

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 spot continued to inch higher but lost it on Sat as there were few takers at the prices above 3500. Market fundamentals are not more bullish and persistent rally seem to be speculative over exports. NCDEX Soybean continued its bullish trend and thus Feb contract is showing potential to reach 3700 to 3750. However spot soybean prices made season high at 3580. We need to see the market carefully amidst the volatility caused by the speculators. 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 its first estimated of production at 114.87 lakh tons. Many traders have been of the opinion 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 SEA is not much encouraging. According to SEA India managed to export just 2.5 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 10th Jan 3.3 lakh tons of rapeseed was available with NAFED, and with such pace NAFED could be able to dispose most of its stock. 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 start betting over it, especially after the 15th Jan. As of now the market seems to be sideways to bearish.

Overall soybean is expected to trade high and Mustard is expected to trade low.

Outlook – Cash Market

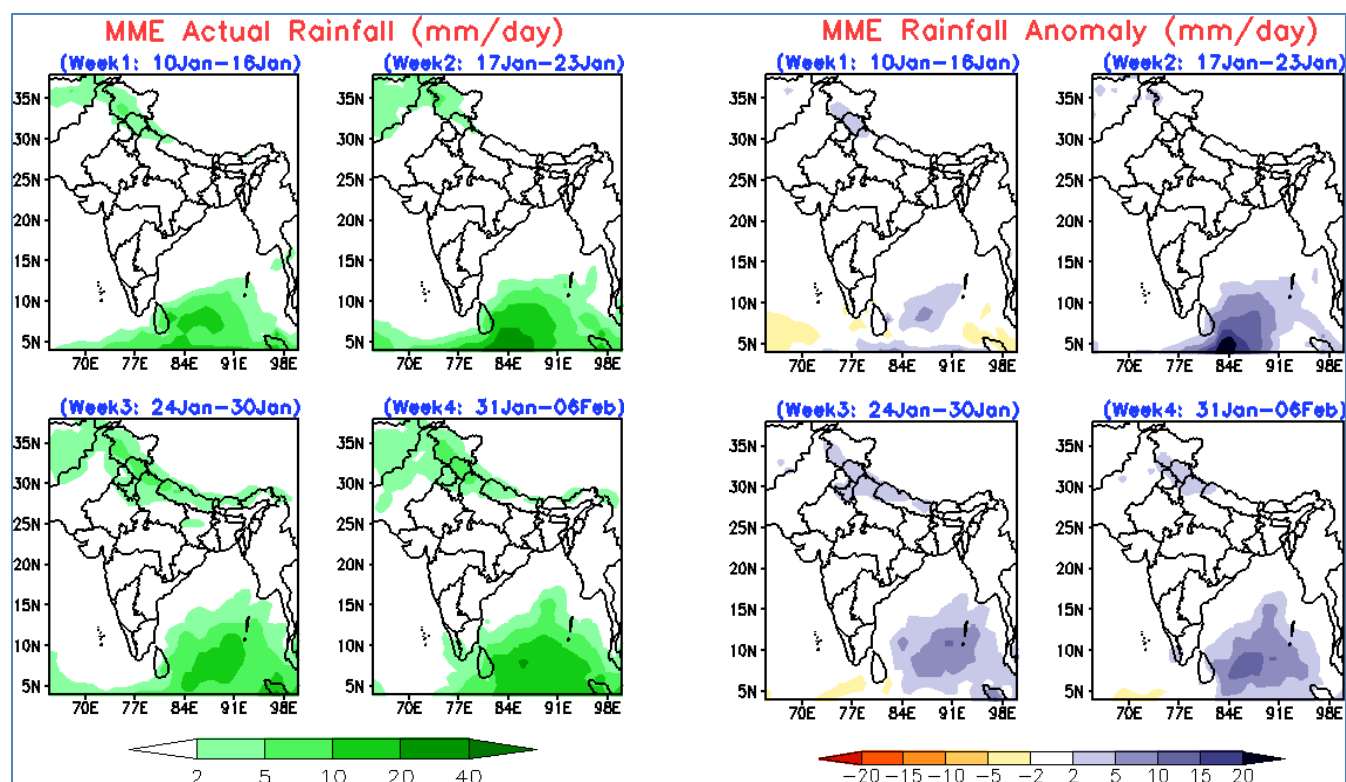
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade above 3500 levels. Market is under the influence of speculative bulls with core fundamentals not matching with the current price trend any rallies beyond the 3800 levels seems to be limited. The market sentiments is now depending on the surplus bean stocks to be carried over to the next marketing year.

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 2.5 lakh tons there is very limited chance of any aggressive rally. However bean prices are going to lend support to soymeal which is going to result in increased disparity as compared to international prices and which again will restrict aggressive exports. However India still has potential to export 12 – 13 lakh tons of soymeal.

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)

Rainfall



The rainfall forecast profile is forecasted to be normal till first week of Feb and thus weather remained conducive for better yield for Mustard.

Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 11.01.2019						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	66.98	66.6	68.28	2.5%	111.5%
Groundnut	7.85	4.91	5.05	4.07	-19%	51.8%
Safflower	1.62	1.06	0.78	0.4	-49%	24.7%
Sunflower	3.78	2.51	1.59	1.04	-35%	27.5%
Sesamum	3.04	0.57	0.44	0.54	23%	17.8%
Linseed	2.93	3.46	3.95	3.36	-15%	114.7%
Other Oilseeds	0.15	0.53	0.34	0.28	-18%	186.7%
Total	80.62	80.02	78.75	77.97	-1%	96.7%

Soybean

Domestic Market

Soybean is witnessing rally for the season on market speculation though fundamentals doesn't seem to be supportive enough. A 10% export incentives has kept the Indian soymeal market competitive enough but didn't resulted in robust exports. Currently the premium of Indian soymeal has increased to \$56 and thus there will be limited demand for spot bookings. India however is going to continue exports for forward bookings. Any further rally in bean and meal prices is going to erode the present competitiveness and thus Indian bean and meal has limited leverage from the MEIS scheme.

Under such scenario, with bean production anything above 100 lakh tons and seasonal exports with current pace seasonally adjusted shouldn't go above the 12 lakh tons market and we can expect the season end stock swelling to 10 lakh tons. All depends on domestic industry now which is witnessing good demand on good broiler prices. Sun meal imports have also restricted and thus will result in increased demand of soymeal.

The present rally seems to be seasonal and as the CBOT comes under bearish grip due to seasonal rise in the supplies of bean coming from the SA countries Indian bean is also expected to fall under such influence. Current CBOT prices don't reflect the fundamentals as the global stocks are all time high.

The domestic soybean prices are likely to inch high in the domestic market.

International Market

The Official statements out of the 3 days of meetings between US and Chinese representatives, indicate that the some progress has been made. However, an actual agreement has not taken shape. It feels like all the cards are on the table, which is a sign that both sides would like to find some type of middle ground. The talking heads tend to feel that accomplishing this feat is possible in the 90 day window that was agreed upon by Trump and Xi in late November.

In Brazil precip is forecasted to be limited and offer above average temps for the next 10 days. Some longer term forecasts better precip in late Jan. The bulk of the rest of the country expects favorable conditions. CONAB will release their next production estimate on Friday morning. The average trade estimate is roughly 118 MMT. Given subpar growing conditions in NC and NE areas, many in the trade look for 4 to 5% YoY decline to 115 to 116 MMT.

China reportedly buys another 3 cargos of U.S. soybeans. 180,000 MT of beans believed traded to China as negotiations in Beijing continue on the Big Deal. Sources say the good will total may be as large as 15 cargoes or 900,000 MT, with shipment Jan through March off both West Coast and Gulf origins. Market reaction is muted as volumes still inside previous market expectations. Positive remarks from first day of trade negotiations still deemed supportive to the bean board. Once again trade rumors circulated China was looking at corn values from the U.S. as well. Without confirmation of trades from the government market forced to deal with whisper numbers.

Weekly export inspections uninspiring, wheat at 9.5 million bushels, expectations were 14-18, soybeans at 24.7 million vs 24-31, corn at 19.7 million vs 34-39 on expectations. Mainland China appears as destination for one cargo of beans off the PNW. Corn marketing year to date now totals 726.540 million vs 450.334 last year, soy at 635.634 million vs 1,087.924 last year and wheat at 475.319 million vs 543.326. Weekly corn number the lowest week since November 2017. Corn still exceeds last year's pace by 61% but recent numbers are slipping while year ago trend numbers were rising.

According to the U.S. Department of Agriculture delayed several major domestic and world crop reports because of the two-week-old partial government shutdown. New release dates for the monthly World Agricultural Supply and Demand Estimates report and other data originally scheduled for Friday, Jan. 11, will be set once government funding is restored.

INTL FCStone cut its estimate of Brazil's soybean crop by about 4 million tonnes to 116.25 million tonnes due to a drought affecting some areas. It also reduced soybean export forecasts to 72 million tonnes this season from 75 million tonnes previously as the crop projection was lowered and carryover stocks are tight.

According to Aprosoja's own output projection, which is being revised, is between 110 million tonnes and 115 million tonnes.

Donald Trump gave a statement in media stating that talks between Washington and Beijing aimed at resolving a bitter trade dispute were going very well, at the White House after a meeting with congressional leaders on the partial government shutdown.

Soy meal

Soymeal FAS has been offered at \$370 per ton which is due to the 10% subsidy available under MEIS. Or otherwise Indian soymeal is outpriced in the international market.

According to SEA India exported 2.4 lakh tons of soymeal in his provisional estimates which is in accordance with our estimates of 2.5 lakh tons earlier. Nov Soymeal exports has been revised to 1.86 lakh tons. Cumulatively in OND quarter 5.76 lakh tons of soymeal exported which is high by 23.6% y-o-y. However the exports are not enough to impart any aggressive rally in soybean complex.

With an estimated exportable surplus of at least 15 lakh tons the exports in OND quarter is just 38% which ideally should be more than 70%.

