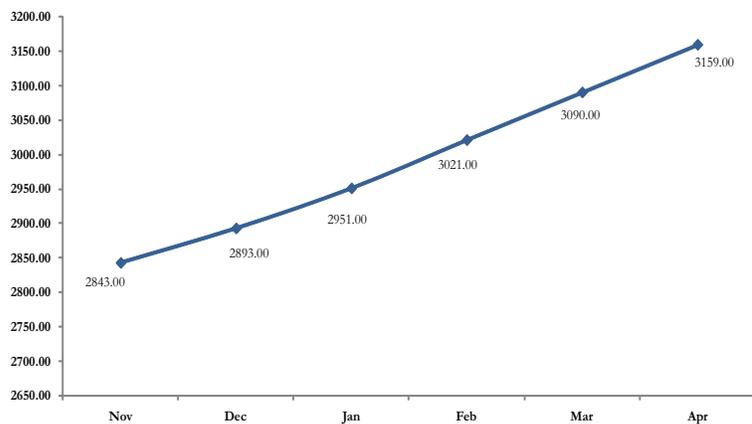


Monthly Report On **Oilseeds** November 2017



Domestic Fundamentals: Soybean Futures (December)

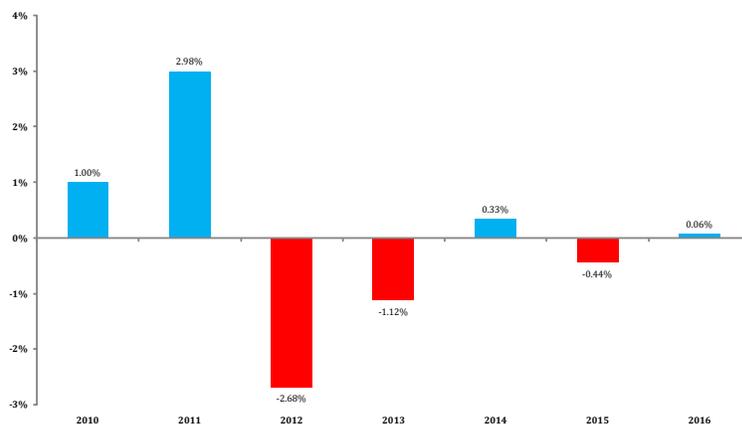
Forward Curve of Soybean Futures (NCDEX)



Source: NCDEX

Closing as on 3rd November, 2017

Historic return of Soybean futures (NCDEX) in the month of November



Source: Reuters & SMC Research

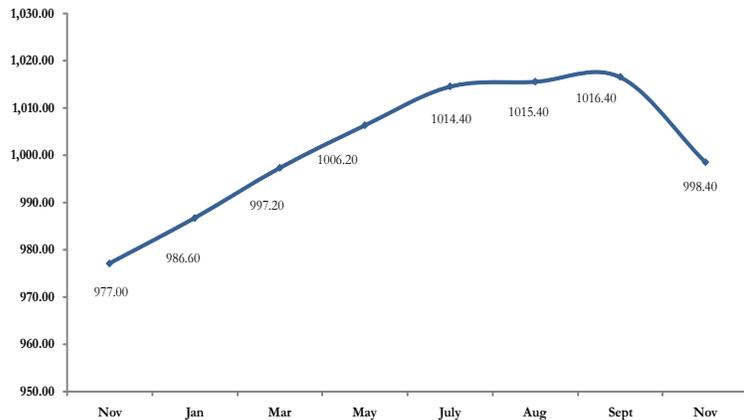
S3	S2	S1	Pivot	R1	R2	R3
2529	2666	2745	2882	2961	3098	3177

