

TECHNO FUNDA REPORT ON
SOYBEAN
(JUNE)



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Moneywise. Be wise.

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RECOMMENDATION

Positional Call: BUY SOYBEAN (JUNE) at CMP for Target 3830, Stop loss closing below 3700

Note:

- These fundamental calls are for duration of one to three weeks time frame and do not confuse with these with intraday calls.
- It is presumed that investor take position in two lots and square off one lot in case of partial profit and trail stop loss for second lot to buying/selling price.

FUNDAMENTALS

- The rupee declined to a fresh 16-month low of 67.79 against the dollar in early trade amid gains in the US currency overseas. This phenomenon may boost the soymeal exports from India.
- The country's soybean output at 83.5 lakh tonne for the harvesting season 2017-18 is about 24% lower than 109 lakh tonne reported in the previous year.
- The country's soybean meal and soy product exports volume has been revised upwards to 15 lakh tonne for the oil year 2017-18 (October-September) and consequently the projected carry forward of soybean is likely to be only one lakh tonne, indicating a very tight supply position, industry body Soybean Processors Association of India (Sopa) has said.
- As per the latest estimates released by the industry body, the carryover stock of soybean is currently at 13 lakh tonne and with a production of 83.50 lakh tonne, the total stock is nearly 96.50 lakh tonne. With around 12 lakh tonne retained for sowing, 84.50 lakh tonne is available for crushing, direct use and export.
- According to USDA, total oilseed inventory in MY 2018/19 will be limited to 1.4 MMT, which is slightly below the 5-year average stock of 1.5 MMT, but is significantly below a record 2 MMT estimate for MY 2016/17 (last year).
- The current year's stock of soybean is however estimated at 1.3 MMT amid lower than anticipated oilseed production and a steady rise in demand for crush, food, and feed waste utilization.

- Total oilmeal consumption in MY 2018/19 is forecast to rise to 14.9 MMT in MY 2018/19, five percent above the current year's estimate.
- Assuming normal market conditions and competitive pricing, Indian oilmeal exports in MY 2018/19 is forecast to rise modestly from 2.1 MMT this year to 2.9 MMT.
- As per data released by SEA, soymeal exports for April-March, rose 26.2% year-on-year at 11.56 lakh tonne due to firm demand from EU, particularly France and Germany.
- Trade in Soybean is growing... India is a net exporter of soybeans. Trade in soybean has grown, but at a slower pace in the last 6 years. Prior to that trade was negligible, except in 2009 when some trade was reported. According to the latest Global Trade Atlas data, in MY 2016/17 India exported 269,275 MT of soybean valued at \$156.7 million and imported 78,515 MT valued at \$39 million. In recent years, India has imported soybeans from Benin, Ethiopia, Togo, Malawi, Mozambique and some quantity of Identity Preserved food-grade U.S. No. 1 Non-GMO soybeans from United States (656 MT, \$588,131 in MY 2016/17); these imports were mostly for food use. India also exported soybeans (non-GM) to the United States, Canada, Spain, Belgium, France, and Germany.
- The government is likely to consider increasing import duties on soyoil, sunflower oil and canola oil to check imports and help boost prices of key oilseeds ahead of the kharif sowing season.

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