

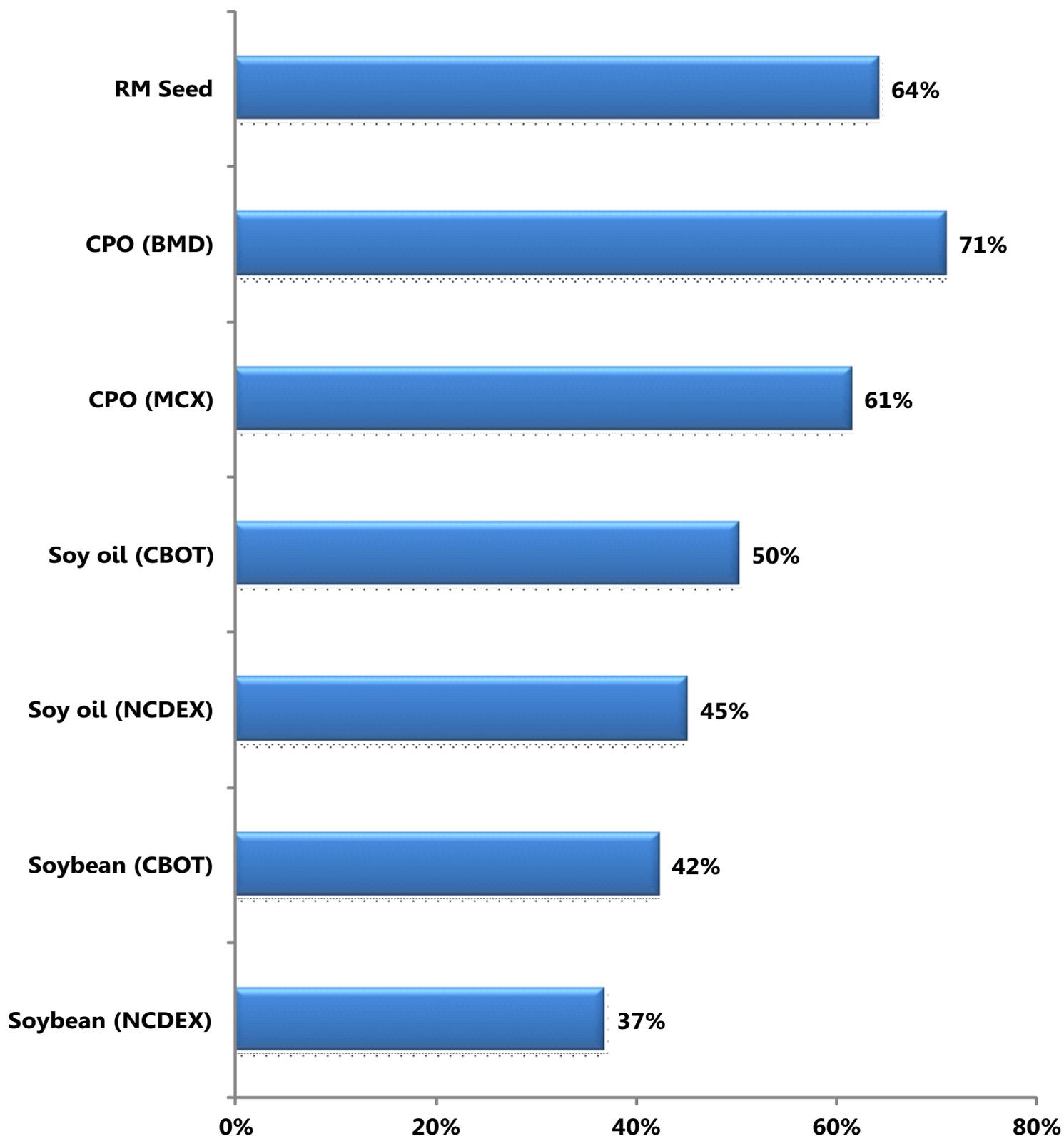
17th November, 2020

Monthly Report On Oilseeds November 2020



Yearly Percentage* Returns of Oilseeds and Edible oils

This year, all the oilseed and edible oils in the domestic as well as in the international market have given returns much more than the investors favourite asset class "Gold". Various factors such as supply disruptions in Malaysia due to lockdown after the outbreak of the pandemic, dryness of weather in South America and most importantly, China's strong appetite to fill their food reserve, acted as a catalyst for these commodities, fuelling the prices.