Fundamentals

- The downtrend of soybean futures (Dec) is likely to remain halted as it will possibly take support near 2800 levels. In news, a special task force has been constituted to tackle agrarian crisis in Maharashtra, & has sought the intervention of the Prime Minister's Office (PMO) to stabilise prices of soybean to stop its distress sale by farmers. In Madhya Pradesh, the mandi rates are being monitored daily & the government has directed officials to go in for a second round of auction if farmers don't get good prices at the first auction. At the spot markets, the increased arrivals have failed to put pressure on soybean price as millers are anticipating no sudden fall in soybean price from the current level & building their inventory which can meet their long-term crushing requirements. However, the upside may remain capped near 3000 levels.
- Madhya Pradesh expects its 2017-18 (Jul-Jun) soybean output to fall 1.9% to 6.94 million tons. The state expect soybean yield to rise to 1,385 kg per ha, from 1,310 kg last year.
- A fall in area resulted in lower soybean crop in Madhya Pradesh this year. Area under soybean is pegged at 5.01 mln ha this year lower than 5.40 mln ha in 2016-17. Poor returns in the oilseed prompted growers to divert to pulses for better realizations.
- By Agmarknet data, soybean arrivals across the country were 1.09 million tonnes in October, compared to 1.04 million tonnes in the comparable month last year.
- The Union Ministry of Agriculture forecast India's output at 12.21 million tonnes in its First Advance Estimate, issued on September 22, compared to 13.79 million tonnes the previous year. The industry, however, estimates India's total bean output at 8 million tonnes this year.
- India's (annual) consumption stands at five million tonnes for crushing purpose. Additionally, 1.2 million tonnes are needed for sowing of next season. So, domestic consumption stands at less than 6.5 million tonnes. Unless exports are encouraged, India will have 1.5 million tonnes of carryover stock for the next season.
- Indian Soymeal was priced at \$355 per tonne FAS Kandla Vs \$370 Argentina CIF Rotterdam (November) as of November 4, 2017.
- If we consider the freight of around \$35 per tonne for bulk exports to European destination and insurance of \$1 per tonne then Indian soymeal CIF rotterdam price comes at \$386 which means that Indian soymeal is costlier by \$ 20 compared to Argentine soymeal. But as the Indian soymeal is non-genetic soymeal compared to Argentine soymeal which is genetically modified so overseas buyers are ready to pay premium of \$10 for Indian soymeal.
- Demand from poultry feed manufacturers for the commodity in domestic market is gradually improving as they have increased the placement of chicks for upcoming peak winter demand of broiler chicken across India.

Soybean (CBOT)

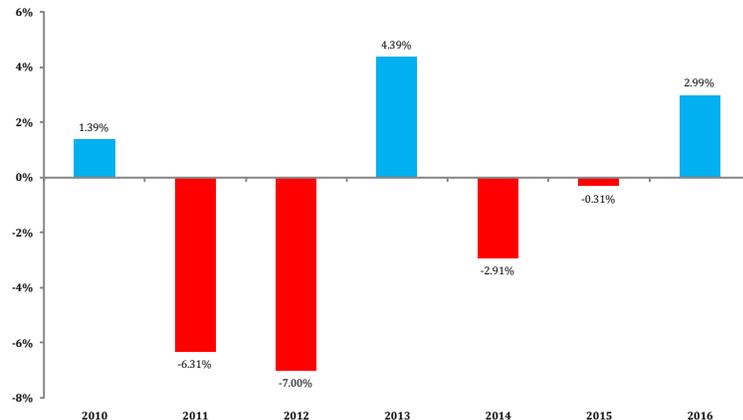
Forward Curve of U.S Soybean futures (COBT)



Source: COBOT

Closing as on 3rd November, 2017

Historic return of U.S Soybean futures (CBOT) in the month of November



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
911	937	961	987	1011	1037	1061

