

16th August, 2021

Monthly Report On Oilseeds & Edible Oils



Soybean

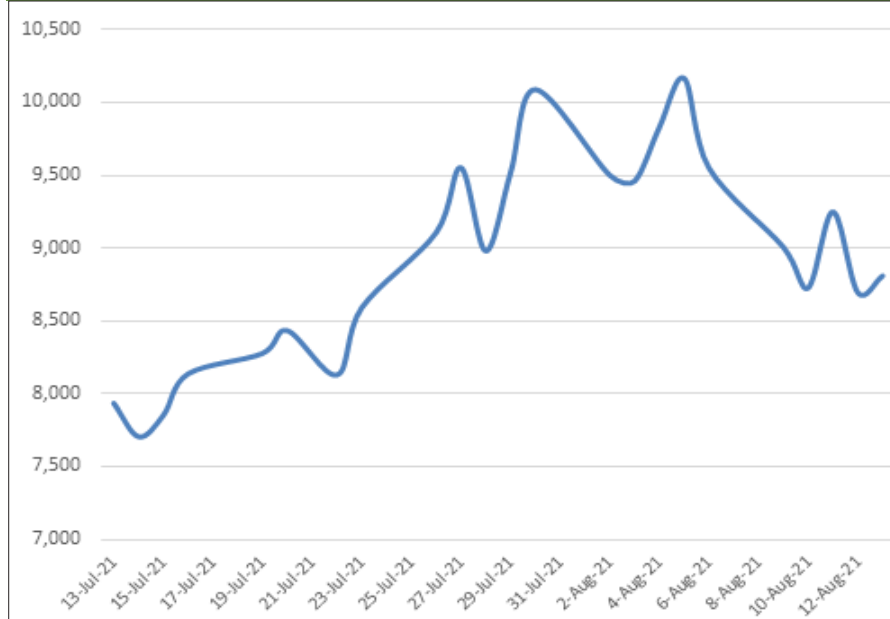
Factors to watch

- Sowing progress in the country
- Weather forecast in the country
- Monsoon progress in Aug- Sep
- Demand for soybean meal in domestic market
- Meal imports into country

Highlights

- YTD prices increase is whopping 91%
- Sowing area is lagging compared to last year but higher than the normal area
- Soymeal exports surged by more than 200% in first 6-month
- Soybean production pegged in 4th estimate cut 129 lakh tonnes from 135 lakh tonnes in 3rd estimate.
- Soybean stock at 8.81 lakh tonnes as on 1st Aug down from 18 lakh tonnes last year

NCDEX Soybean - Jul-Aug-2021



Source: Reuters & SMC Research

- Soybean futures climb to all time high of over 10,000 rupees per quintal in July mainly due higher demand for the feed and lower stocks with the oil millers. However, the prices have corrected to below 9000 levels as govt has allowed 15 lakh tonnes (lt) import of GM soymeal to the country.
- As per latest data published by Soybean Processor Association of India (SPOA), country is left with only over 8 lt of soybean as on July end with another 3 months for new soybean crop to hit the market. India Oct-Jul, the arrival of soybean is pegged at over 90 lt compared to 72.5 lt while the crushing figures are 87.5 lt Vs 69.5 lt last year.
- Country exported close to 8 lakh tonnes of soymeal, up by 214% compared to last year to various countries in first 6-month of 2021 compared to 2.5 lt, last year same period. As per USDA latest monthly report, soymeal consumption in India to jump by 6.7% to over 62 lt.
- As per the Agriculture Ministry's 4th advance estimate (released on 11-Aug-21) of oilseed production, soybean production in 2020-21 (July-June crop year) was 129 lt cut from 134 lt estimated in 3rd estimate. However, according to SOPA estimate, the production is around 104.5 lt. There appears to be inconsistency in data not just between the government and industry

Outlook

Soybean is an important input for both marine (shrimp) and poultry industries that are growing at a CAGR of about 10-12 per cent. India cannot import soybean (or even soymeal) in large quantities because we do not allow GM soy imports. Therefore, domestic production of the crop will be very important and the prices will depend on the factors affecting the crop. In coming weeks, we expect prices to trade in coming weeks in a range of 7500 - 8500 levels with 7000 as support.