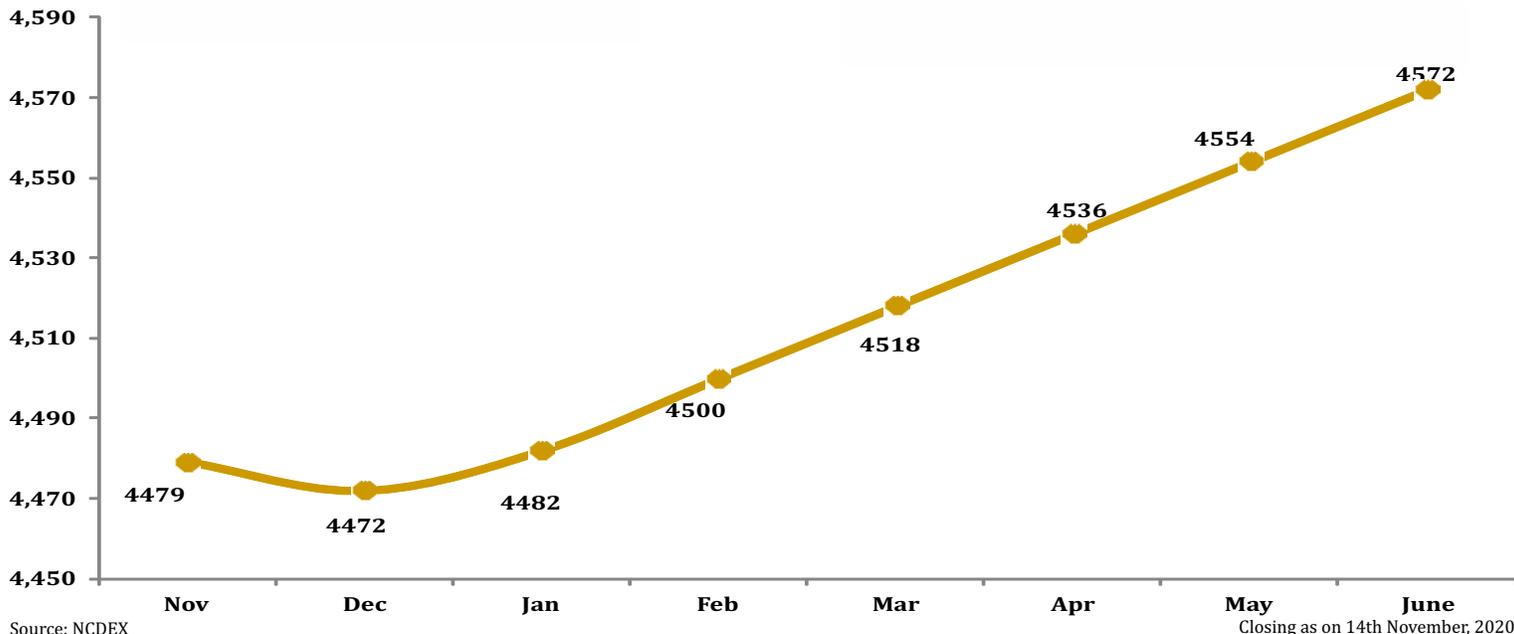


Source: Reuters

*Calculated from yealy low till closing as on 14th Nov, 2020

Domestic Fundamentals: Soybean

Forward Curve of Soybean Futures (NCDEX) (Rs./Qtl.)



Fundamentals

- Soybean futures (Dec) is expected to trade with an upside bias in the range of 4300-4800 levels, supported by steady buying from millers to meet the export demand of soy meal, amid lower supply this season and bullishness prevailing on CBOT.
- According to the latest supply and demand estimate released by the Soybean Processors Association of India (SOPA), the projected export of soy meal for Oil Year 2020-2021 has been pegged at 14 lakh tons as compared to 8.60 lakh tons during oil year 2019-2020.
- Soy meal export for 2020-21 from the country has witnessed a sharp rise at 8.6 lakh tons against 5.2 lakh tons last year.
- The higher global prices of Soybean and Soy Meal have made Indian soy meal competitive in the global market.
- Import of soybean, on the other hand, has declined to 3 lakh tons this year as compared to 5.2 lakh tons last year.
- On the supply side, soybean production in India this year will be lower than projections of about 105 lakh tonnes (lt) as the crop had suffered heavy damage in Madhya Pradesh growing regions of Indore, Dewas, Malwa and Ujjain. Rains in early September followed by a rise in the day temperature led to pest attacks on the crops.
- According to SOPA, soybean production this year is estimated to be 104.55 lakh tonnes, but in view of the damage to Madhya Pradesh crop, it could be lower.
- Soybeans have begun arriving and data shows that stock with plants/traders and farmers as on 1st November is 90.16 lakh tons.
- Amidst declining arrival and crop damage report, soybean in mandis also edged higher at Rs 4350-Rs 4400 a quintal.