Fundamentals

- **U.S soybean futures (January) faces a resistance at \$10 per bushel, a break above which could lead to a gain to the next resistance at \$10.20 per bushel, taking support near \$9.75 a bushel. Market participants would trade on a cautious note ahead of the USDA's World Agricultural Supply and Demand Estimates Report (WASDE) on November 09, 2017.**
- Chicago Board of Trade soybean futures are getting weighed by the forecast of Brazilian rains and technical selling. Further, the counter is getting pressurized by a dip in the Brazilian real and made soy from the South American country more attractive to big buyers like China. A softer real also encouraged Brazilian farmers to sell stockpiled soybeans, which were priced in dollars.
- U.S. is still in the harvesting period and markets have been seeing a harvest pressure.
- Argentina is expected to harvest 53 million tonnes of soybean, its largest cash crop, in the 2017/18 season, the agriculture ministry said in a statement, last week.
- Forecasters expect good precipitation in several key soybean areas of Brazil over the next 10 days, which could boost crop germination and early development following a dry start to the planting season.
- A protein shortfall in this year's U.S. soybean crop has forced processors to cut the amount of the nutrient they can guarantee in soymeal, prompting concerns that animal feed costs and meat prices could rise. The low protein could also dent exports if buyers turn to higher-protein supplies from Brazil.
- Adverse crop weather this summer likely dragged down the protein content of soybeans, prompting concern that the soymeal produced at crushing facilities will be light on protein and other key nutrients.
- High-protein soymeal that typically is sold with 47.5 to 48 percent protein is being offered at 46.5 or 47 percent instead.
- Expectations for continued demand from top importer China underpinned the market.

Mustard futures (December)

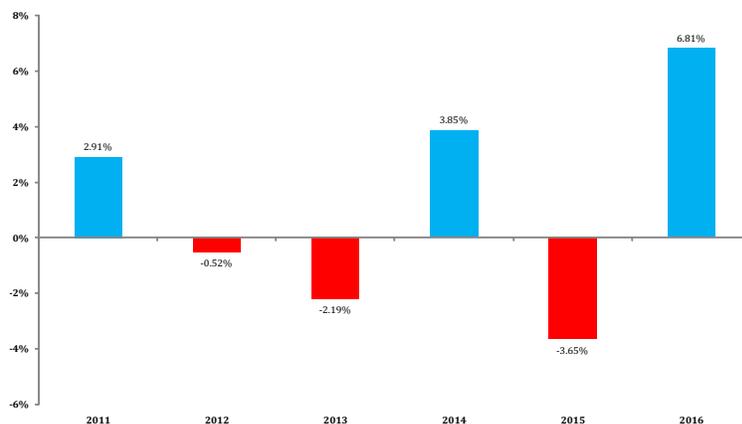
Forward Curve of Mustard futures (NCDEX)



Source: NCDEX

Closing as on 3rd November, 2017

Historic return of RM Seed in the month of November



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
3677	3756	3843	3922	4009	4088	4175

Fundamentals

- **Mustard futures (December) is looking bullish as it can show up a rally towards 4100-4200 levels, taking support near 3875 levels. The market participants are closely watching the sowing progress & the initial figures are hinting for a lower area under cultivation this season.**
- As per most recent sowing data released by agriculture department, Mustard acreage in the country as on 2 November was down by 0.89% at 26.572 lakh hectares against 26.811 lakh hectares same period a year ago.
- Improved acreage was witnessed in Haryana, Uttar Pradesh, West Bengal and Madhya Pradesh amid good soil moisture reported in pockets of the following states. However, decreased acreage in Rajasthan amid scanty rainfall and poor realization prompted farmers to shift to other better alternatives.
- The MSP of mustard increased by 8.1% from Rs 3,700 to Rs 4,000 per quintal.
- In the domestic market, mustard seed prices in the spot market rose to 2-month high in the first week of this month supported by robust domestic demand. This shows that a significant improvement can be seen in the sales of mustard oil and mustard oil cake ahead of the winter season.
- Mustard oil demand is likely to remain strong in winter season which is peak consumption period from November to December. In addition to that, the demand of pure mustard oil is still good and may improve by another 1-2% in winter season.
- In the international market, Consultancy Strategie Grains has raised its estimate slightly for the area sown with rapeseed in the European Union for the 2018 harvest, but said setbacks in northern EU countries would prevent the area surpassing this year's level. The French-based firm put the EU rapeseed area for the 2018/19 harvest season at 6.71 million hectares, up from 6.64 million in its initial forecast a month ago and close to an estimated 6.74 million in the 2017/18 harvest.