Mustard (RMSeed)

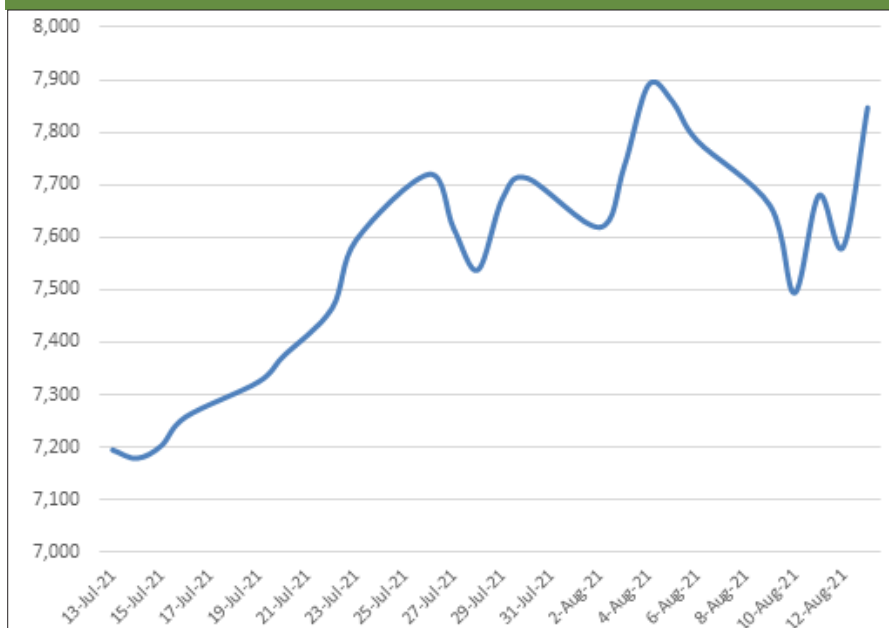
Factors to watch

- Domestic crush Demand
- Stocks available with traders and Farmers
- Import of edible oil
- International prices of oilseed and edible oil.

Highlights

- YTD prices increase is 35%
- 4th Advance estimate – production of 101 lakh tonnes, 10% higher than previous year
- Mustard stocks with the farmers and traders are low compared to last year
- Mustard meal exports higher by 14.3% compared to last year
- Mustards crushing in Jun was lower by 33% at 6 lt compared to 9 lt in May

NCDEX RMSeed - Jul-Aug-2021



Source: Reuters & SMC Research

- Mustard seed futures trade in positive during the last one-month period due to higher prices of other oilseeds and good demand for meal exports. According to market sources mustard stocks with the farmers and oil millers are lower at about 40-45 lakh tonnes with more than 8-months to go for new season crop.
- In the 4th Advance estimate for 2020/21, the Agriculture Ministry expects the mustard crop to be about 101.10 lakh tonnes. However, SEA estimate the crop to be 86 lakh tonnes, lower than almost 15 lakh tonnes.
- Over 50 percent of the fresh mustard crop of this rabi season has already arrived in the markets of major producing states, and less oilseed has been left with farmers to meet crushing requirements of the industry for remaining eight months. As per the industry sources, around 50 lakh mustard seed is estimated to reach in the markets of which over 45 lakh tonnes have already been used by the industry.
- India's Rapeseed meal exports higher by 13.7% to 110,115 tonnes m/m basis during Jun-2021. However, mustard meal exports were lower by 10% as compared to the same period last year. In the current marketing year (Mar-Feb), total arrivals reported were up by 309% as compared to the arrivals during the corresponding period last year. As per USDA monthly update, World Mustard seed production for 2021-22 is estimated lower by 2.6% at 699 lakh tonnes.

Outlook

Mustard prices are on rise month after month due to good consistent demand from the Oil mill and higher exports figures also supports the prices. Processing units and stockiest are active in buying at spot mandis on reports that the stock of mustard in the country is continuously declining. We expect the prices to trade with positive bias in the coming weeks towards 8300 levels. The support is at 7590.