SOYBEAN

	October 2020 to September 2021	October 2019 to September 2020
Stock Brought Forwarded from Previous Year	5.16	1.70
All India Crop	104.55	93.06
TOTAL	109.71	94.76
Add :		
Import	3.00	5.20
New Crop Arrived in September 2020		2.00
TOTAL CROP	112.71	101.96
Less :		
Retained for Sowing	12.00	12.00
New Crop Arrived in September 2020	2.00	
Available for Crushing	98.71	89.96
	Oct-20	Oct-19
Arrivals in October 2020	13.00	12.00
Crushing in October 2020	8.25	7.20
Direct Use in October 2020	0.20	0.20
Export	0.10	0.04
Stock with Plants/Traders and Farmers as on 1st November	90.16	82.52

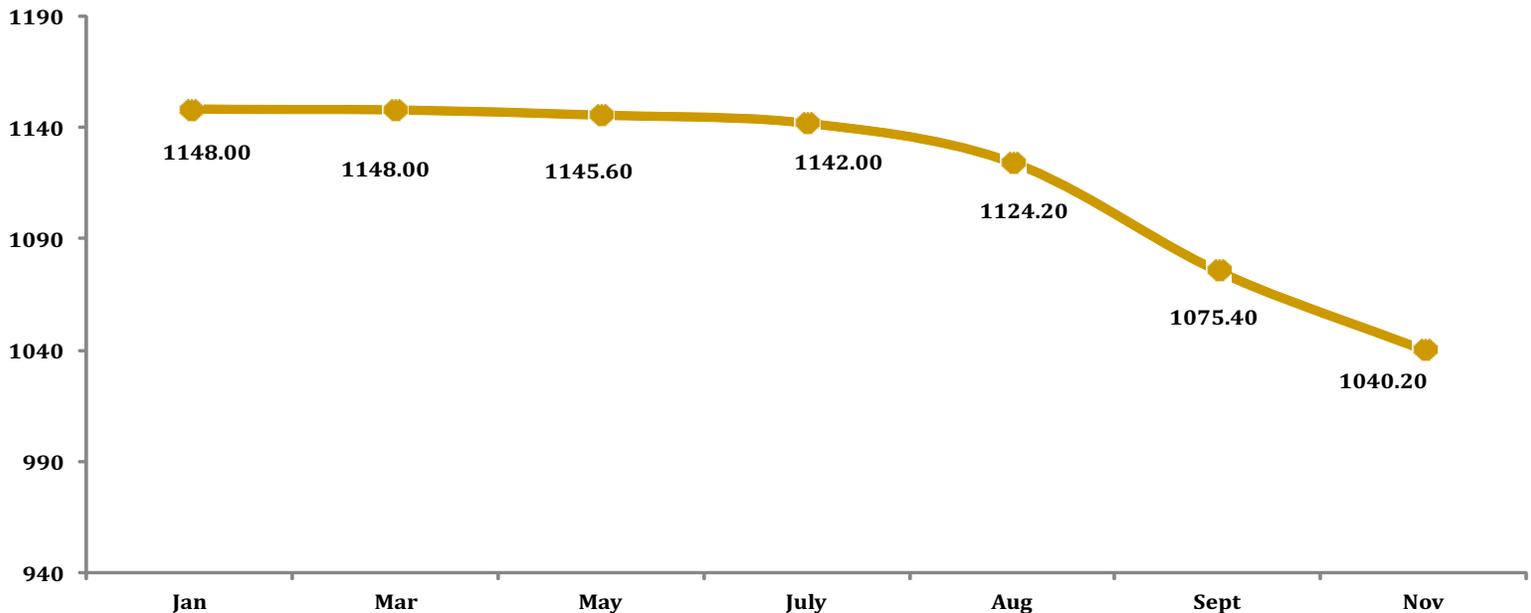
SOYBEAN MEAL

	Oct-20	Oct-19
Stock Brought Forwarded from Previous Year	0.65	1.64
Production of Soybean Meal	6.65	5.81
Export of Soybean meal through SEA and Land	1.25	0.64
Domestic Consumption for Food	0.50	0.50
Domestic Consumption for Feed	4.50	5.25
Balance Stock of Meal as on 1st November	1.05	1.06

Source: The Soybean Processors Association of India

International Fundamentals: Soybean CBOT

Forward Curve of U.S Soybean futures (per bushel)



