

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 gained by 50 rupees from its previous high with the Iran exports prospects continued to remain pivot for the price action. 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. Arrivals have declined drastically after the expiry of the BBY period and market looks for fresh fundamental cues. NCDEX Soybean traded two ways in a volatile trading week over fresh tender for soymeal from Iran and the same fizzled out the sentiments after the Iran booked SA soymeal. 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 its first estimated of production at 114.87 lakh tons. Many traders have 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. The same story reappeared last week and which has given impulsive rallies in the market and there are good chances that Jan exports is going to close with exports of 2.5 lakh tons of soymeal which will be 4 year highest Jan exports and which remain supportive for soymeal prices. Further soymeal prices haven't gained as much as the bean and hence further upward potential remains for soymeal. However there is potential for unseasonal fall in March-April month when International market comes under bearish grip with SA crop hitting the international market. Indian soybean so far has digested the potential rally as of now and further soybean is looking for international cues.

At international front weather premium and US-China traded talks has remained pivot for the CBOT prices. SA crop is looking lower from their previous estimates due to unfavorable weather however the global as well as US end stocks is going to remain all time high which is restricting further gains. USDA reports are not available as the US shut down continues.

Rapeseed stocks offloading have picked up the pace and by 24th Jan 2.3 lakh tons of rapeseed were 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. Last week overall has been very beneficial and thus above average yield is expected thus we are revising the production estimate to 70 to 71 lakh tons as of now. There is no forecast of rains and thundershower in coming 15 days which will help in crop ripening and early arrivals.

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

Outlook – Cash Market

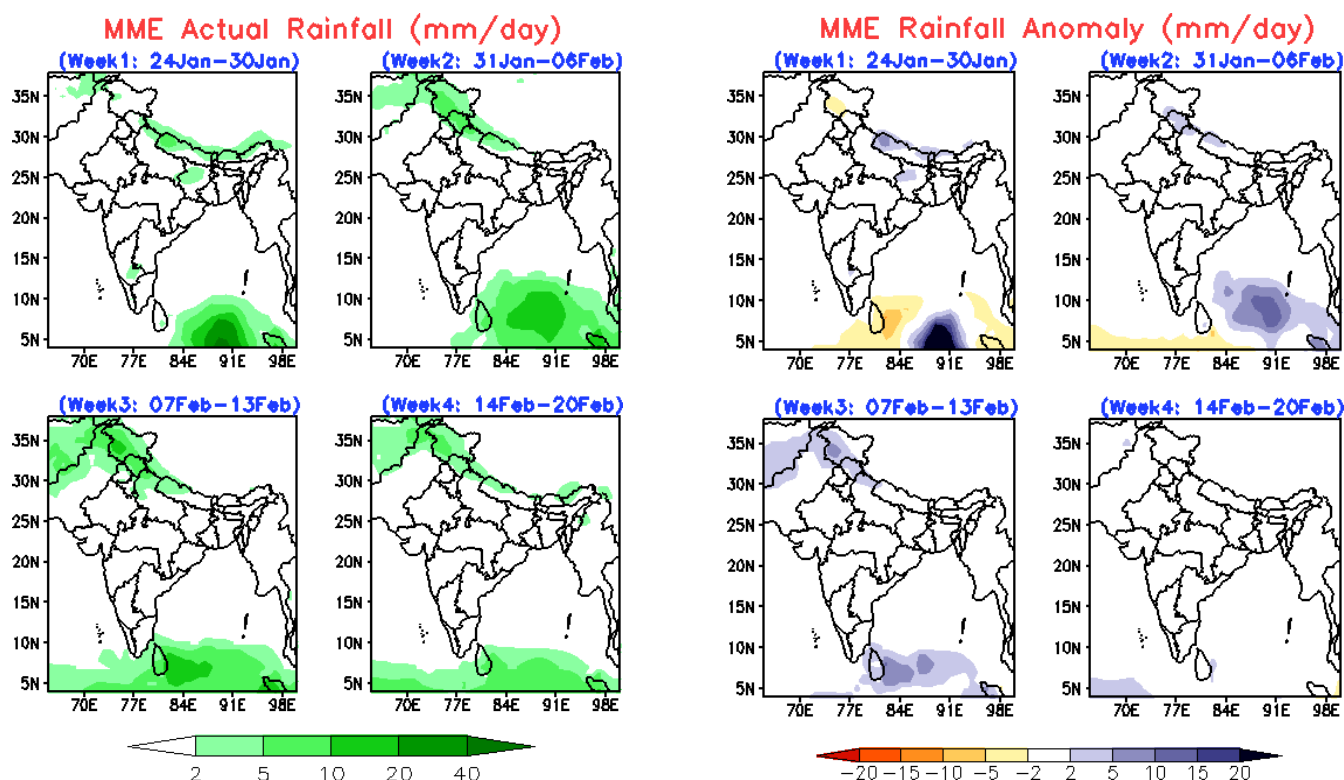
Outlook - Soybean (Spot, Indore): Soybean Indore is expected to trade towards 3850 and we can witness pull back after that. The market has digested the sentiments of potential exports to Iran and the market is expected to remain range bound till the actual exports data is released confirming the same.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