Edible oil complex (Domestic Fundamentals)

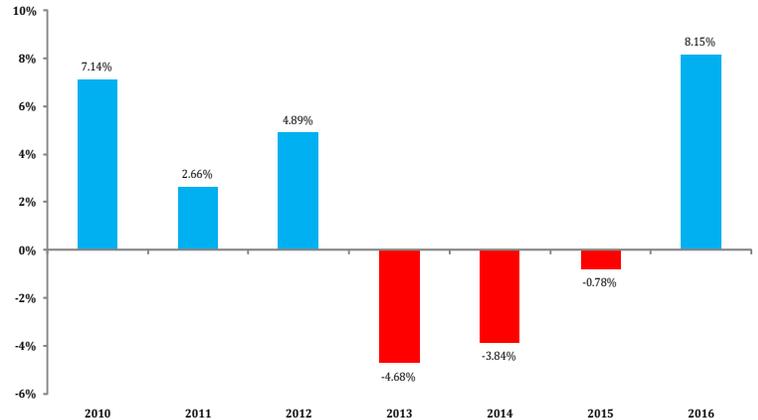
Forward Curve of Refined Soy oil futures (NCDEX)



Source: NCDEX

Closing as on 3rd November, 2017

Historic return of Soybean Oil futures (NCDEX) in the month of November



Source: Reuters & SMC Research

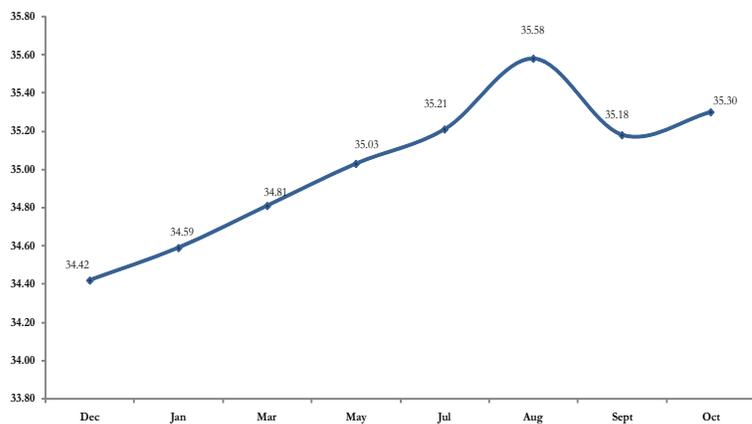
S3	S2	S1	Pivot	R1	R2	R3
508	517	530	539	552	561	574
636	648	667	678	698	709	728

Fundamentals

- **CPO futures (November) may trade in the range of 535-570 levels. The upside rally might witness a halt as the demand for CPO is likely to turn dull in days to come, due to its seasonal natures of turning solid during winters,**
- The sellers are quoting higher prices for RBD palmolein following firm Malaysian palm oil futures but on the other hand, demand is limited so RBD palmolein prices are unlikely to sustain at higher price level in coming days.
- The stock of edible oils as on 1st October., 2017 at various ports is estimated at 979,000 tons Vegetable oil in pipeline is 16,10,000 tonnes. Total stock at ports and in pipelines increased to 2,589,000 tons from 2,497,000 tons in September, 2017. India's monthly requirement is about 17.50 lakh tons and operates at 30 days stock against which currently holding stock over 25.89 lakh tons equal to 44 days requirements.
- The Solvent Extractors' Association (SEA) estimates India's import of crude edible oil in September at 1.24 million tonnes, 15.88% higher than the 1.07 million tonnes in August.
- The import of crude edible oil has increased by 15 per cent in September. This means the average refining capacity utilisation of edible oil mills has risen by 15%, that mean the average operating capacity of domestic edible oil refineries has increased by 15% in the past two months following an increase in the import duty on crude and refined oil.
- With the increase in the import duty on crude palm oil (CPO) and refined, bleached and diodised (RBD) palmolein to 15% and 25% from 7.5%.and 15%, respectively, the average operating capacity of domestic edible oil refineries has risen to 45%.
- Looking at the increased demand for edible oils, Indonesia is planning to raise its CPO exports to India, in addition to other commodities, to compensate for the estimated decline in its exports to other countries.
- India imports around 8 million tonnes, half of its annual vegetable oil imports, largely as CPO from Indonesia.
- The fundamentals of palm oil in the international market shows that Production in Malaysia, the world's second largest producer after Indonesia, slightly fell 1.7 percent on-month in September due to fewer working days. Output is expected to rise in October but gains could be lower than forecast.
- **The upside momentum in Refined soy oil futures (December) is likely to persist as the counter has the potential to test 720 levels in days to come, supported by rising demand as compared to palm oil. Secondly, the recovery in soybean prices may lend a hand, act as an catalyst & add to the gains.**
- Last week, Refined soy oil in benchmark Indore market of Madhya Pradesh rallied the most & gained by Rs 15 to trade at Rs 690/10kg on market talks that India is likely to increase import duty on edible oil.
- Soy oil prices traded steady at 842 per tonne in dollar terms (CNF) and it gained by Rs 15 to trade at Rs 685/10kg in rupees term at Kandla port.
- The government raised the base import price of all palm oils and soyoil, with the steepest increase of \$15 per ton recorded for crude soyoil. The base import price for crude palm oil and refined, bleached and deodorised palm oil were raised by \$2 and \$3 per ton respectively.