Ref Soy oil

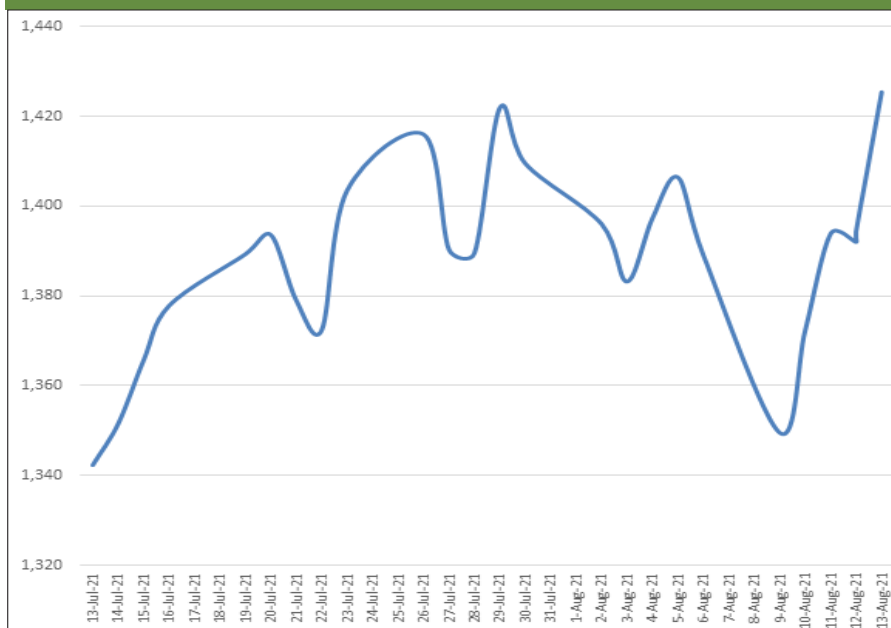
Factors to watch

- Soyabean oil price in US /Brazil
- Tariff value and Import duty decided by the govt.
- Soybean area in India and crop progress
- Prices of competing vegetable oil
- Stock at port and pipe line

Highlights

- YTD prices is 19.7% higher
- Crude Soyoil imports at 18.5 lakh tonnes (Oct-Jun), down 3.15% compared to previous year
- Tariff value is unchanged since 15-Jul-21 at 1228 dollars per ton
- USDA - India Soybean oil production estimated at 17.5 lakh tonnes 2021/22, up 3.5%
- Average import price of Crude soyabean oil down in June to 1254 US\$/tonne from 1400 US\$ in May

NCDEX Ref Soy Oil - Jul-Aug-2021



Source: Reuters & SMC Research

- Ref Soy oil futures on NCDEX was very volatile during the last one-month period due to higher fluctuation in the soybean prices in India. Moreover, large fluctuation in palm oil prices in Malaysia and soyoil prices in US also contribute to the soy oil volatility. Currently, Ref soy oil prices are higher by almost 65% on NCDEX at over 1425 rupees per 10 kg compared to last year prices.
- U.S. soybean oil prices fell in July, while Argentina and Brazil prices rose. U.S. soybean oil prices have eased on reduced demand. Brazil prices are up on expanding domestic demand from its biodiesel industry urging oil imports; Argentina prices are up on stronger demand and reduced competition. Palm oil export prices rose on tight supplies.
- According to SEA monthly import data, crude soy oil imports during the month of June is down by 30% m/m to 2 lakh tonnes while the import were lower by 37% if compared to last year. Currently, the tariff rates of crude soy oil are 1228 dollar per tonne. Tariff value is declared by the government to calculate the import duty on the imported oil in the country. It is declared every fortnight based on currency and international prices.
- As per latest USDA monthly report, India soybean oil production is expected at 17.5 lakh tonnes compared to 16.9 It last year, an increase of 2.8% is forecasted. While imports is forecasted at 37.25 It in 2021/22 up slightly by 0.70% compared to previous year.

Outlook

Ref soy oil futures touched its all time high of 1500 rupees per 10 kg in May and then now it is consolidated in the range of 1350 to 1450 levels. Government has cut import duty on CPO to control the edible oil prices in the country which directly impact on the soy oil price too. We expect the price to trade higher in the range of over 1350 due to higher prices of edible oil in the international market and also record prices of oilseeds in domestic markets.