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. NCDEX prices is rising due to basis correction as the feb contract expiry near in.

Weather Forecast (For Rabi Oilseeds)

Rainfall



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 25.01.2019						
	Normal Area	Normal Sowing as on Date	2017-18	2018-19	% Change (Y-o-Y)	% Sown of Normal
Rapeseed & Mustard	61.25	67.44	66.8	68.81	3.0%	112.3%
Groundnut	7.85	6.06	5.44	4.41	-19%	56.2%
Safflower	1.62	1.08	0.79	0.44	-44%	27.2%
Sunflower	3.78	2.69	1.64	1.08	-34%	28.6%
Sesamum	3.04	0.67	0.48	0.61	27%	20.1%
Linseed	2.93	3.55	3.98	3.42	-14%	116.7%
Other Oilseeds	0.15	0.56	0.36	0.33	-8%	220.0%
Total	80.62	82.05	79.49	79.1	0%	98.1%

Soybean

Domestic Market

Market grapevine is indicating that Iran hasn't took the Indian soymeal in the latest tender resulting in last hour selling. Iran booked Brazilian soymeal at \$377 per ton CNF Iran port.

Early last week Soybean market took positive cues from Iran's SLAL global tender for importing 2 lakh tons of soymeal and thus the market is thinking that the requirement is going to be fulfilled by India given the restriction imposed by US on banking and shipping companies doing business with Iran. India has upper hand as India can facilitate through Indian currency and also has been some relief till March.

After the Iran story market is looking for fresh news and development. Current fundamentals have been discounted in the market and thus are more dependent on international variables. Poultry farmers are jacking up for the holi demand and weekly chick placements are on rise before the drop witnessed in summer.

Nafed will commence sale of PSS Soybean Kharif 2018 in State of Rajasthan, Telangana, Maharashtra & Karnataka procured under Price Support Scheme of Govt. of India w.e.f. 28.01.2019. However as the quantity procured is just above 19 thd tons, market doesn't seem to react over it.

The BBY 2018-19 scheme closed with participation of 12 lakh farmers in which farmers sold 17.7 lakh tons of soybean which forms nearly 33-35% of produce. As the BBY closed on 19th there are apprehensions that arrivals are going to fall. However as the prices have shot up it is interesting to see the behavior of farmers in the way they release their stocks.

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

International Market

In Brazil Mid-day forecasts for Brazil want to push better precip into parched areas.. On the low side, the trade sees a 114 MMT crop. On the high side, the trade sees a 118 MMT crop. Neither number indicates a significant problem. Recent estimates out of Parana indicate their bean crop is down 2.3 MMT or 12% from the prior year.

A meeting with US and China has to be held just before the start of China's week holidays will be crucial for further market direction.

Reports late last week that China was offering to up imports of US goods to tune of \$1 trillion dollars over the next 6 years and wipe out most of trade gap

Soybean inspections are running 39.6% behind last year vs. USDA forecasting exports to decline near 11%. The US government shutdown has reached 32 days. The USDA did temporarily open some FSA offices to process loan checks and besides Federal Grain Inspectors still reporting weekly inspections, grains lack that fresh daily input it needs to sustain any rallies.

According to the data released by EC, EU soybean imports in the 2018/19 season that started on July 1 totalled 7.8 million tonnes by Jan. 20, up 11 percent year on year. EU 2018/19 soymeal imports had reached 9.6 million tonnes, down 13 percent from a year earlier.

China's state grain stockpiler Sinograin has met its goal in reducing the inventory of soybeans by selling 2 million metric tons of soybeans.