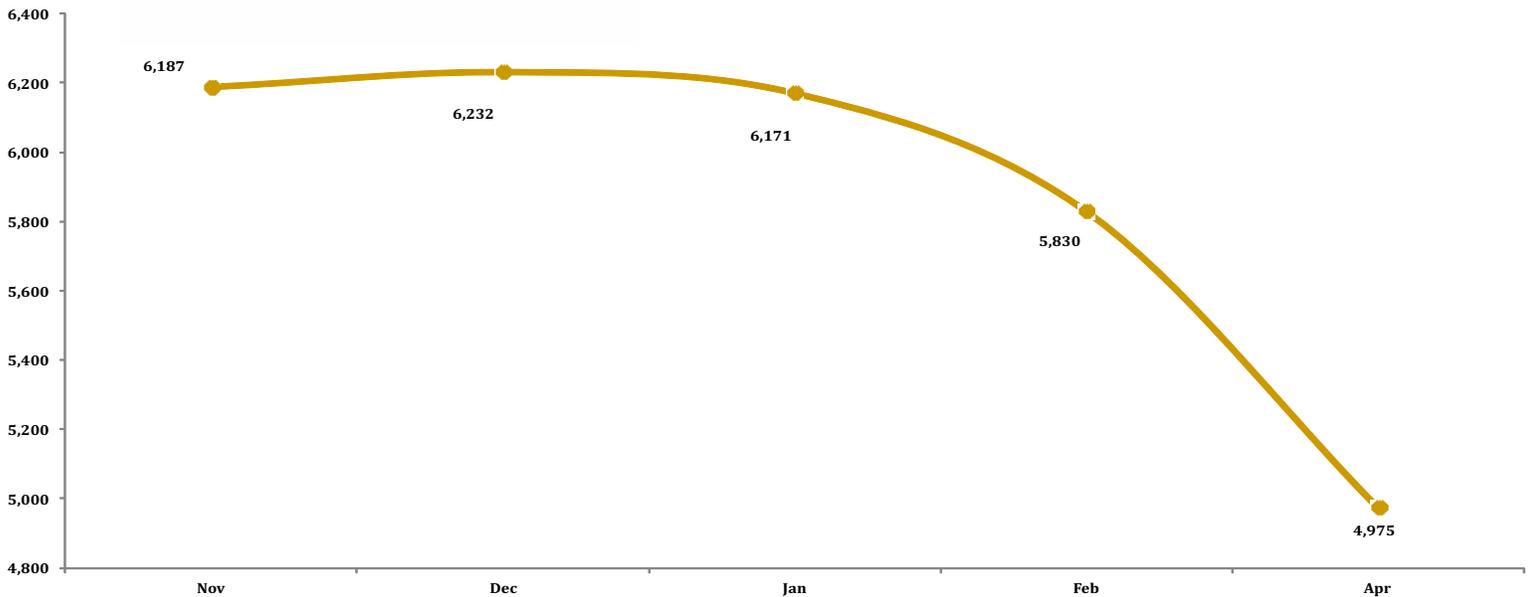
Source: Barchart

Closing as on 14th November, 2020

Fundamentals

- **Chicago soybean futures is likely to gain more grounds towards \$12-12.5 per bushel as concerns over dry weather in South America and strong Chinese demand is keeping prices close to a four-year high. Also, soybeans are getting strength from the adverse weather in South America threatens global supplies.**
- Commodity funds have held near record bullish soybean bets since late September, right after futures moved above \$10 per bushel.
- Soybean stockpiles in the United States are set to shrink to a seven-year low by next August, while domestic demand jumps to an all-time high. U.S. soybean stocks-to-use, which measures supply versus demand, is pegged at 4.2% for 2020-21. That would be the second lowest within the last half-century, behind 2.6% in 2013-14. It is the smallest ratio USDA has printed in November in at least the last 40 years.
- Prices could climb further if crop weather remains dry in South America. Dryness has already hampered plantings in Brazil, the world's biggest soybean supplier.
- The soybean market is also being well supported after the U.S. Department of Agriculture (USDA) ignited a rally with a report that projected U.S. soybean stockpiles at seven-year lows.
- NOPA members, handling about 95% of all soybeans processed in the United States, were estimated to have had crushed 177.123 million bushels of soybeans last month.
- Demand has been strong from China, the world's top soybean importer. Chinese buyers purchased 745,611 tonnes from the United States last week, including about 202,800 tonnes switched from unknown destinations, the USDA said.
- China's soybean imports jumped 41% in October from a year ago, according to data from the General Administration of Customs released on Saturday, as delayed Brazilian cargoes cleared customs and U.S. soybean arrivals grew.
- The world's top soybean importer brought in 8.69 million tonnes of the oilseed in October, up from 6.18 million tonnes in the same month of the previous year, as crushers booked Brazilian beans earlier on good crush margins and as more U.S. beans started to flow in, the data showed.
- Importers also increased purchases of U.S. soybeans for the fourth quarter and early next year, when American crop dominates the market, and partly to fulfill terms of the Phase 1 Sino-U.S. trade deal signed in January.
- The buying pace is expected to slow a little in the coming months, as crushers have booked a lot of Brazilian beans earlier already and U.S. beans will increase as well.

