

Oilseeds Weekly Research Report

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Executive Summary

Soybean spot prices gained on the back of speculative market and support from international market. However in later part of the week bullish sentiments fizzled out as SOPA reported soy meal exports of just 2 lakh tons which started pulling down future prices. However spot soybean prices tested the previous high which was made at the start of the Dec month and closed at 3500 on Sat. The market is mainly being driven by international market currently and CME Soybean has made two week high on the backdrop of the continued negotiations of US with China and drier weather in central soybean growing region in Brazil.

As OND quarter has closed the arrivals recorded is 20% high and thus confirming the production to remain high y-o-y. However as most of the traders was saying the SOPA production number seems to be overestimated and there is potential downward revision is expected in this month by at least 5 lakh tons. SEA production however corresponds with the arrivals and thus minor adjustments can happen in the estimates. We are still sticking with production of 104 lakh tons and it will be crucial to see the arrivals after the expiry of the BBY window in MP. 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.

In terms of soymeal exports which is going to indicate how good we are disposing the surplus, is according to SOPA is not much encouraging. According to SOPA India managed to export just 2 lakh tons of soymeal and was disappointing especially with good stories building up over China and Iran. Thus overall neither domestic nor the international dynamics seems to be bullish enough for trending bullish market and this opens up the potential for unseasonal fall in March-April month when International market comes under bearish grip with SA crop hitting the international market.

Rapeseed stocks offloading has picked up the pace and by 1st Jan 4 lakh tons of rapessed was available with NAFED, but still not fast enough to offload its stocks entirely at the end of this year. The sowing is leading against last year sowing pace and thus has kept the trading sentiments on bearish side. Mustard prices are now being under the influence of weather and market participants starts betting over it, especially after the 15th Jan. S of now the market seems to be sideways to bearish.

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

Outlook – Cash Market

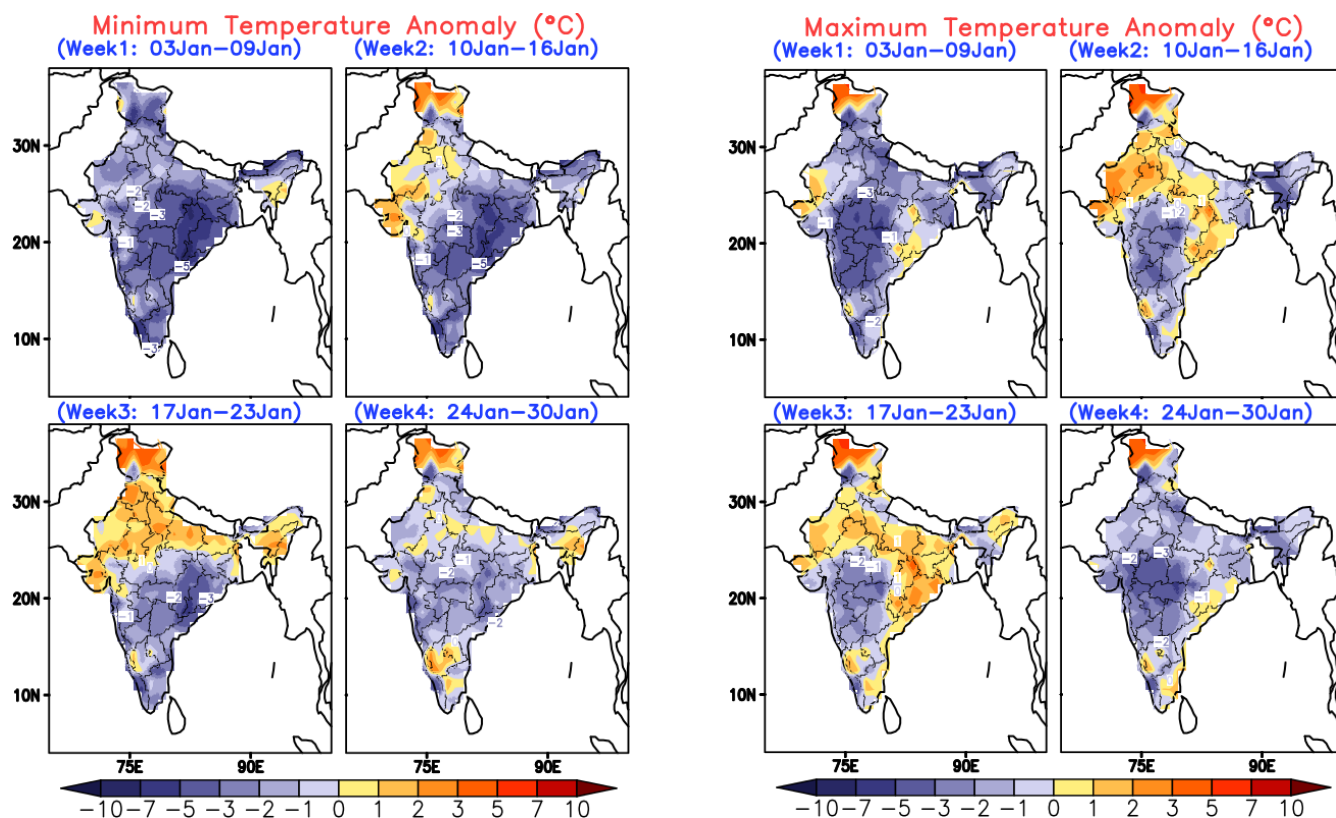
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3320 levels. As we have moved to Jan NCDEX soybean is finding good co-relationship with CBOT prices and is playing pivot role in terms of price action. At current SnD dynamics the spot soybean should find resistance at 3500 and there can be one two day trade in spot fetching prices above it but long terms bullishness and rally is still at bay.

