

# Oilseeds Weekly Research Report

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## Executive Summary

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Soybean Most active Jan contract at NCDEX gained after testing the key support levels in the last week. Spot Market though has been at and above 3380 and gained till 3460. 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 on 1<sup>st</sup> Jan 2019.

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 4.2 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. Mustard spot prices has fallen to 26 weeks low and thus the immediate bullishness has been almost evaporated.

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

## Outlook – Cash Market

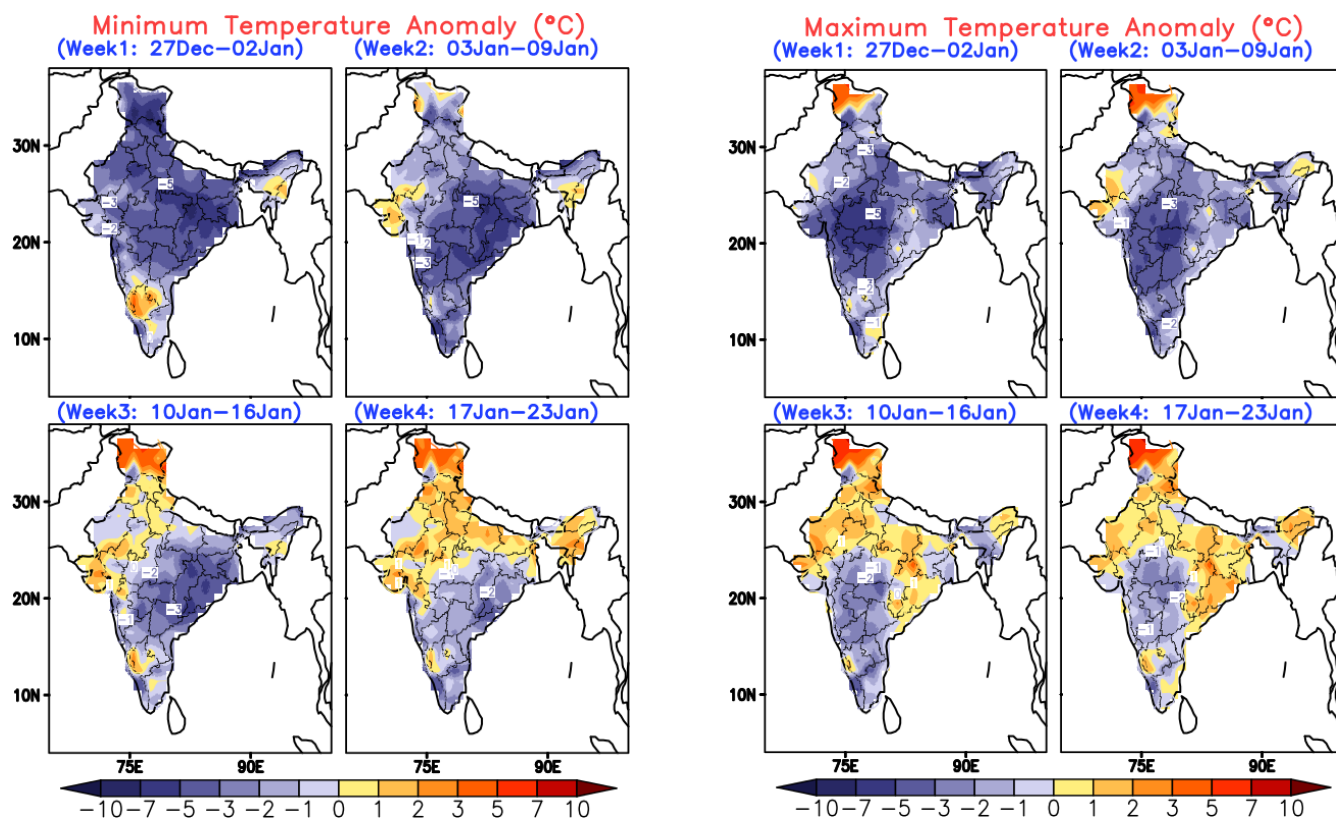
**Outlook - Soybean (Spot, Indore):** Soybean Indore is expected to trade above 3320 levels. As we move to Dec months NCDEX soybean is going to find good co-relationship with CBOT prices. In OND quarter Indian soybean remain decoupled with the CBOT. The bottom has been placed out and as we have moved to Dec month NCDEX is expected to reach new highs but there is very limited potential for any aggressive rallies. CBOT soybean has started weakening and as the Indian bean is going to couple with International prices weaker sentiments is going to loom in the market.

**Outlook – Soy meal (Spot, Indore):** Meal prices are expected to remain range bound as an international price is not gaining momentum. The exports pace is also not too aggressive to find any rapid gains in soy complex. 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.