Forward Curve of Mustard futures (NCDEX) Rs./Qtl



Source: NCDEX

Closing as on 14th November, 2020

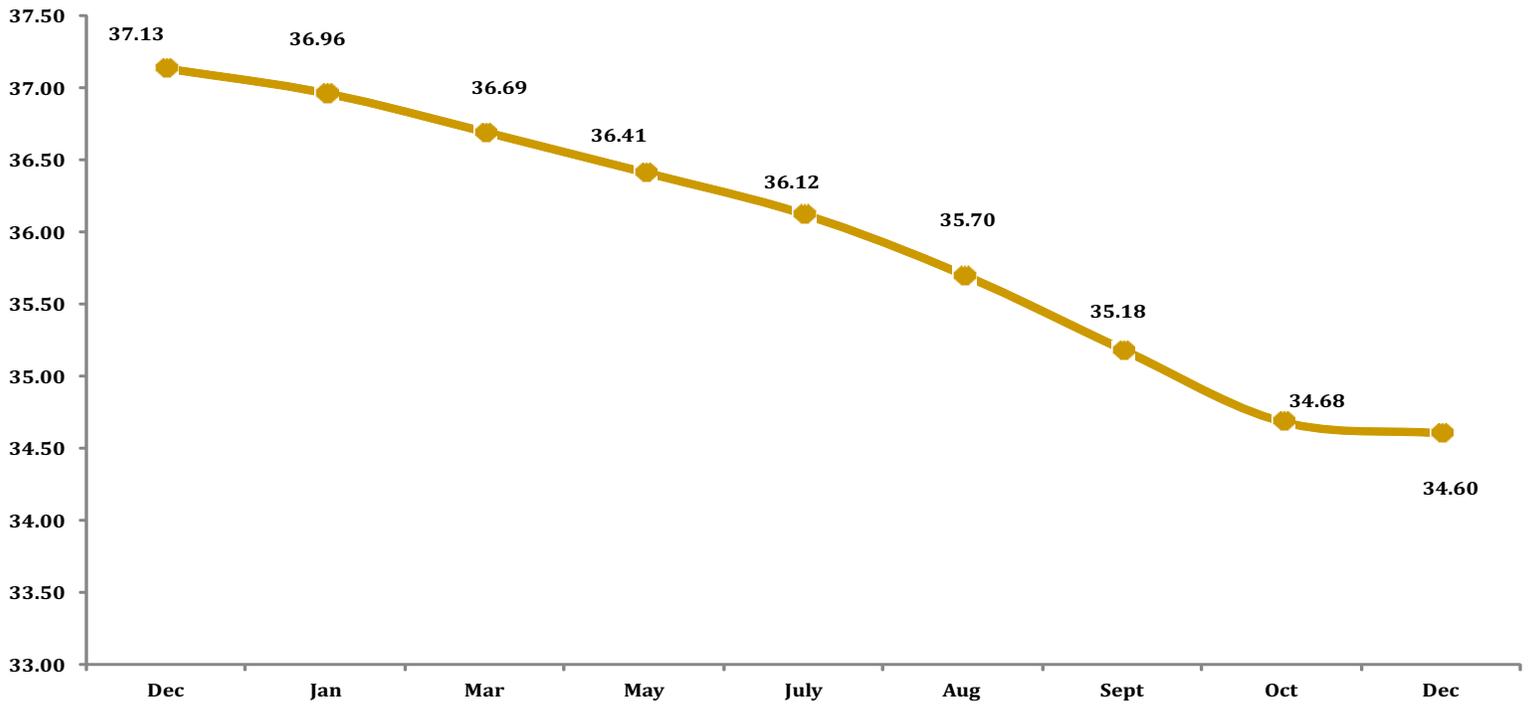
Fundamentals

- **Mustard futures is trading near the life time high of 6330 and this bull run is likely to remain as it the potential to tea 6450-6600 levels in days to come. The prices are being propelled by the huge gap between demand and supply.**
- Mustard seed stock is depleting at a fast pace. India's stock was estimated at mere 15.50 lakh tons at the end of October 2020.
- Now, mustard seed stock was estimated at 15.5 lakh tons for next 3 months till January. Meanwhile the new crop will arrive in mandis in February. So India will have to rely on present stock till January.
- As per the report, as on 31 October, farmers had stock of 8.4 lakh tons. NAFED, HAFED and processors along with stockists had stock of 2.75 lakh tons, 0.65 lakh tons and 3.70 lakh tons respectively. There will be very little carry over stock for next season due to lower crop and higher consumption.
- Mustard seed arrival was recorded at 3.90 lakh tons in October while the arrival was 4 lakh tons in September 2020. Around 6 lakh tons mustard was crushed in October 2020.
- It is estimated that, total availability of the oil seed was 74 lakh tons including last year's carryover stock of 5 lakh tons. Total production was estimated at around 69 lakh tons. Earlier, it was estimated at 76 lakh tons but revised to 72 lakh tons and finally estimated at mere 69 lakh tons.
- Around 60.05 lakh tons mustard seed arrived from March till October in mandis of various producing states. The arrival was at its peak during crop season. Last year arrivals in March, April, May and June arrival was registered at 7.25 lakh tons, 9.8 lakh tons, 14.50 lakh tons and 10.65 lakh tons respectively.
- Crushing and consumption of the oil seed was on peak during May to August (each month 8 lakh tons). The crushing was at 7.5 lakh tons in March, 6.50 lakh tons in April, 6.5 lakh tons in September and 6 lakh tons in October.
- Recent order from Food Safety and Standards Authority of India (FSSAI) banned blending other cheaper oil in mustard oil additionally pushing prices higher in October.
- It is important to note that mustard oil consumption was at its peak during April to August due to the immunity booster factor amid Covid-19 pandemic. Lower crop and higher consumption were responsible for uptrend in mustard prices that took the counter to life time high of Rs.6348 per quintal.
- In the present scenario on the spot markets, millers are buying the oilseed to fulfil their regular need. Mustard seed is quoting at Rs. 6320-6325 per quintal in Jaipur. Mustard oil has further to Rs. 1246-1247 in Jaipur and 1236-1237 per 10 kg. in adjoining areas. Mustard oil cake steadied at Rs. 2635-2640 per quintal.

Fundamentals

- **The rally in edible oils are likely to remain untouched by any sharp corrections as the market participants are using it as an opportunity to enter long positions, eyeing an upside target of 1100-1150 in soy oil and 950-980 in CPO futures respectively.**
- Supply disruption remains a key concern as a shortage of labour is observed in major palm oil producing regions due to government-imposed movement restrictions.
- Latest statistics showed Malaysia's palm oil output in October to be below the average of 1.89 million tons in the past 10 years. The CPO market sentiment remains bullish, setting it up for further upside movement. The current price has already surpassed previous highs of MYR3,150/MT made in January 2020 and MYR3,200/MT made in December 2016. **We can see more rally in Malaysia palm oil with near-term price targets can be identified at MYR3,600/MT, taking support near MYR3,200/MT**
