

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 Jan contract at NCDEX lost after hitting trend highs on technical selling in the last week as well as bearishness in international market as Indian market tries to couple with international marker from Dec end onwards. Spot Market though has been at and above 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.

International market will be in the festivals mood over New Year and Christmas celebrations and thus volumes traded is expected to remain low. Lets see how Chinese investors going to move the market. CME Globex is going to remain closed for 24th to 26th for Christmas and 31st to 2nd for New Year.

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: 27th Dec
2. USDA Weekly Export Inspection Report: 24th Dec

3. India Rabi Sowing Progress: 21st Dec

Outlook – Cash Market

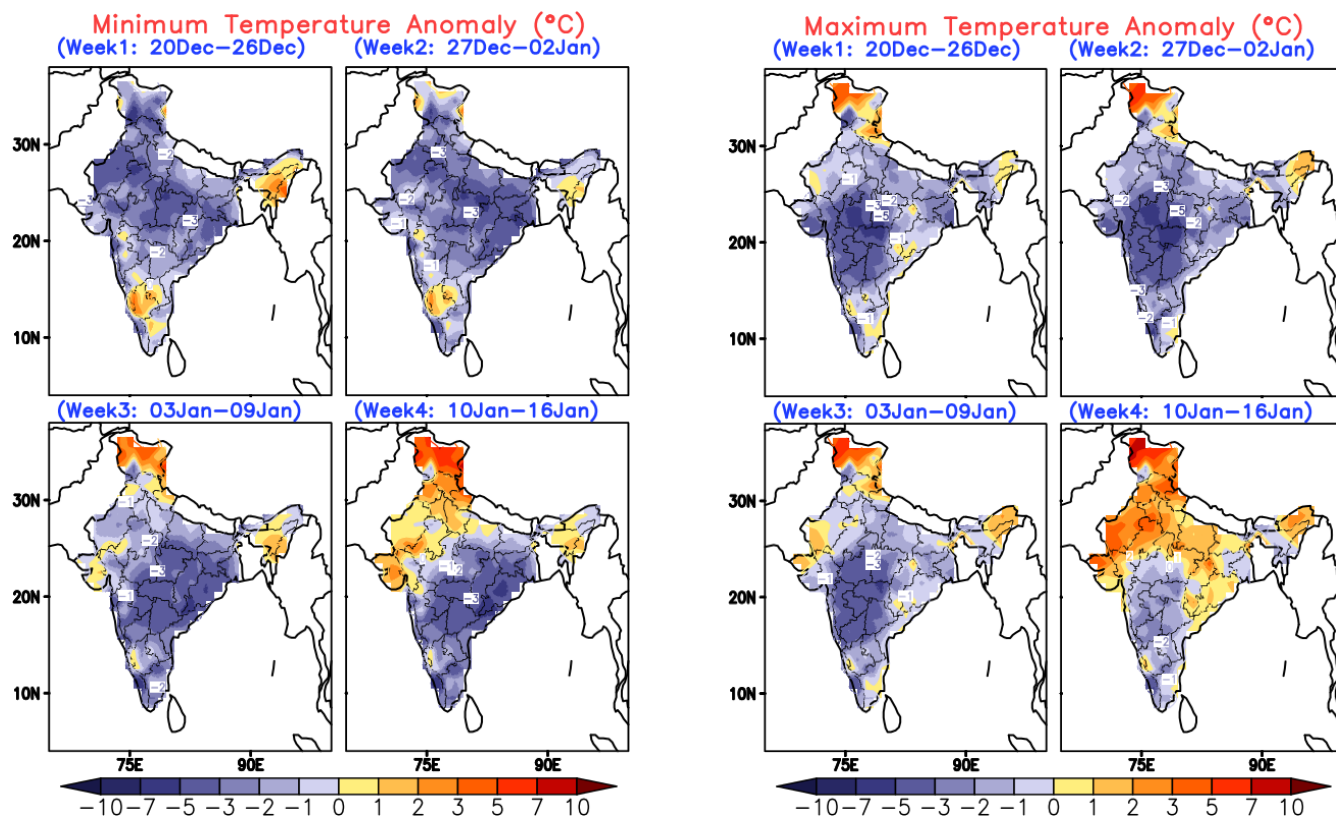
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3350 levels. As we move to Dec months NCDEX soybean is going to find good co-relationship with CBOT prices. In OND quarter Indian soybean remain decoupled with the CBOT. The bottom has been placed out and as we have moved to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

