

Oilseeds Weekly Research Report

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Executive Summary

Soybean spot continued to inch higher on SEA and SOPA giving statements over the prospective exports potential to Iran and persistent rally seem to be speculative over exports. Moreover market is also betting on the arrivals as the marketmen are saying that the arrivals are low against what was expected as the production was estimated over 100 lakh tons. However as of now SOPA hasn't officially given any revision of its crop production estimate and SEA has stick to its production if 102.5 lakh tons. NCDEX Soybean continued its bullish trend and thus Feb contract has reached close to its previous high. We need to see the market carefully amidst the volatility caused by the speculators. NCDEX soybean has remained decoupled most the time this season and there is very limited cues Indians soybean is factoring for the price action.

As OND quarter 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 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 17th Jan 2.9 lakh tons of rapessed was available with NAFED, and with such pace NAFED could 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 starts 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.

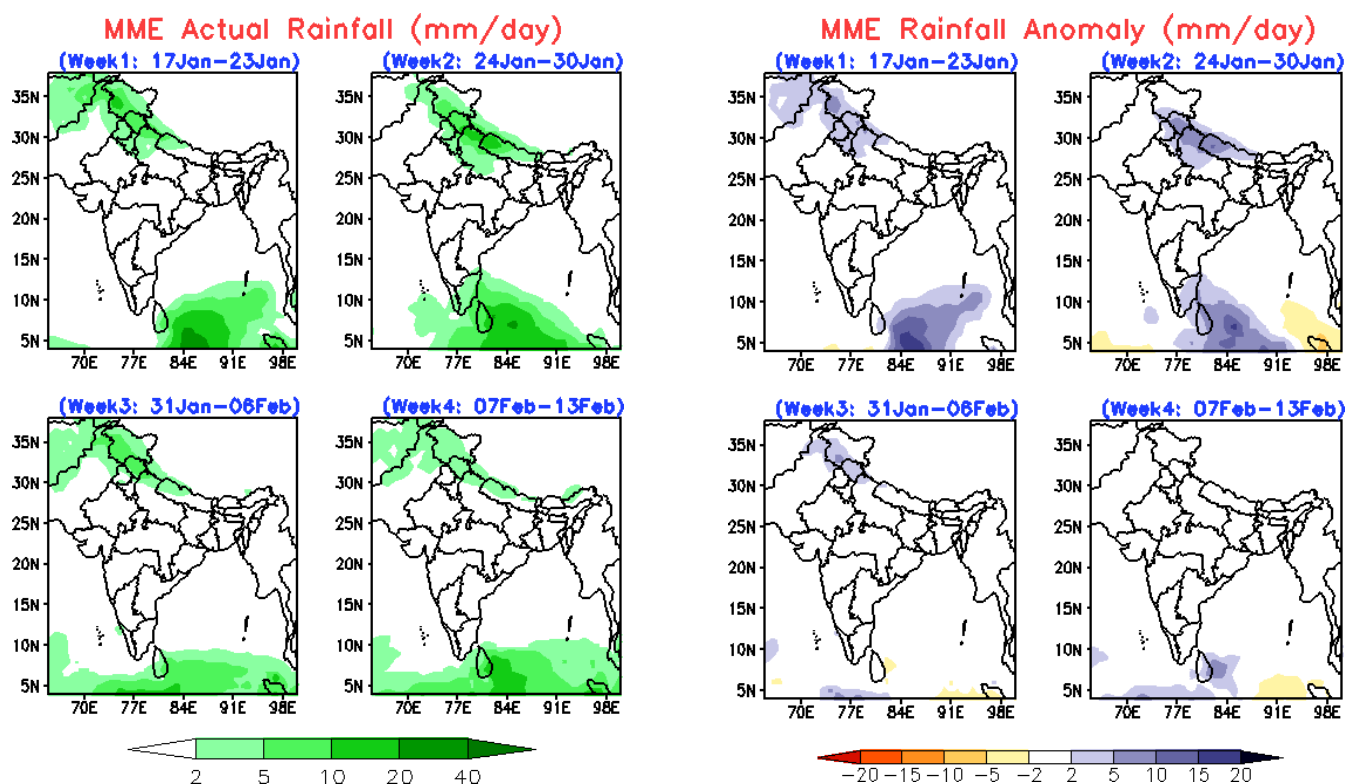
Outlook – Cash Market

Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade towards 3850 and we can witness pull back after that. The market has digested the sentiments of potential exports to Iran and the market is expected to remain range bound till the actual exports data is released confirming the same. Till the

Outlook – Soy meal (Spot, Indore): Meal prices are expected to trade even high on cues from soybean market. The spread between soybean and soymeal narrows in the off season and thus potential rally in soymeal remains and which will be depending on the exports. Meal hasn't gained as much as the bean has.