- NOPA U.S. soybean crush in October hit an all-time monthly record of 185.245 mln bu, well above the average analyst guess of 177.123 mbu (which would still have been an Oct record). Soyoil stocks rose to 1.487 bln lbs, above year-ago but below 2y ago. Trade estimate was 1.448 bln.
- **U.S soy oil futures would probably also witness an extended rally towards 39-40 cents per pound in days to come.**
- Back at home, Imports of vegetable oils declined by 13 per cent during the oil year 2019-20 (November 2019 to October 2020) due to the demand destruction in the HoReCa (hotels, restaurants and catering) segment since April.
- India imported 13.52 million tonnes (mt) of vegetable oils during 2019-20 as against 15.55 mt in 2018-19.
- The country imported 13.17 mt of edible oil and 0.35 mt of non-edible oil during 2019-20 as against 14.91 mt of edible oil and 0.64 mt of non-edible oil during 2018-19.
- The total import of palm oil (which includes RBD palmolein and crude palm oil), decreased to 7.21 mt during the oil year 2019-20 as against 9.40 mt in 2018-19. Import of RBD palmolein drastically reduced to 0.42 mt in 2019-20 when compared to 2.73 mt in 2018-19. The main reason for this is the imposition of 5 per cent safeguard duty on September 4, 2019, and its placement in the restricted list category with effect from January 8, 2020.
- The import of crude palm oil (CPO) marginally increased to 6.66 mt during 2019-20 as against 6.53 mt in 2018-19.
- The domestic refining capacity utilisation improved during 2019-20 to 55-60 per cent from 40-45 per cent in a year before due to the stoppage of import RBD palmolein.
- The import of soft oils increased to 5.95 mt in 2019-20 from 5.50 mt in last year. This included 3.38 mt (3.09 mt) of soyabean oil, 2.51 mt (2.35 mt) of sunflower oil, and 0.055 mt (0.059 mt) of rapeseed oil.
- The share of palm oil in the total import of edible oils reduced to 55 per cent in 2019-20 from 63 per cent in 2018-19, and the share of soft oils increased to 45 per cent in 2019-20 from 37 per cent in 2018-19.
- Palm oil usually trades at a discount of \$100 to \$200 a tonne to soyoil, but a rally in Malaysian futures - currently trading just below their eight-year peak of 3,405 Malaysian ringgit per tonne - has reduced the spread to \$80. Crude palm oil is being offered at around \$880 a tonne, including cost, insurance and freight (CIF), in India, compared with \$960 for degummed soybean oil. The narrowing gap has turned buyers to soy oil, which is often preferred as it is perceived to be superior in taste and quality to palm.
- As on November 1, the stock of edible oils at various ports has been estimated at 558,000 tonnes (CPO 295,000 tonnes, RBD palmolein 13,000 tonnes, degummed soyabean oil 151,000 tonnes, crude sunflower oil 91,000 tonnes and rapeseed oil 17,000 tonnes), and a pipeline stock of 1.02 mt with a total stock of 1.57 mt. The total stock of edible oils was at 1.60 mt as on October 1.
- Going ahead, in winter months, household palm oil consumption falls in India as the tropical oil solidifies at lower temperatures. India's monthly palm oil imports could dip to 600,000 tonnes in January from around 750,000 tonnes in October if the current narrow price gap remains.
- Soyoil imports could jump to 350,000 tonnes in January from 270,000 tonnes in October.