According state stats, China produced 54.04 million tonnes of pork in 2018, down 0.9 percent from a year earlier, as the world's top consumer of the meat grapples with the spread of African swine fever, raising supply concerns. Output fell as the size of the herd declined 3 percent to 428.17 million head. For 2018, the number of slaughtered pigs fell by 1.2 percent to 693.82 million head, showed the data. NAational pig stocks in December were almost 5 percent lower than a year earlier, while the number of breeding sows was down by more than 8 percent.

The statistics bureau data also showed beef output grew by 1.5 percent to 6.44 million tonnes in 2018, the highest level in records going back 20 years, while lamb output rose 0.8 percent to 4.75 million tonnes. Poultry production rose 0.6 percent to 19.94 million tonnes.

Thus there was fall in demand of soymeal in China which coincided with the trade war. However the demand of pork continued to rise and was met by Import of pork from US.

Soy meal

On the long term outlook for soybean, for Indian soybean to Inch high CBOT has to give support as the Indian soybean potential to rise by its own fundamentals has exhausted and further upward push has to come from international market.

As India is eyeing export of 4.5 lakh tons of soymeal in FY 2018-19 and 3LT has been already exported to Iran by Dec thus to meet the target 1.5 LT has to be exported which is expected to be covered by mid of Feb.

For KMS Oct-Sep Soybean meal has been exported to a tune of 1.1 lakh tons OND and thus by mid of season India is expected to export nearly 2.6 LT of soymeal which Iran will compensate, the loss of exports to Bangladesh. Post mid of 2018-19 Soybean season, it should be noted that US will again force India to put a trade sanction on Iran after the expiry of the grace period. In this period prospects of soymeal exports to Iran has to be evaluated given the fact Iran has already a contingency plan to bypass US restriction by doing barter trade with India with Iran's bank opening its banking facility branch in Mumbai to facilitate transaction in Indian rupee.

Indian soymeal premium has gained towards \$89 per ton over Argentinean meal with Indian meal bullishness producing the premium rather than Argentinean meal bearishness. Such premiums is going to result very limited bookings of Indian soymeal for forward as well as spot market. Other than Iran the exports is expected to fall from March months onwards as Indian soymeal exports against forward booking is over.

Arrivals in MP after the expiry of BBY window has taken a set back and thus daily arrivals has fallen on an average by 50%. Prior week average arrival was 2.15 lakh bags whereas last two days arrivals is just 50 thd bags and 70 thd bags respectively.

Another vessel of 55000 tons capacity docked for soymeal exports yesterday. With another 9 days to go we can expect the bulk exports of soymeal clocking 1.8 to 2.0 lakh tons and with container shipments Jan exports can reach 2.5 lakh tons which can be highest Jan exports is last 3-4 years. Thus a current sentiment of improving exports is expected to continue to linger in the markets till mid of Feb at least.

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 traded range bound finding support at 3920 and resistance at 3778
- On the upside, 3920 shall act as immediate resistance followed by INR 3950
- On the downside, INR 3780 shall act as immediate support followed by 3650
- Trade Recommendation (NCDEX-Soybean – Feb) Sell

Weekly trade call: **Sell** 3900-10 Target – T1-3850; T2- 3780, SL – 3950

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. At the end of week mustard closed at 4195 per quintal as against INR 4145 per quintal last week at the benchmark, Jaipur.

NAFED Mustard auction witnessed a whopping 11187 tons selling in the price range of INR 3601 to 3832 per quintal. Stocks available is just 2.28 lakh tons as on 24th Jan. In Jan a record 1.7 lakh tons of mustard has been auctioned.

Mustard prices are seasonally inching higher as the stocks are tightening just before the start of new crop arrivals. However the potential remains limited and any upside movement is a function of weather at this point of time. The European model for medium range forecast is indicating towards rains and thunderstorm by this weekend in many places in central and eastern India. Lets see if there is hailstorm accompanied with it. Yesterday in isolated places there were heavy hailstorms. However there has been no report of any widespread damages.

As the current spell of rains is half over there has been very limited reports of crop damages due to hailstorm however some patches has witnessed crop dislodging due to heavy rains. According to traders and mustard crusher's current spell of rains is going to improve the yield and the chances of recording y-o-y higher yield is better this season. Mustard crop has been further found beneficial temperature range with limited fog which helped in rapid crop development. Current spell of rains is going to bring chilly weather which is also beneficial as it will restrict abrupt rise in temperature which results immature ripening of crops.