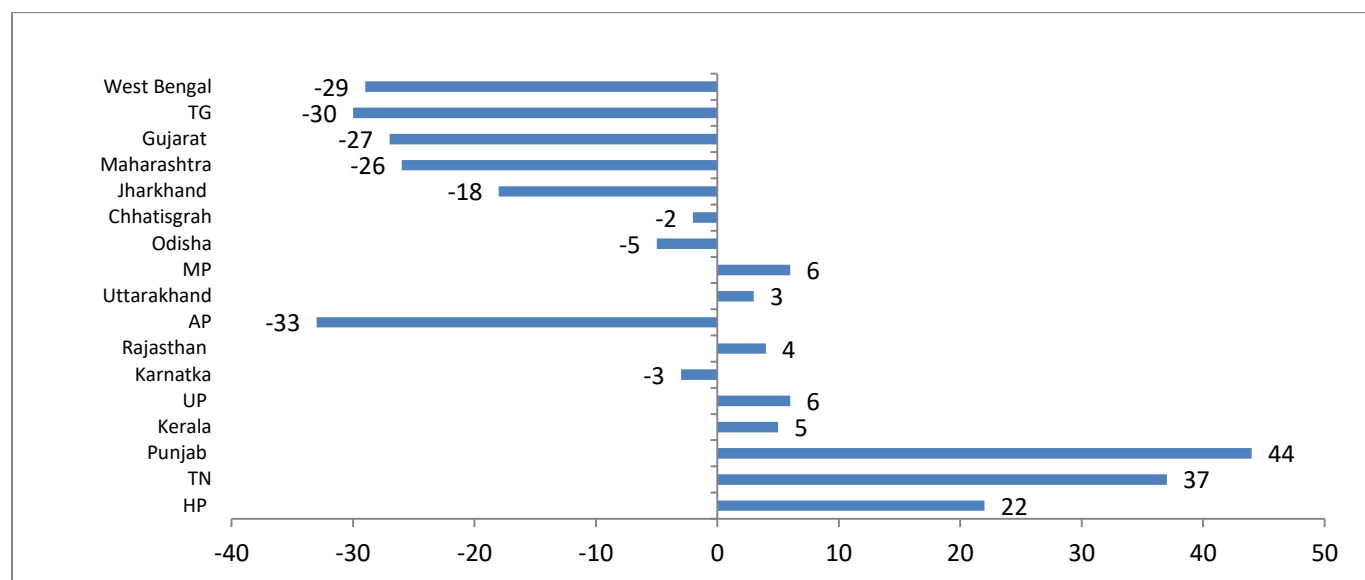
**Outlook - Rapeseed-Mustard (Spot, Jaipur basis)** Seasonal rise in Mustard prices is expected but with the given scenario of y-o-y higher acreages limiting any aggressive gains. Thus the Mustard spot rates has declined to 26 weeks lows and thus hopes of any aggressive rallies has been diminished. Crush 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 28.12.2018						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	65.63	63.82	65.79	3.1%	107.4%
Groundnut	7.85	4.05	4.26	3.29	-23%	41.9%
Safflower	1.62	1.02	0.72	0.34	-53%	21.0%
Sunflower	3.78	2.31	1.39	0.97	-30%	25.7%
Sesamum	3.04	0.47	0.29	0.4	38%	13.2%
Linseed	2.93	3.23	3.63	3.1	-15%	105.8%
Other Oilseeds	0.15	0.47	0.29	0.26	-10%	173.3%
Total	80.62	77.18	74.4	74.15	0%	92.0%

# Soybean

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## **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.

NAFED Soybean procurement under PSS has been only 17360.15 tons as on 26th Dec. Soybean procurement has been going on in Rajasthan, Maharashtra, Telangana and Karnataka. In MP soybean is under BBY and thus NAFED has not been procuring soybean there. As the market prices has improved and is close to MSP the soybean farmers are preferring selling their soybean in open market.

As the market moves towards the new year market is still not very clear in the price direction and OND quarter is going to close with very sideways trade. We will see how the OND quarter performance in terms of exports and arrivals and the prospects of international market.

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

## **International Market**

CBOT soybean Jan contract has been gone to level pre the G20 truce between China and US. There has been very limited post such development and only some consignments has been booked to China. China hasn't changed the tariff and booking has been mainly due to narrowing of the spreads between Brazil and US Soybean.

Argentina Nov Soybean exports has been highest since 2007. Soybean import in Argentina in the period Jan to Nov has been at 5.7 million tons which was just 1.842 million tons last year in the same time frame.

There is only one trading day left in 2018 and the Ag markets are becoming devoid of new fundamental information. With government shutdown there was no weekly export sales report this morning nor will there be an afternoon Commitment of Traders report. The shutdown is expected to continue well into the beginning of the New Year.

Argentina forecast is for above normal rains for central regions which could impact newly planted soybeans. Brazil rainfall for January looks to be a continuation of December which was a drier than normal pattern for southern Brazil. Northern Brazil rainfall has improve but drag to yields in Parana and Rio Grande du Sol could limit upside potential to production.