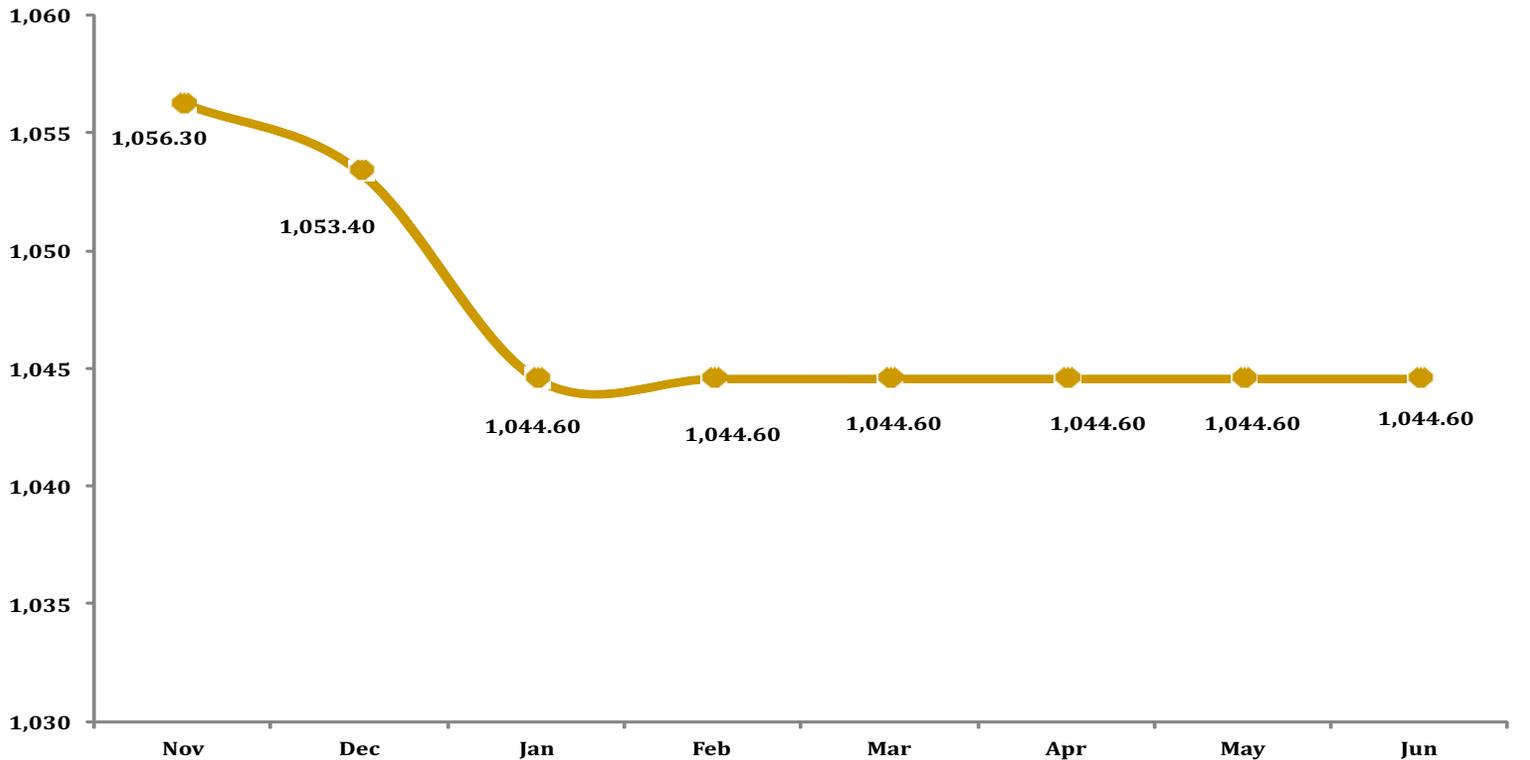
Forward curve of U.S Soybean Oil Futures (Cents per pound)