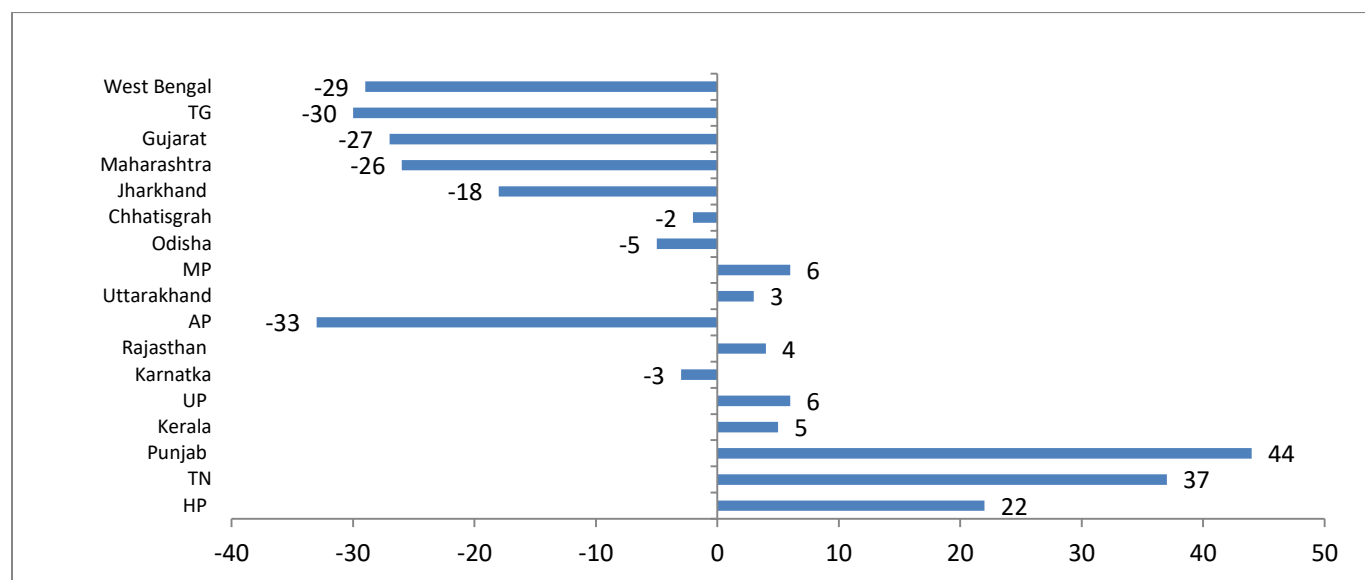
Outlook - Rapeseed-Mustard (Spot, Jaipur basis) Seasonal rise in Mustard prices is expected but with the given scenario of y-o-y higher acreages limiting any aggressive gains. Crush demand is expected to rise in late this month. Overall mustard is expected to find support at current levels after factoring 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 21.12.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	64.85	63.05	64.71	2.6%	105.6%
Groundnut	7.85	3.55	4.06	2.91	-28%	37.1%
Safflower	1.62	0.99	0.69	0.32	-54%	19.8%
Sunflower	3.78	2.17	1.35	0.95	-30%	25.1%
Sesamum	3.04	0.41	0.25	0.38	52%	12.5%
Linseed	2.93	3.06	3.27	3	-8%	102.4%
Other Oilseeds	0.15	0.41	0.27	0.26	-4%	173.3%
Total	80.62	75.44	72.94	72.53	-1%	90.0%

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.

The developments of US soybean crush on good crush margins has resulted in the rising stock of soymeal which eventually didn't allowed the Argentinean meal to gain. If such situation continues India's export potential is going to decline if there is any bullishness in Indian soy complex. With Indian exports still not enough for Indian complex to get decoupled from International market.

Further USDA has declined India's soybean production by 2 lakh tons and has kept the production at 113 lakh tons from its previous estimate of 115 lakh tons.

With the season slipping towards New Year arrivals assessment will be crucial for production estimate revision by SOPA as well as SEA which drives the market.

With the current pace of arrivals estimating production over 104 lakh tons doesn't seem to be logical enough. The arrivals is 19% higher on y-o-y basis and which translates into 100 to 102 lakh production. Further there can be distortions in the normal pace of arrivals due to BBY but since the last year also there was BBY y-o-y comparisons seems to be apt. It will be interesting to see how the arrivals are going to be post expiry of the BBY window which is 19th Jan.

With BJP govt out of the MP and congress taking the chair there can be some changes in the BBY scheme but as the kharif crop is over the new state govt probably might not alter the scheme in a big way. Meanwhile state government has waived off the farm loan of 2 lakh farmers.