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. Forecast of rains and hailstorm is expected to give short term rally for the time.

Weather Forecast (For Rabi Oilseeds)



Some rains in west and northern plains. If there is no hailstorm good for mustard though there has been forecast of hailstorm but not widespread.

Rabi Oilseed Sowing Progress

Rabi Oilseeds Sowing as on 18.01.2019						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	67.32	66.77	68.66	2.8%	112.1%
Groundnut	7.85	5.36	5.25	4.08	-22%	52.0%
Safflower	1.62	1.08	0.78	0.44	-44%	27.2%
Sunflower	3.78	2.59	1.61	1.05	-35%	27.8%
Sesamum	3.04	0.64	0.48	0.54	13%	17.8%
Linseed	2.93	3.51	3.97	3.37	-15%	115.0%
Other Oilseeds	0.15	0.55	0.34	0.31	-9%	206.7%
Total	80.62	81.05	79.2	78.45	-1%	97.3%

Soybean

Domestic Market

Soybean is carried by momentum and bulls are right on money. As on 17th Jan no new vessel is has been waiting for the docks for meal exports. Let's see how many is going to arrive in coming days. Till in Jan month nearly 1.3 lakh tons of soymeal has been shipped or about to ship in bulk shipment which itself is indicating y-o-y high exports for Jan month.

Market is betting on potential exports to Iran and thus is supporting the prices. According to the data compiled by SEA in the OND quarter Iran has imported 1.35 lakh tons of soymeal from India. Moving forward as the deadline given to India to buy petro from Iran ends in March, Iran is trying to import more of meal from India in exchange of the payments that Iran has received from Iran for the petro in rupees terms. Thus India has the potential to export 4-5 lakh tons by Sep which seems to enough to push the overall exports from India to 14-15 lakh tons.

We need to see how Jan soymeal exports come out to be which will clarify the present sentiments in Feb month.

In MP Modified BBY will be replaced by actual BBY which is the payment of only the difference amount to the farmers over MSP. The previosu govt policy of flat INR 500 payment per quintal has been replaced by new congress govt.

Soybean procurement period is over except Telangana. State govt of Rajasthan, Maharashtra and Karnataka has announced the expiry of the period. As on 15th Jan just 19.77 thd tons of soybean has been procured.

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

International Market

Weaker cash basis at the Gulf indicate China has not been looking for additional beans. Basis values in Brazil are also weaker again today as the spread between US and Brazil has collapsed. There is no USDA reports over the continued US shut down and thus we don't have weekly exports report.

Weather is mildly supportive beans with Brazil rains light in central and eastern belt but demand is subject with basis in both US and Brazil weaker today. While longer season beans are said to be struggling due to hot and dry weather, harvest is advancing on the early beans. Mato Grosso is near 6% complete with Parana 10% complete.

Argentina gets an opportunity to dry out a bit in the 1-5 day, but wetter conditions appear in the 6-10 and the 11-15 day outlooks. Temp in Argentina should remain favorable to crop development through the forecast period.

Chinese officials see a likely rise in hog prices in the second half of the year and are asking farmers to increase production quickly. The Ag Ministry indicated breeding sow population was down 8.3% in December from the previous year and was down for the third month in a row. If China production drops 10% that could mean 5.8 million less head a month.

Brazil witnessed some precip in the weekend but the coverage wasn't very good, in the drier areas of Brazil offered resistance. The rest of this week looks quite dry for many of these areas.

Weekly inspections for beans was 39 mb, which brings the total to 676 mb. That is down 40% from the prior year.

NOPA crushed 170 mb of soybean which is record for the month of December and the third largest monthly crush.

Meanwhile, Chinese meal values are trading at their lowest level in nearly a year. The spread of ASF and efforts to change the feed ration have many questioning China's need for beans/meal going forward. Based on Chinese data, Jan to Dec soybean imports were pegged at 88 MMT or down 7.9% from the prior year.

At the American Farm Bureau Federation in New Orleans, Trump said China has agreed to open its market to buy US pork.

FOMC member Clarida commented on the strong momentum the economy has going into 2019. He does not see a recession on the horizon.