Source: Barchart

Closing as on 14th November, 2020

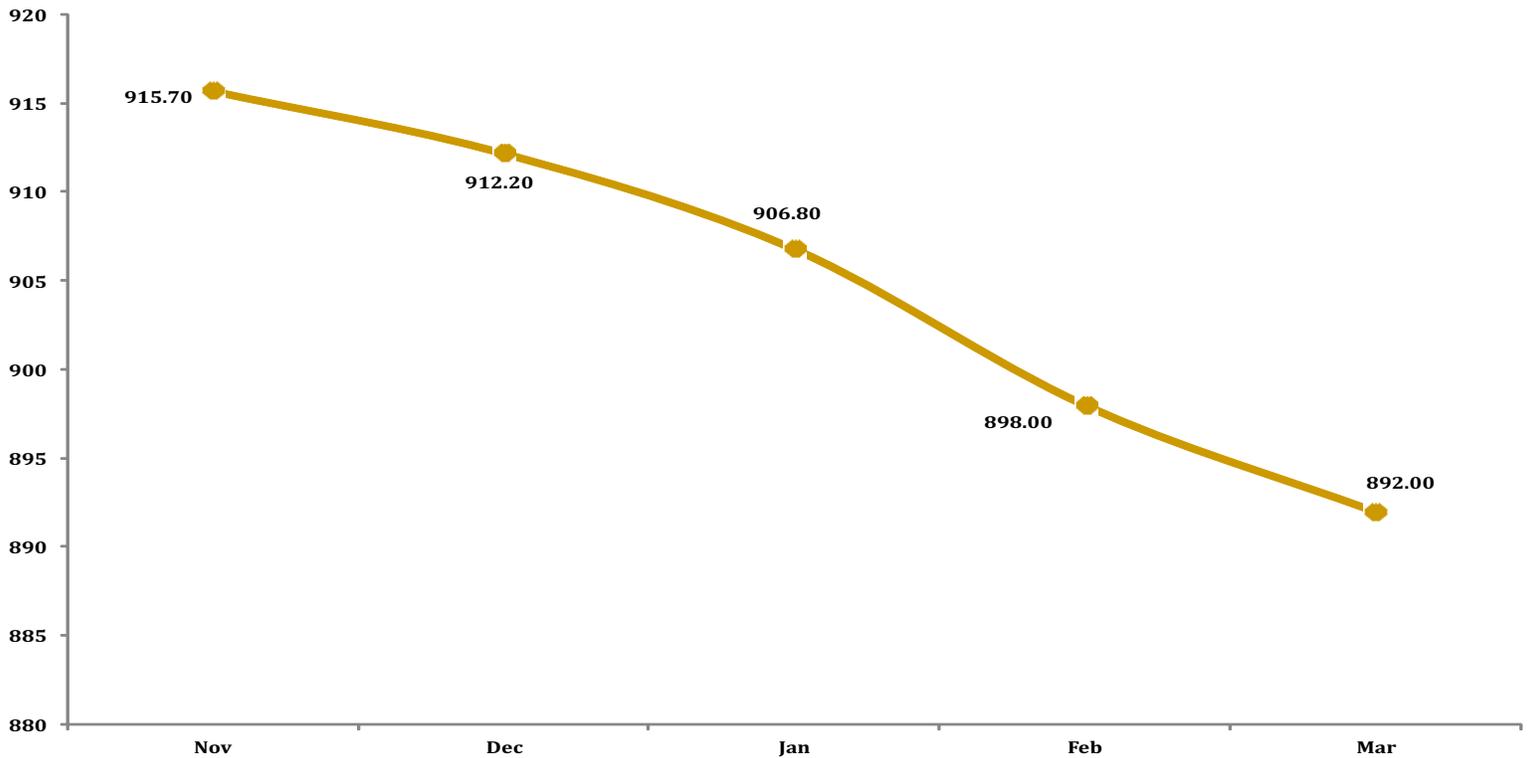
Forward Curve of Refined Soy oil futures (NCDEX) (Rs. 10/Kgs)



Source: NCDEX

Closing as on 14th November, 2020

Forward curve of CPO futures (MCX)



Source: MCX

Closing as on 14th November, 2020

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