Crude Palm Oil (CPO)

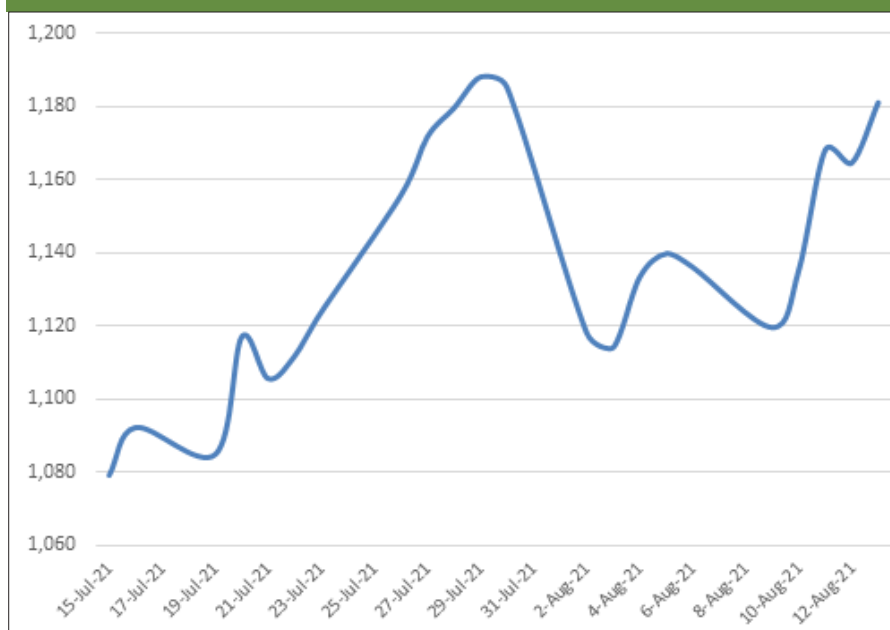
Factors to watch

- Imports duty and tariff value
- Volume of imports of CPO and other edible oils
- Domestic Supply at port and pipeline
- Global oilseed production and price
- Production and export data in Malaysia

Highlights

- YTD CPO prices rise 20% till August 13
- Reduce the duty on Palm oil by 5% till Sep 30.
- RBD Palm olein and RBD palm oil removed from restricted to open general category toll 31st Dec.
- CPO imports higher by 21% this calendar year (Jan-Jun)
- Tariff value is higher by 45% compared to last year
- Malaysia production is declining due to labor shortage
- Government approves 11000 crores for National Edible Oil Mission-Oil Palm

MCX CPO - Jul-Aug-2021



Source: Reuters & SMC Research

- At Multi Commodity Exchange (MCX), CPO futures rose to Rs 1,180 per 10kg again after it was traded below 1000 levels when the government cut the import duty and put RBD palm oil in open general category during the first week of July. The CPO futures saw a jump of Rs 200 or 16.7% percent from the lowest levels in July 2021.
- The palm oil imports into the country are higher this year. In the first 6-month of calendar year, country imported 51.5 lakh tonnes of CPO from Malaysia and Indonesia, up by 21.5% compared to last year imports. However, imports in Jun were lower by 23.6% m/m due to higher prices and sufficient stocks in the country.
- The tariff value of CPO and RBD palmoil is unchanged from last one month but the prices in the domestic market increased by more than 100 rupees per 10 kg. This increase is due to concern in production in Malaysia due to labour shortage.
- MPOB data showed that palm oil production in July fell 5.1% to 1.52 million mt on the month while June-July is typically the start of peak production season in Malaysia, lack of foreign workers at plantations due to pandemic-led border controls has hit production hard, especially in the districts of Johor and Sabah.

Outlook

The [MPOB] report is bullish for palm oil market as the 2021 palm oil production at Malaysia is continued to see in trouble and MPOA now estimating it at 18 million tonnes, down from 19.14 million tonnes in 2020. With the forecast of lower production of palm oil and expectation of good demand from India, the prices of CPO likely to move higher towards 1250/1270 levels in coming weeks.

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