US has increased the exports of its meat products in the world. China has been regularly buying US pork even after trade war and ASF has also necessitated even higher volume of exports to China. Argentina has started

importing US pork, Brazil has booked first beef after 2003 from US. All these factors going to increase the consumption of soymeal in US and which is resulting record crush m-o-m as indicated in the US NOPA report.

Soy meal

With SEA production number current exports pace is capable of eating away all the exportable surplus by end of Oct-Sep MY. In 2017-18 stocks were tightening as we moved into the second half of 2017-18 MY but was not been supported by international market. Let's see how things are going to unfold post mid of Feb. In NCDEX market price sustain above 3650 level whenever it has breached it and this week closing is indicating the same. Prices can rally to 3850 in coming week.

Even though Iran has been prospective exports market for India mainly due to the establishment of barter system, Iran continue to buy SA soybean and meal rerouted through Afghanistan. According to sources nearly 30 lakh tons of bean/meal has already arrived Iran post US sanctions.

The only onus India has the barter system by which India is going to push basmati rice and soymeal in exchange of crude oil imported and thus Iran might try to dispose Indian rupee by buying above mentioned agri commodities.

According to SOPA in the OND quarter soymeal exports has been recorded at 6.74 lakh tons which is 2.3% low as compared last year exports of 6.9 lakh tons. In Dec India exported 2.78 lakh tons of meal which was 2.82 lakh tons last year in the same time frame. SOPA hasn't indicated towards the revision of their estimates which should have been come by this time.

Apart from regular buyers Iran has emerged the largest buyer of Indian soymeal and according to the SOPA can take 4.5 lakh tons of soymeal at the end of the Soy season. The grace period that US has offered to India is till March and by that time Iran is expected to buy as much as possible from India. India and Iran has signed barter agreement under which Iran will supply oil in exchange of Soybean.

However we have lost Bangladesh market which has been compensated by Iran. Thus we have now very limited demand from our satellite countries. Pakistan has already shifted to GM Soybean and importing very meagre soymeal. The only buyer left is Nepal.

India has opened doors for US poultry products and it will be interesting to see how US frozen chicken penetrates India's market which prefers consuming fresh cut chickens.

Soymeal vessel line up data is indicating that 1.1 lakh tons of soymeal is going to be dispatched from the ports by 17th of this month and thus with another 15 days we can expect 50 to 100 thousand tons of bulk exports. If container shipments coming out to be .3 lakh tons we can assume Jan exports falling between 1.8 to 2.2 lakh tons which can be Jan highest since 2013-14.

On such exports pace 2018-19 exports can end with 12-13 lakh tons and if Bangladesh comes in which hasn't taken any significant quantity till Dec more exports can be expected which with production number of 102 to 104 lakh tons can be a tight situation in terms of stocks. In 2017-18 India exported 10.84 lakh tons of soymeal.

Technical Analysis:

NCDEX Soybean FUTURE*



Soybean Spot, Indore



*Note: Daily Chart

Support & Resistance NCDEX Soybean – Feb Contract

S2	S1	PCP	R1	R2
3700	3750	3812	3870	3920

- Soybean Feb contract continued witnessed impulsive rally and breached the key resistance level of 3650 and inched towards resistance 3870,
- On the upside, 3850 shall act as immediate resistance followed by INR 3870
- On the downside, INR 3600 shall act as immediate support followed by 3650
- Trade Recommendation (NCDEX-Soybean – Feb) Buy

Weekly trade call: **Sell** 3800-3810 Target – T1-3870; T2- 3910, SL – 3780

Rapeseed - Mustard Seed

The all India weekly seed supplies were reported 6.3 lakh bags as compared to 6.9 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 1.09 lakh 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 4145 per quintal as against INR 4015 per quintal during the corresponding period last year at the benchmark, Jaipur.

NAFED has sold 89.5 thousand tons of Mustard in Jan month as on 15th Jan and is the highest for the NAFED for this season in the first 15 months. The auctioned prices are at par with the market rate and thus has found strong interest among crushers amidst tapering supplies in the market. Auction on 15th Jan offered prices between 3605 to 3660. Stocks as on the mentioned date is at 3.11 lakh tons with another 1 ½ months for the start of new season. In any case with the expected early of new crop NAFED stocks by end of Mar-Feb MY is expected to be around 1.5 to 1.6 lakh tons. Earlier we were expecting that the stocks is expected to be above 3.5 lakh tons.