There has been reports of crop dislodging in Mathura and farmers are expecting yield to decline by 10-15%.

New Mustard crop has hit the Baran market and was expected as the sowing was early in Rajasthan. Traders are saying about bumper crop this season. Usually the new crop starts arriving from second week of Feb. From here onwards there is just 15-20 days left we can witness rising arrivals of new crop and thus price is expected to remain under pressure. Further weather development has to be taken care of from Feb onwards.

Technical Analysis:



RM Seed Futures Jan Contract

RM Seed Spot, Jaipur

Support & Resistance NCDEX RM Seed – Feb contract

S1	S2	PCP	R1	R2
3940	3983	3983	4000	4020

- Mustard Feb Contract has inched higher breaching the crucial levels and tested multiweek high .
- Mustard is trying to correct the basis as the same has widened in last week as the Feb month contract closes which is the last contract for the old crop. Prices have tested the level of 4010 .
- Trade Recommendation (NCDEX Rapeseed-Mustard – Jan)

Weekly trade call: **Buy** 3980-85: Target – T1-4000 T2- 4020, SL – 3950.

Oilseed Prices at Key Spot Markets:

Commodity / Centre	Prices (Rs/Qtl)				Change
Soybean	28-Jan-19		17-Jan-19		
	Low	High	Low	High	
Indore –Plant	3800	3850	3640	3700	150
Indore–Mandi	3650	3750	3475	3625	125

Nagpur-Plant	3750	3800	3650	3775	25
Nagpur – Mandi	3400	3725	3100	3650	75
Latur – Mandi	3570	3775	3420	3625	150
Akola – Mandi	3200	3750	3000	3575	175
Kota-Plant	3775	3800	3625	3675	125
Kota – Mandi	3620	3725	3450	3600	125
Bundi-Plant	3700	3750	3525	3575	175
Bundi-Mandi	3500	3700	3350	3550	150
Baran-Plant	3750	3800	3650	3700	100
Baran-Mandi	3525	3675	3400	3620	55
Bhawani Mandi Jhalawar-Plant	3675	3750	3650	3730	20
Jhalwar-Mandi	3600	3800	3550	3630	170
Rapeseed/Mustard					
Jaipur-(Condition)	4180	4185	4100	4105	80
Alwar-(Condition)	3975	4000	4000	4050	-50
Sri Ganganagar-(Non-Condition)	3500	3550	3580	3620	-70
New Delhi-(Condition)	4070	4090	4020	4050	40
Kota-(Condition)	3700	3750	3750	3800	-50
Agra-(Condition)	NA	NA	NA	NA	-
Neewai-(Condition)	3780	3830	3750	3800	30
Hapur (UP)-(Condition)	4050	4100	4000	4050	50
Groundnut Seed					
Rajkot	600	600	880	880	-280
Sunflower Seed					
Gulbarga	3250	3552	3250	3450	102
Latur	NA	NA	0	0	-
Sholapur	NA	NA	0	0	-
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	24-Jan-19	17-Jan-19	
Madhya Pradesh	80000	200000	-120000

Maharashtra	50000	125000	-75000
Rajasthan	25000	40000	-15000
Bundi (Raj)	70	300	-230
Baran (Raj)	1700	3000	-1300
Jhalawar (Raj)	1000	2500	-1500
Rapeseed/Mustard			
Rajasthan	40000	45000	-5000
Alwar	2000	2000	Unch
Sri Ganganagar	30	50	-20
Kota	700	900	-200
Groundnut Seed			
Rajkot (Gujarat)	3000	4400	-1400
Sunflower Seed			
Sholapur (Maharashtra)	NA	0	-

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

Oilseeds	24-Jan-19	17-Jan-19	Change
Groundnut Kernel	4875	4900	-25
Gr. Bolds 60/70	5950	5900	50
Gr. Javas 60/70	7250	7200	50
Gr Javas 70/80	6950	6900	50
Gr.Javas 80/90	6550	6500	50
KardiSeed 2% Exp Qly	4500	4450	50
Sesame White 98/2/1 FM	11500	12000	-500
Whitish 95/5/FFA/1FM	11300	11800	-500
Brown 48/2 FFA/4 FM	10000	10400	-400
Brown 48/3 FFA/4 FM	9600	10100	-500
Brown 48/4 FM/* No FFA Guarantee	9000	9500	-500
Sunflower Seed	4200	4200	Unch
Niger Seed (4% FM)	5400	5600	-200

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.