Edible oil complex (International market fundamentals)

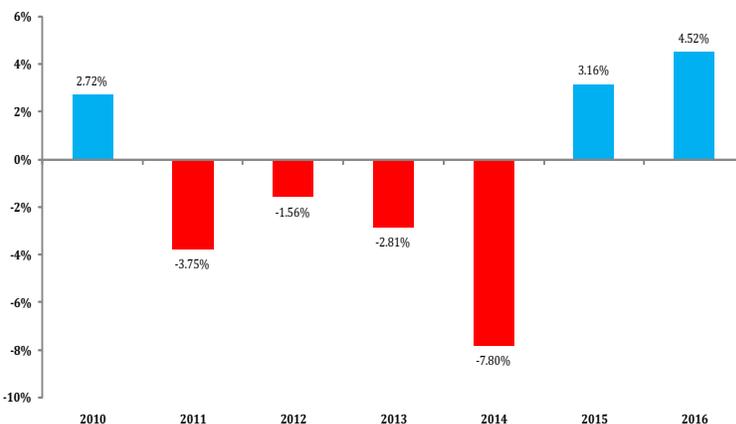
Forward curve of U.S Soybean Oil Futures



Source: CBOT

Closing as on 3rd November, 2017

Historic return of Soybean Oil futures (CBOT) in the month of November



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
508	517	530	539	552	561	574
29.78	30.92	32.84	33.98	35.90	37.04	38.96

Fundamentals

- **CPO futures (January) may trade in the range of 2700-2900 levels.**
- As per the estimates of U.S department of Agriculture, palm oil production for 2017/18 is forecast to increase to 21 million tons as trees fully recover from tree stress, and the industry can address labor issues. Total harvested area in 2017/18 is projected to increase to 5.2 million hectares, an area with palm trees that produce fruit at least once or twice a year. Fully matured hectare equivalent (MHE) area for 2017/18, is estimated at 2.74 million hectares, an area where plantation with palm trees that produces fruits at least 4 times a year.
- As production of soybean projected to be high in upcoming months, demand for palm oil are expected to soften, and this will lead to increasing ending stocks till the end of the calendar year 2017.
- Crude palm oil (CPO) exports for marketing year (MY) 2017/18 are forecast at 18 million tons, a million tons more than MY 2016/17. The increase is based on improved demand from China, India and Middle East.
- **Ref. soy oil (December) may consolidate in the range of 33.20-35.50 cents per pound & trade with an upside bias.**
- On November 7th, the US Commerce Department is set to announce anti-dumping duties which have been finalized in early October, yet a government delegation from Argentina's Agroindustry Ministry is traveling to Washington DC to resume negotiations that may lead to the suspension or reduction of duties on U.S. imports of Argentine biodiesel that have already been set. Argentina has been shipping 90% of its biodiesel to the U.S.
- For 2016/17, consumption of soybean oil for the production of biodiesel finished the marketing year on a strong note with dimmer prospects for biodiesel imports. USDA raised its 2016/17 forecast of soybean oil use in biodiesel by 150 million pounds to 6.2 billion. So, after months of declining output and rising demand for soybean oil, season-ending stocks are expected to tighten to a 3-year low of 1.63 billion pounds. Central Illinois prices for soybean oil continue to edge higher.

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