Warmer days are going to help rapid maturing of mustard crop and we can see arrivals hitting the market a week early. We have already witnessed early start of sowing this season. Thus there is no chance of any recovery in Mustard except weather which has to be closely look after

At Mustard front, Mustard sowing has been completed in 68.34 lakh hectares which is high against normal as well as last year sowing. All the states has recorded sowing to be above normal. However y-o-y fall has been witnessed in Jharkhand, Chhatisgarh, WB and Gujarat. Gujarat sowing has significantly recovered and is now at par with normal sowing pace.

The response to the NAFED auction has increased due to competitive prices and limited availability of mustard in the open market. Crushers are finding convenient to get delivery from one point with competitive prices. In 10 (Jan 1 to Jan 10) days NAFED has auctioned .7 lakh tons of mustard.

At weather front as the country enters the spring season the development of any storm in north has to be seriously look after. The European agency of medium range forecast has given an outlook of widespread rains in northern India in the last week of the months. Let's see how strong it can be and also we have to look over how soon the weather warms up. As of now conditions remained cool and aphid attacks are still at bay.

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	18-Jan-19		11-Jan-19		
	Low	High	Low	High	
Indore –Plant	3750	3800	3500	3575	225
Indore–Mandi	3570	3675	3200	3400	275
Nagpur-Plant	3700	3820	3550	3600	220
Nagpur – Mandi	3200	3700	3100	3490	210
Latur – Mandi	3500	3720	3350	3530	190
Akola – Mandi	3300	3585	3210	3450	135
Kota-Plant	3775	3800	3400	3500	300
Kota – Mandi	3530	3675	3400	3450	225
Bundi-Plant	3620	3650	3400	3450	200
Bundi-Mandi	3450	3620	3200	3440	180
Baran-Plant	3700	3750	3470	3500	250
Baran-Mandi	3500	3650	3300	3450	200
Bhawani Mandi Jhalawar–Plant	3675	3750	3450	3550	200
Jhalwar-Mandi	3580	3670	3500	3520	150
Rapeseed/Mustard					
Jaipur-(Condition)	4120	4125	4085	4090	35
Alwar-(Condition)	4000	4050	3950	4000	50
Sri Ganganagar-(Non-Condition)	3525	3600	3600	3640	-40
New Delhi–(Condition)	4050	4070	3980	4000	70
Kota-(Condition)	3750	3800	3720	3780	20
Agra-(Condition)	NA	NA	NA	NA	-
Neewai-(Condition)	3770	3820	3750	3800	20
Hapur (UP)-(Condition)	4000	4050	3950	4000	50
Groundnut Seed					
Rajkot	650	650	888	888	-238
Sunflower Seed					
Gulbarga	3152	3512	3204	3558	-46
Latur	NA	NA	NA	NA	-
Sholapur	NA	NA	4050	4100	-
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	18-Jan-19	11-Jan-19	
Madhya Pradesh	225000	300000	-75000
Maharashtra	145000	150000	-5000
Rajasthan	50000	60000	-10000
Bundi (Raj)	100	300	-200
Baran (Raj)	2000	1700	300
Jhalawar (Raj)	2000	1500	500
Rapeseed/Mustard			
Rajasthan	45000	50000	-5000
Alwar	2000	1500	500
Sri Ganganagar	90	80	10
Kota	1400	400	1000
Groundnut Seed			
Rajkot (Gujarat)	3250	4440	-1190
Sunflower Seed			
Sholapur (Maharashtra)	NA	600	-

Other Oilseed Prices at Mumbai (INR/100 Kg):

Oilseeds	18-Jan-19	11-Jan-19	Change
Groundnut Kernel	4900	4880	20
Gr. Bolds 60/70	5900	6000	-100
Gr. Javas 60/70	7200	7300	-100
Gr Javas 70/80	6900	7000	-100
Gr.Javas 80/90	6500	6600	-100
KardiSeed 2% Exp Qly	4450	4450	Unch
Sesame White 98/2/1 FM	12000	12000	Unch
Whitish 95/5/FFA/1FM	11800	11800	Unch
Brown 48/2 FFA/4 FM	10400	10400	Unch
Brown 48/3 FFA/4 FM	10100	10100	Unch
Brown 48/4 FM/* No FFA Guarantee	9500	9500	Unch
Sunflower Seed	4200	4200	Unch

Niger Seed (4% FM)	5600	5600	Unch
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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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