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. With Dec soymeal exports coming to be at 2 lakh tons there is very limited chance of any aggressive rally.

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. Overall mustard is expected to find support at current levels after factoring good sowing progress and falling veg oil prices.

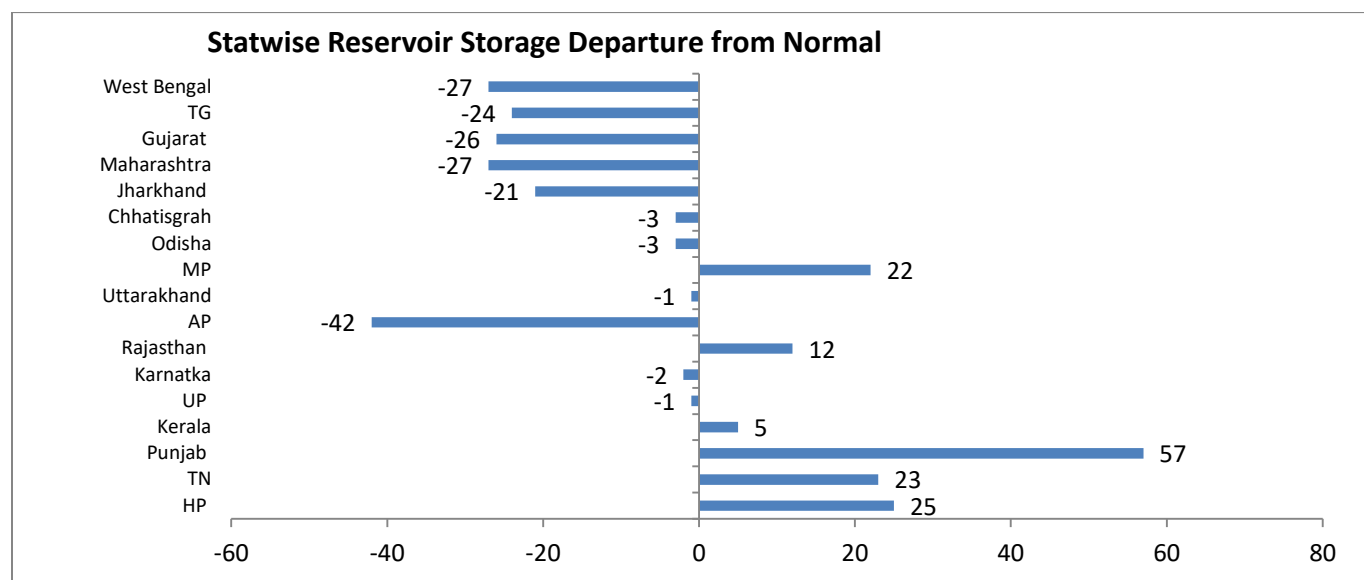
Weather Forecast (For Rabi Oilseeds)

Temperature



The temperature profile forecast has been normal for the mustard growing areas and thus frost related damages has contained now.

Reservoir Status in States 03.01.2019



Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 04.01.2019						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	66.45	64.99	66.43	2.2%	108.5%
Groundnut	7.85	4.71	4.52	3.5	-23%	44.6%
Safflower	1.62	1.05	0.77	0.36	-53%	22.2%
Sunflower	3.78	2.45	1.53	0.99	-35%	26.2%
Sesamum	3.04	0.53	0.33	0.46	39%	15.1%
Linseed	2.93	3.4	3.86	3.15	-18%	107.5%
Other Oilseeds	0.15	0.5	0.34	0.27	-21%	180.0%
Total	80.62	79.09	76.34	75.16	-2%	93.2%

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.