Amidst importing nation Iran continued its imports as it has already booked nearly 2 lakh tons of soymeal in Oct for forward delivery. Bangladesh continued to disappoint and hasn't imported any quantity in Dec. USDA hasn't changed the SnD of soymeal for 2018-19 and thus probably USDA might update in coming WASDE or Bangladesh is importing from Argentina and other origins. This season Iran has substituted Bangladesh and thus overall there has been any significant change in overall exports volume with Iran presence.

Among European nations Germany and France has been the largest buyer who is traditionally buying Indian soymeal on regular basis.

India exported 45,618 tons of rapemeal in Dec month in provisional estimate. For Nov month India exported 86349 tons in Nov in revised estimate. The exports has remained decent throughout this mustard season as the prices offered has remained competitive market.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean - Feb Contract

S2	S1	PCP	R1	R2
3550	3600	3629	3650	3700

- Soybean Feb contract continued witnessed impulsive rally and breached the key resistance level of 3650,
- On the upside, 3650 shall act as immediate resistance followed by INR 3700
- On the downside, INR 3600 shall act as immediate support followed by 3550
- Trade Recommendation (NCDEX-Soybean – Feb) Sell

Weekly trade call: **Sell** 3750-3730 Target – T1-3700; T2- 3650, SL – 3800

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 6.9 lakh bags as compared to 6.05 lakh bags in the previous week.

The spot price has been range bound. 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 since 1st Jan 70 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.

There is forecast if two WD hitting India till next week. Hopefully we get some rains which is going to add more bearishness in the market. Mustard Feb and Jan contract has been trading below 3900 which has resulted in basis reaching to more than 200 points. A basis correction is expected as Jan contract deliveries near in

There has been rains in the northern planes at the end of last week and the beginning of this week which is going to help in providing necessary moisture at this crucial point of time. This will help in increased foggy conditions, contain the frost and in result is going to help in boldening of mustard seed.

According to the latest sowing report of rabi, Mustard sowing has been done in 68.23 lakh hectares and thus which is above the normal sowing progress and ahead of last year sowing progress in the same time frame. Thus the sowing is closing towards our first estimate of 68.5 lakh hectares.

The major loser continues to be chana. Significant gains have been observed in wheat as the MSP has been upward revised. Overall rabi crops acreages is down by nearly 19 lakh hectares due to below average performance of SW monsoon. Due to lack of water many parts were left barren and no sowing was done.

Technical Analysis:



RM Seed Futures Jan Contract
RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – Feb contract				
S1	S2	PCP	R1	R2
3880	3870	3882	3900	3950

- Mustard Feb Contract has traded two ways in the week and closed towards the contract lows.
- Mustard is taking strong support at 3870-80.
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3870-80: Target – T1-3900 T2- 3950, SL – 3850.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	10-Jan-19		03-Jan-19		
	Low	High	Low	High	
Indore –Plant	3510	3580	3425	3450	130
Indore–Mandi	3200	3400	3200	3400	Unch
Nagpur-Plant	3550	3600	3470	3525	75
Nagpur – Mandi	3100	3528	3100	3400	128
Latur – Mandi	3270	3525	3300	3480	45
Akola – Mandi	2900	3470	3400	3400	70
Kota-Plant	3500	3550	3400	3450	100
Kota – Mandi	3300	3350	3300	3350	Unch
Bundi-Plant	3460	3520	3250	3325	195
Bundi-Mandi	3480	3500	3225	3300	200
Baran-Plant	3470	3500	3325	3420	80
Baran-Mandi	3300	3450	3250	3320	130
Bhawani Mandi Jhalawar–Plant	3450	3550	3450	3500	50
Jhalwar-Mandi	3500	3520	3320	3380	140
Rapeseed/Mustard					
Jaipur-(Condition)(New Crop)	4100	4105	4125	4130	-25

Alwar-(Condition)(New Crop)	3950	4000	3925	4000	Unch
SriGanganagar-(Non-Condition-Unpaid)	3500	3520	3550	3560	-40
New Delhi-(Condition)(New Crop)	4020	4040	4020	4050	-10
Kota-Non-(Condition)(New Crop)	8100	8150	8150	8200	-50
Agra-(Condition)(New Crop)	NA	NA	4525	4575	-
Neewai(New Crop)	3700	3750	3700	3800	-50
Hapur (UP)(New Crop)	3790	400	3835	400	Unch
Groundnut Seed					
Rajkot	#REF!	#REF!	#REF!	#REF!	-
Sunflower Seed					
Gulbarga	3200	3550	3052	3412	138
Latur	0	0	0	0	Unch
Sholapur	3975	4025	3950	4000	25
Sesame Seed					
Mumbai Sesame White 98/2/1 FM	12000	12000	12000	12000	Unch
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
Soybean		31st Dec to 05th Jan 2019	24th to 29th Dec 2018	
	Madhya Pradesh	1200000	1010000	190000
	Maharashtra	780000	655000	125000
	Rajasthan	270000	240000	30000
	Bundi (Raj)	1060	720	340
	Baran (Raj)	10200	5700	4500
	Jhalawar (Raj)	8100	5500	2600
Rapeseed/Mustard	Rajasthan	295000	215000	80000

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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