating that the stocks are sufficient and sowing is progressing well there is very limited potential for aggressive gains . NAFED inability to offload the stocks at brisk pace has kept the supplies in market tight as nearly 4.67 lakh tons of Mustard is locked as on 15th Dec. With this pace of release there will be still huge stocks locked till Dec as NAFED is able to release nearly 1 lakh tons of Mustard per month. At current rate of stock release by end if Fed nearly 3-3.5 lakh tons of stocks is expected to carry forwarded with NAFED. NAFED Is instrumental in altering Mustard Supply and Demand as It wants to sell Mustard at least at MSP. Seeking limited response from the crushers in auction the agency is offering Mustard at lower rate as compared to prevailing market prices. At the end of week mustard closed at 4215 per quintal as against INR 4190 per quintal during the corresponding period last year at the benchmark, Jaipur.

The area coverage under mustard, as on 14th December 2018, is 3% higher as of last last year. The sowing picked up this week as the prime sowing window closes in. However some late sowing continues to happen till end of Dec to Mid of Jan. At current situation the chances of sowing to record higher than last year is slowly diminishing. Under current pace the sown area can fall between 65.5 to 66.5 lakh hectares and the last moment increase in sowing pace only can help in increasing the acreages to 68 lakh hectares or above. The current cyclone is going to help bring rains in WB, Jharkhand and Bihar which is giving potential for increase in acreages. West Bengal and Jharkhand both are falling below the normal pace of sowing till date.

Haryana is at normal sowing but lower y-o-y which might be due to shift to other crops or fallows are high. The acreages might be directing towards wheat.

NAFED auctioned 2230 tons of Mustard seed on 15th Dec in the price range of INR 3851 to INR 3920 per quintal. Stocks available as on date are at 4.67 Lakh tons.

Mustard daily arrivals is ranging in between 1.25 lakh bags to 1.35 lakh bags and is remaining steady in the past weeks.

Technical Analysis:



NCDEX RM Seed Futures

RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – Jan contract				
S1	S2	PCP	R1	R2
3950	3930	4014	4050	4100

- Mustard Jan Contract has gained after making contract lows and reversed to gain in the entire week.
- Mustard is taking strong support at 4000.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3980-85: Target – T1-4050 T2- 4100, SL – 3975.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	13-Dec-18		06-Dec-18		
	Low	High	Low	High	
Indore –Plant	3300	3380	3300	3400	-20
Indore–Mandi	3250	3350	3150	3300	50
Nagpur-Plant	3390	3420	3400	3430	-10
Nagpur – Mandi	3000	3300	3000	3240	60
Latur – Mandi	3500	3600	3100	3445	155
Akola – Mandi	2950	3275	3245	3245	30
Kota-Plant	3325	3375	3225	3300	75
Kota – Mandi	3200	3300	3170	3200	100
Bundi-Plant	3250	3300	3200	3250	50
Bundi-Mandi	3200	3250	3100	3150	100
Baran-Plant	3280	3390	3300	3400	-10
Baran-Mandi	3000	3220	3150	3210	10
Bhawani Mandi Jhalawar–Plant	3325	3380	3200	3275	105
Jhalwar-Mandi	3225	3300	3120	3170	130
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4200	4205	4160	4165	40
Alwar-(Condition)(New Crop)	4050	4100	3950	4000	100
SriGanganagar-(Non-Condition-Unpaid)	3800	3850	3740	3800	50
New Delhi–(Condition)(New Crop)	4120	4150	4025	4050	100

Kota-Non-(Condition)(New Crop)	8350	8400	8050	8100	300
Agra-(Condition)(New Crop)	4675	4725	4550	4600	125
Neewai(New Crop)	3850	3900	3840	3880	20
Hapur (UP)(New Crop)	3920	500	3850	500	Unch
Groundnut Seed					
Rajkot	#REF!	#REF!	#REF!	#REF!	-
Sunflower Seed					
Gulbarga	3250	3550	3375	3750	-200
Latur	0	0	0	0	Unch
Sholapur	3900	3950	3950	4000	-50
Sesame Seed					
Mumbai Sesame White 98/2/1 FM	13000	13000	13400	13400	-400
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.					

Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/Qtl		Change
Soybean		07th to 13th Dec 2018	02nd to 8th Dec 2018	
	Madhya Pradesh	1035000	1825000	-790000
	Maharashtra	850000	970000	-120000
	Rajasthan	315000	390000	-75000
	Bundi (Raj)	2600	4300	-1700
	Baran (Raj)	23500	22500	1000
	Jhalawar (Raj)	55000	19000	36000
Rapeseed/Mustard	Rajasthan	285000	295000	-10000

Annexure

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

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. 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 Lakh tonnes

- 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 1st 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 Lakh tonnes

- 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 4,450Qtl (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 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				
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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