Soybean all India procurement by NAFED and its associate agencies has been at t 18363 tons as on 31st Dec 2018. In Rajasthan just 2935 tons has been procured, In Maharashtra only 956 tons, Karnataka just 6 tons, and in Telangana 14466 tons. 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.

According to AGMARKNET the OND arrivals has been recorded at 42.2 lakh tons against 34.82 lakh tons last year. Thus with NAFED procurement limited the supplies in the market has been y-o-y high by 19% and since the BBY was also been in place last year though delayed by one or two week higher arrivals is indicating toward higher y-o-y production. A 20% rise in y-o-y production comes around 99 lakh tons and thus we have kept our estimates at 104 lakh tons, We may witness SOPA downward revising the production number this month whereas SEA can retain with their estimates.

There has been doubt over the continuation of BBY as the state givt has changed and thus Jan month is crucial in terms of arrivals as the BBY is going to be till 19th Jan and thus post BBY arrivals pace will be crucial in defining the market direction along with the international factors at the same time.

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

International Market

CME Soybean gained and is trading two week high on the prospect of declining yields in top producer Brazil due to scarce rains coupled with optimism about easing trade tensions between China and the United States and the prospect that China could buy more U.S. soybeans as a trade delegation heads to Beijing for talks on Jan. 7.

Farmers expect soybean yields and output in Mato Grosso, Brazil's largest producing state, to be hit by scarce rains in December. Dry weather and high temperatures are also accelerating the soybean cycle, leading some growers to anticipate harvesting even at the risk of lowering yields.

Longer range models show 15% of Brazil's production area at risk with dry conditions and warmer than normal temps forecast. Rains are forecast for Argentina which they do not need at this time, crops in Argentina currently rated far better than last year.

The U.S. Department of Agriculture will decide on Friday whether to delay a slew of key crop reports scheduled for release on Jan. 11. A partial government shutdown has prompted the USDA to suspend daily and weekly export sales reports. Thus the market is going to be driven more by the SA news and developments.

Brazil's Trade Ministry, the country exported 4.23 million tonnes of soybeans in December, versus 2.36 million tonnes for the same period in 2017. Brazil also exported 1.61 Mln T Soy Meal In December Vs 1.09 Mln T In November And 0.67 Mln T Yr Ago.

China reports new outbreak of ASF on larger farm. Site in Heilongjiang province with 73,000 pigs has reported 4,686 pigs infected and 3,766 killed. Total Chinese cases now reportedly top 90, as the highly contagious virus continues to spread. AFS has now been found in 23 of China's 31 provinces and municipalities. Small farms, big farms, slaughterhouses and feed- the whole production chain basically all got hit.

Dry weather conditions are reportedly impacting more than a third of Brazil's soybean and corn growing area.

The United States federal government shutdown continues as neither legislation appropriating funds for the upcoming fiscal year nor a temporary continuing resolution was enacted in time over President Donald Trump's demand for more than \$5 billion in federal funding to build a new wall along the U.S.-Mexico border, which Trump had promised voters would be paid for by Mexico during his campaign. However there are indications that the USDA might release some of the regular reports to decided today.

Department of Agriculture (USDA) has not updated its export sales reports since Dec. 21, 2018. Traders now have to learn from other channels about new purchases of U.S. soybeans from China.

In Argentina Sowing has been completed in 90% but crop rating is down by 10% from last year at this point of time.

Soy meal

According to the data compiled from vessel line up the bulk export of soymeal is expected to be around 1.5 lakh tons and another .5 lakh tons of soymeal is expected to be exported in bags. Thus we are expecting the soymeal exports in Dec months to be around 2.5 lakh tons. The data is expected to be released by SEA and SOPA this week or next.

According to SOPA Dec exports is down by 24% m-o-m to 2 lakh tons on appreciation of rupees. According to the body nearly 1 lakh tons of soymeal bookings got cancelled due to this. On this backdrop the stocks with traders and crushers is going to swell continuously as the farmers has been offloading their stocks under BBY scheme in MP. Further as the NAFED procurement is meagre most of the produce is available for crushing in the market.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Jan Contract

S2	S1	PCP	R1	R2
3390	3440	3442	3480	3550

- Soybean Jan contract retraced towards 3442 which forms the 23.6% retracement of the rally 3315 to 3488,
- On the upside, 3480 shall act as immediate resistance followed by INR 3550
- On the downside, INR 3440 shall act as immediate support followed by 3390
- Trade Recommendation (NCDEX-Soybean – Jan) Buy

Weekly trade call: **Sell** 3450-3470 Target – T1-3390; T2- 3350, SL – 3500

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 6.05 lakh bags as compared to 5.9 lakh bags in the previous week.