In soybean the Dec exports are crucial in determining the % of exports to the exportable surplus. In Dec there are reports of 1.1 lakh tons of soymeal to be loaded and dispatched through bulk exports.

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

International Market

International market slips in to the new year and Christmas celebrations which will result in thin volume of trade and also will lack fundamental news apart from regular report releases.

Brazilian soybean farmers could see their current crop diminished by drought, according to analysts at consultancy AgRural, who added that any drought-related losses cannot yet be quantified. Brazil's government released earlier production estimates of 4.409 billion bushels for 2018/19.

China bought 1.5 MMT in announced sales last week and trade looks additional to come in Thursday's weekly export sales of report.

November crush was 166.96 million vs. an average estimate of 168.44 million bushels. Crush was down from October's record of 172.3 but was up 2.1% from last year. Three months into the marketing year, NOPA crush is running 7.7% ahead of last year with USDA forecasting crush to increase 1.2% year-on-year.

Weekly soybean inspections were up week-on-week but pace is still well below last year. Total inspections to date are running 41.5% behind last year's pace while USDA estimates total export demand to decline 10.8% year-on-year. So good news/bad news today on soybean demand with market today consolidating within Friday's range.

China confirmed two more cases of African swine fever on Sunday. This brings total number of cases reported to 90 since the first case of ASF was reported in August. African swine fever has been reported in 17 provinces. Of the latest cases, one was reported in southwestern Sichuan province, killing 26 pigs and the other in northeastern Heilongjiang where 24 pigs died. Estimates are that China has culled more than 600,000 pigs due to the disease but it has nominal impact on supplies. China produces approximately 700 million pigs a year and culls 2 million on an average day.

If China fails to contain this outbreak, a bigger impact will be felt in 2019. China has been a buyer of US pork and is expected to buy additional pork imports as part of trade talks but to also meet domestic demand. Impact of ASF will also be felt in soybean and soymeal demand. China has already been diversify its animal feed due to tariff war and any spread of disease could further cut import needs. China's government currently estimates its annual soybean import demand at 84.0 MMT. This is the first year-on-year decline in demand since high prices stalled demand growth in 2012/13. USDA left China import demand at 90.0 MMT in the December WASDE report.

Soy meal

Cash soymeal market offered at lower price in the market today taking cues from international market. CBOT soymeal has been under bearish grip and lost nearly \$15 from the day after G20 meet eclipsing the rise after G20 meet and closing at 17 sessions low.

Indian soymeal has gained premium in last two weeks and such situation has the potential to restrict export queries. Argentinean meal has not been able to find any upward push as the CBOT meal is now relatively at discount over the bean as US soymeal stock rises.

With International meal showing no signs of recovery any aggressive rallies is still at bay and Indian meal may plunge next year if the exports starts declining or International prices comes under the huge supplies from South American crop.

News are coming of the soybean under drought in Brazil and not so good condition in Argentina, However its too early state anything about the amount of losses due to it. We have seen US yield hitting to the record high even after drought and rains during the harvest.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jan Contract

S2	S1	PCP	R1	R2
3300	3310	3343	3390	3414

- Soybean Jan contract trading in channel and weakening towards the support of 3310
- 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 3310
- Trade Recommendation (NCDEX-Soybean – Jan) Buy

Weekly trade call: **Buy** 3310-20 Target – T1-3390; T2- 3412, SL – 3300

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 7.15 lakh bags as compared to 7.3 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 4175 per quintal as against INR 4105 per quintal during the corresponding period last year at the benchmark, Jaipur.

According to the rabi sowing report, amidst the India's rabi basket the highest gainer is Mustard whereas all other crops has lost the acreages as on sown data till 20th Dec. Thus this rabi season the fallow land is higher y-o-y. Amidst the largest loses is chana losing 9 lakh hectares y-o-y. Total Cereals has also lost nearly 17 lakh hectares. Due to lower water availability Mustard could not able to take bigger share. With few weeks remaining before the rabi sowing window closes there is very limited chance of any change in rabi crop mix acreages.

State wise major gains have been witnessed in Rajasthan gaining area by 12.7%. UP and MP is almost at the same level as of last year whereas Haryana has witnessed fall in acreages by 6 % Y-o-y. Thus with sowing done in 64.71 lakh hectares as on 20th Dec we are expecting the final Mustard acreages should fall between 67-68 lakh hectares. It will be interesting to see this week rains impact on sowing of mustard in Orissa, Jharkhand, Bihar and Assam. We were early saying the acreages should come around 68.5 lakh hectares.