Brazil crop is still looking good with crop expected to be early this year. There has been reports of drought in core central area of Brazil but this will help in early harvest which is already been reported to be early this year

against normal. Thus with the peak OND quarter for US soybean coming to close Jan WASDE may reflect an all-time high US and world stock.

China has removed import tariffs on rapeseed meal, cotton meal, sunflower meal and palm meal effective January 1. Imports of these alternative meal options are not huge but do offer end users some other options. Tariffs on imports of US soybeans remains and DDGs were not mentioned. November imports of US beans was zero for first time since trade war started. China imported 5.07 MMT of beans from Brazil, up 80% from last year's 2.76 MMT. US imports last November were 4.7 MMT and 67,000 MT last month. Bangladesh seeks 50,000 MT of wheat. Jordan issued another tender to buy 120,000 MT of feed barley.

## Soy meal

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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 gained after testing 3310 level
- 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

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**The all India weekly seed supplies were reported 5.9 lakh bags as compared to 7.15 lakh bags in the previous week.**

The spot price has declined aggressively w-o-w closing near to below 4100 making 25 weeks low or 6 months low, as the market started factoring in the good prospects of the ongoing mustard crop as well as record stocks available with the NAFED. 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 15<sup>th</sup> 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 of Dec nearly 3-3.5 lakh tons of stocks is expected to carry forward 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 4105 per quintal as against INR 4075 per quintal during the corresponding period last year at the benchmark, Jaipur.

Mustard fundamentals continued to remain bearish and according to the latest data released by the GOI as on 28th Dec Mustard has been covered in 65.79 lakh hectares as against 63.82 lakh hectares last year. With this trend final area can be in between 67 to 68 lakh hectares. Our previous estimate of the area was 68.5 lakh hectares.

As per our expectations the acreages in WB, Odisha and Bihar has improved after last week rains. However in Jharkhand the acreages has remained low as compared to last year which is indicating that the mustard growing areas have been already shifted.

NAFED as on 26th Dec is holding 4.3 lakh tons of mustard in their warehouses. On 24th Dec the auction fetched prices in between INR 3705 to 3800 and sold 7076 tons. There is another two months left for the start of new season and there is high probability that the new season will start with huge carry over stock.

Northern India is reeling under extreme cold conditions and reports of frost damages have been coming in from isolated areas. Crop conditions are still under strict vigilance in terms of growth and development at this crucial point of time.

## 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	27-Dec-18		20-Dec-18		
	Low	High	Low	High	
Indore –Plant	3330	3420	3375	3450	-30
Indore–Mandi	3250	3350	3250	3350	Unch
Nagpur-Plant	3400	3440	3370	3400	40
Nagpur – Mandi	3000	3260	3000	3280	-20
Latur – Mandi	3220	3340	3100	3380	-40
Akola – Mandi	3050	3210	3235	3235	-25
Kota-Plant	3300	3350	3325	3375	-25
Kota – Mandi	3200	3250	3200	3260	-10
Bundi-Plant	3150	3225	3160	3270	-45
Bundi-Mandi	3100	3200	3180	3225	-25
Baran-Plant	3250	3375	3275	3370	5
Baran-Mandi	3175	3225	3140	3220	5
Bhawani Mandi Jhalawar–Plant	3300	3350	3350	3400	-50
Jhalwar-Mandi	3200	3280	3200	3330	-50
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4065	4070	4180	4185	-115
Alwar-(Condition)(New Crop)	3925	4000	3950	4025	-25
SriGanganagar-(Non-Condition-Unpaid)	3560	3580	3675	3690	-110
New Delhi–(Condition)(New Crop)	3975	4000	4050	4075	-75
Kota-Non-(Condition)(New Crop)	8050	8100	8050	8100	Unch
Agra-(Condition)(New Crop)	4450	4500	4600	4650	-150
Neewai(New Crop)	3600	3650	3820	3850	-200
Hapur (UP)(New Crop)	3800	400	3870	500	-100
Groundnut Seed					
Rajkot	#REF!	#REF!	#REF!	#REF!	-
Sunflower Seed					
Gulbarga	3200	3550	2950	3425	125
Latur	0	0	0	0	Unch
Sholapur	3900	3950	3900	3950	Unch
Sesame Seed					
Mumbai Sesame White 98/2/1 FM	12000	12000	13000	13000	-1000

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
		24th to 29th Dec 2018	17th to 22nd Dec 2018	
Soybean	Madhya Pradesh	940000	1625000	-685000
	Maharashtra	670000	990000	-320000
	Rajasthan	230000	400000	-170000
	Bundi (Raj)	1350	1950	-600
	Baran (Raj)	8300	12900	-4600
	Jhalawar (Raj)	8200	19500	-11300
Rapeseed/Mustard	Rajasthan	230000	290000	-60000

## 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 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 1<sup>st</sup> Advanced Estimates

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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

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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

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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.

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## 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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