The spot price has moved up marginally after declining to multi weeks low. Old crop is going to find support at current levels however new crop is expected to fall towards 3600 given the scenario building towards a good crop this year. NAFED stock offloading has picked up increasing the supplies in market and in last two week 67 thd tons was auctioned. With this pace of release nearly 2 lakh tons can be released in Jan and Feb and thus keeping the stocks with NAFED near to 2 lakh tons. 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 4128 per quintal as against INR 4073 per quintal during the corresponding period last year at the benchmark, Jaipur.

According to Mustard Oil Millers Association, 5.5 lakh tons of Mustard was crushed which was 29.4% higher on y-o-y basis. Crushing was 22.2% higher on m-o-m basis which was 4.5 lakh ton in Nov 2018.

According to the trade body Mustard stocks at the end of Dec was 9.5 lakh tons with 4 lakh tons retained with NAFED. Under such situation the stocks available for crushing is very low to meet crush demand for the Jan and Feb month. However this year sowing was early as compared to last year and a hence new crop arrival is expected to be early this year too. All bet is on weather developments in Jan and Feb.

Mustard Feb contract has been at discount over Jan but April is at premium over Feb. Feb contract is discounting the new crop prospects.

NAFED Sold 6986 tons of mustard on 1st Jan in the price range INR 3651 to 3885 per quintal. The stocks available as on date is 3.95 lakh tons. NAFED auction has witnessed good response as the prices are lower and is competitive to the market.

Mustard all good prospects has been halted by reports of frost in west UP and other western parts of Mustard growing regions in the last week of Dec. As there has been little rains in Dec land with little moisture has been severely impacted by frost.

In East UP and Bihar there was lack of fog which has devoid the necessary moisture which is the idela conditions for growth and development at this stage. Earlier in the Dec month isolated rains has kept the production prospects in very good conditions with all factors remaining favorable.

There has been forecast of western disturbance hitting the northern plains and which will be very beneficial for the standing mustard crop. The period Oct-Dec has witnessed very poor rains with all India deficit by 41%. There have been very limited rains in the northern planes. However the hilly mountain of Himalayas has witnessed regular snow which has kept the temperatures low in the plane as compared to normal.

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

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 has been already shifted.

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 sideways in the week after making contract lows in directionless trade
- Mustard is taking strong support at 3920-30.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3920-25: Target – T1-3950 T2- 4000, SL – 3900.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	03-Jan-19		27-Dec-18		
	Low	High	Low	High	
Indore –Plant	3425	3450	3330	3420	30
Indore–Mandi	3200	3400	3250	3350	50
Nagpur-Plant	3470	3525	3400	3440	85
Nagpur – Mandi	3100	3400	3000	3260	140
Latur – Mandi	3300	3480	3220	3340	140
Akola – Mandi	3000	3400	3210	3210	190
Kota-Plant	3400	3450	3300	3350	100
Kota – Mandi	3300	3350	3200	3250	100
Bundi-Plant	3250	3300	3150	3225	75
Bundi-Mandi	3225	3325	3100	3200	125
Baran-Plant	3325	3420	3250	3375	45
Baran-Mandi	3250	3320	3175	3225	95
Bhawani Mandi Jhalawar–Plant	3450	3500	3300	3350	150
Jhalwar-Mandi	3320	3380	3200	3280	100
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4125	4130	4065	4070	60
Alwar-(Condition)(New Crop)	3925	4000	3925	4000	Unch
SriGanganagar-(Non-Condition-Unpaid)	3550	3560	3560	3580	-20
New Delhi–(Condition)(New Crop)	4020	4050	3975	4000	50
Kota-Non-(Condition)(New Crop)	8150	8200	8050	8100	100
Agra-(Condition)(New Crop)	4525	4575	4450	4500	75
Neewai(New Crop)	3700	3800	3600	3650	150
Hapur (UP)(New Crop)	3835	400	3800	400	Unch
Groundnut Seed					
Rajkot	#REF!	#REF!	#REF!	#REF!	-
Sunflower Seed					
Gulbarga	3050	3551	3200	3550	1

Latur	0	0	0	0	Unch
Sholapur	3950	4000	3900	3950	50
Sesame Seed					
Mumbai Sesame White 98/2/1 FM	12000	12000	12000	12000	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		31st Dec to 05th Jan 2019	24th to 29th Dec 2018	
	Madhya Pradesh	1010000	940000	70000
	Maharashtra	655000	670000	-15000
	Rajasthan	240000	230000	10000
	Bundi (Raj)	720	1350	-630
	Baran (Raj)	5700	8300	-2600
	Jhalawar (Raj)	5500	19500	-14000
Rapeseed/Mustard	Rajasthan	215000	230000	-15000

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 4,450/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				
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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