With the sowing remaining y-o-y high and the temperature profile remaining more or less favorable average to above average yield is on cards with the production estimates coming around 67 to 68 lakh tons. The western India is still not been impacted by any major western disturbances and timing of such rains remain crucial. Hopefully we get some rains before 15th Jan to let the bears taking grip into the market.

Mustard Dec Contract final settlement price closed on higher note on consecutive rallies. The settlement price was higher over the spot rate giving indication of potential seasonal bullishness. Jan contract also closed on bullish note as the contract prices recovered from the contract lows.

The Mustard prices however be critically looking toward the weather in coming weeks as rainfall and temperature development come in to the center stage after the sowing progress playing its role.

Cooler and drier weather is forecasted in most parts of the western mustard growing regions. Eastern India is starting their days with foggy weather which is providing the soil moisture for the standing crop.

Overall the weather has remained conducive as of now and any rainfall at this point of time can potentially increase the yield.

Winter has set in and mustard oil demand has also picked up but with the commodity oil falling to multiyear lows the same has also impacted the mustard oil prices which has ate away the margins. However the prices are in recovery mode.

There has been rains lasting for two to three days in WB, Jharkhand and Assam whereas Bihar witnessed 1 day of rains which was wide spread and continuous without any heavy showers. These rains are very beneficial for all the rabi crop including Mustard as the east Indian has remained rain deficit this SW Monsoon.

Towards west there is no forecast of rains and the next western disturbance according to European weather model is going to hit at the end of this month. If it rains at that point of time it will help in bolden of the seeds. Early sown mustard is in the flowering stage in many parts of Bihar, MP, and Rajasthan and UP. There are no reports of aphid attack as of now.

Technical Analysis:



RM Seed Futures Jan Contract

RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – Jan contract

S1	S2	PCP	R1	R2
3950	3930	3983	4000	4050

- Mustard Jan Contract has traded two ways in the week and made contract lows.
- Mustard is taking strong support at 3920-30.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3920-30: Target – T1-4000 T2- 4050, SL – 3900.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	20-Dec-18		13-Dec-18		
	Low	High	Low	High	
Indore –Plant	3375	3450	3300	3380	70
Indore–Mandi	3250	3350	3250	3350	Unch
Nagpur-Plant	3370	3400	3390	3420	-20
Nagpur – Mandi	3000	3280	3000	3300	-20
Latur – Mandi	3100	3380	3500	3600	-220
Akola – Mandi	2600	3235	3275	3275	-40
Kota-Plant	3325	3375	3325	3375	Unch
Kota – Mandi	3200	3260	3200	3300	-40
Bundi-Plant	3160	3270	3250	3300	-30
Bundi-Mandi	3180	3225	3200	3250	-25
Baran-Plant	3275	3370	3280	3390	-20
Baran-Mandi	3140	3220	3000	3220	Unch
Bhawani Mandi Jhalawar–Plant	3350	3400	3325	3380	20
Jhalwar-Mandi	3200	3330	3225	3300	30
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4180	4185	4200	4205	-20
Alwar-(Condition)(New Crop)	3950	4025	4050	4100	-75

SriGanganagar-(Non-Condition-Unpaid)	3675	3690	3800	3850	-160
New Delhi-(Condition)(New Crop)	4050	4075	4120	4150	-75
Kota-Non-(Condition)(New Crop)	8050	8100	8350	8400	-300
Agra-(Condition)(New Crop)	4600	4650	4675	4725	-75
Neewai(New Crop)	3820	3850	3850	3900	-50
Hapur (UP)(New Crop)	3870	500	3920	500	Unch
Groundnut Seed					
Rajkot	#REF!	#REF!	#REF!	#REF!	-
Sunflower Seed					
Gulbarga	2950	3425	3250	3550	-125
Latur	0	0	0	0	Unch
Sholapur	3900	3950	3900	3950	Unch
Sesame Seed					
Mumbai Sesame White 98/2/1 FM	13000	13000	13000	13000	Unch
Soybean Prices are in INR/qrt. (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/qrt.					

Oilseed Arrivals in Key Centers:

Commodity	Centre	Arrivals in Bags/QtI		Change
Soybean		02nd to 8th Dec 2018	09th to 20th Dec 2018	
	Madhya Pradesh	1625000	1825000	-200000
	Maharashtra	990000	970000	20000
	Rajasthan	400000	390000	10000
	Bundi (Raj)	1950	4300	-2350
	Baran (Raj)	12900	22500	-9600
	Jhalawar (Raj)	19500	19000	500
Rapeseed/Mustard	Rajasthan	290000	325000	-35000

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.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2017 Indian Agribusiness Systems Pvt Ltd.