

Monthly Report On

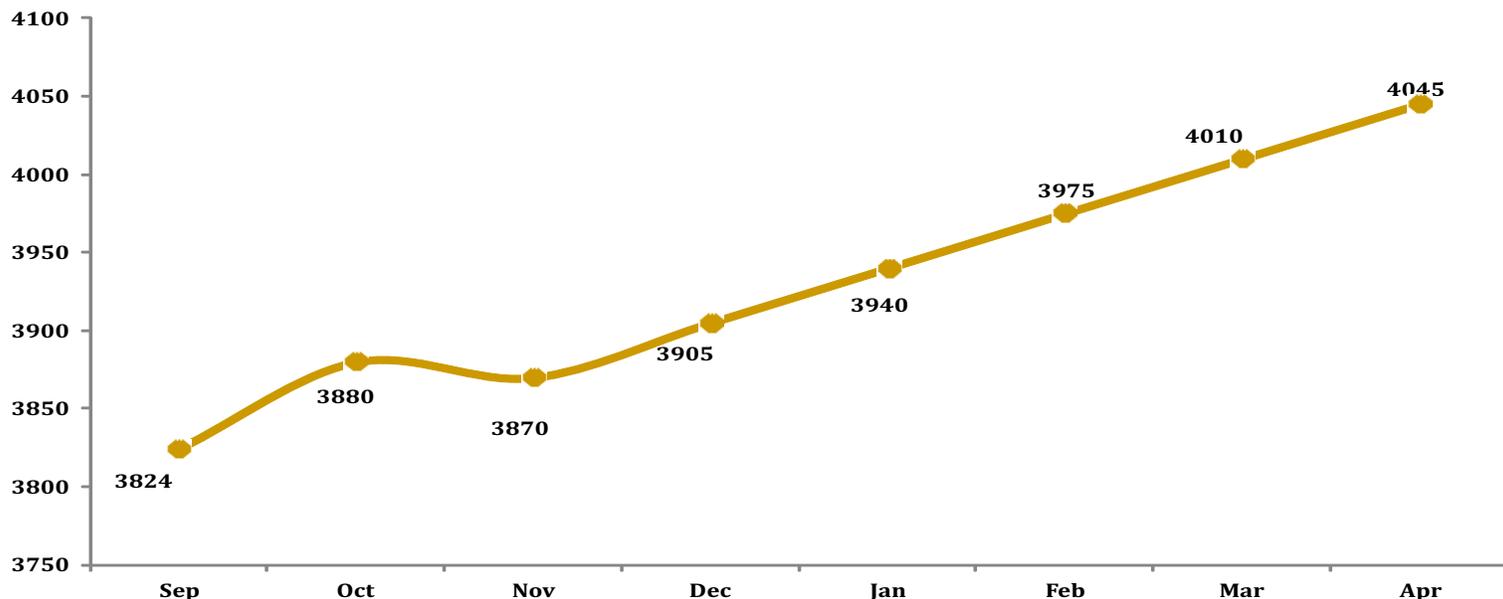
Oilseeds

September 2020



Domestic Fundamentals: Soybean

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



Source: NCDEX

Closing as on 11th September, 2020

Fundamentals

- If we take a look at the long term charts, it is clearly visible that soybean futures is on an uptrend amid reports of crop damage since the crop development stage due to incessant rains. Also, the bullishness prevailing on CBOT U.S soybean is adding to the upside gains. In days to come, the October contract is expected to maintain its upside course to test 4200, taking support near 3745. There are various reasons, firstly this season the crop is lesser than estimated, secondly, the imports of edible oils are lower as of now, last but not the least the Rabi mustard oilseed new crop is away 5-6 months and there is shortage in the old crop. **Saying this, the sentiments are overall bullish.**
- Arrivals of the soybean crop harvested in 2020-21 (Jul-Jun) have started in some markets of Madhya Pradesh, traders said. However, heavy rains have hit the quality of the crop from western parts of the state.
- Moisture content in crop is 15-25% which is way higher than standard level of 10-12%.
- Days are sunny and warm, fit for ripening of the seed. Most of the crop is nearing maturity. In 15-20 days, arrivals will begin in full swing.
- With the growing pace of harvest, the state may see daily arrivals of 50,000 bags in a week. The higher arrivals, however, may weigh on prices in the absence of firm demand for soymeal exports.
- Crop damage of up to 15% is likely in the entire state of Madhya Pradesh, but the highest loss is expected in its western parts. Indore, Dewas, Ujjain, Dhar, Sehore, Harda, Shajapur, Mandasaur and Neemuch, are among the most affected areas, the Soybean Processors Association of India said in a report.
- Overall, India kharif oilseed sowing as on September 11 was up at 195.99 lakh hectare as against 176.91 lakh hectare during the same period last year.
- The above table shows that as on 1st Sept, 2020 the inventory of soybean with the participants in the value chain is much higher as compared to previous oil year. This is because the soymeal exports from India were badly hit more specifically because of the higher prices in the international market. **(Highlighted in the table below)**

ESTIMATES OF SOYBEAN (In Lakh Tons)		
	Oct 2019 to Sept. 2020	Oct 2018 to Sept. 2019
Stock Brought Forwarded from Previous Year	1.70	1.50
All India Crop	93.06	109.33
TOTAL	94.76	110.83
Add :		
Import	5.00	1.80
New Crop Arrived in September 2020	2.00	
TOTAL CROP	101.76	112.63
Less :		
Retained for Sowing	12.00	12.00
New Crop Arrived in September 2019		2.00
Available for Crushing	89.76	98.63
	Oct to Aug.	Oct to Aug.
Arrivals till August 2020	75.45	97.25
Crushing till August 2020	75.50	87.50
Direct Use till August 2020	1.90	1.65
Export	0.66	1.63
Stock with Plants/Traders and Farmers as on 1st September	11.70	7.85

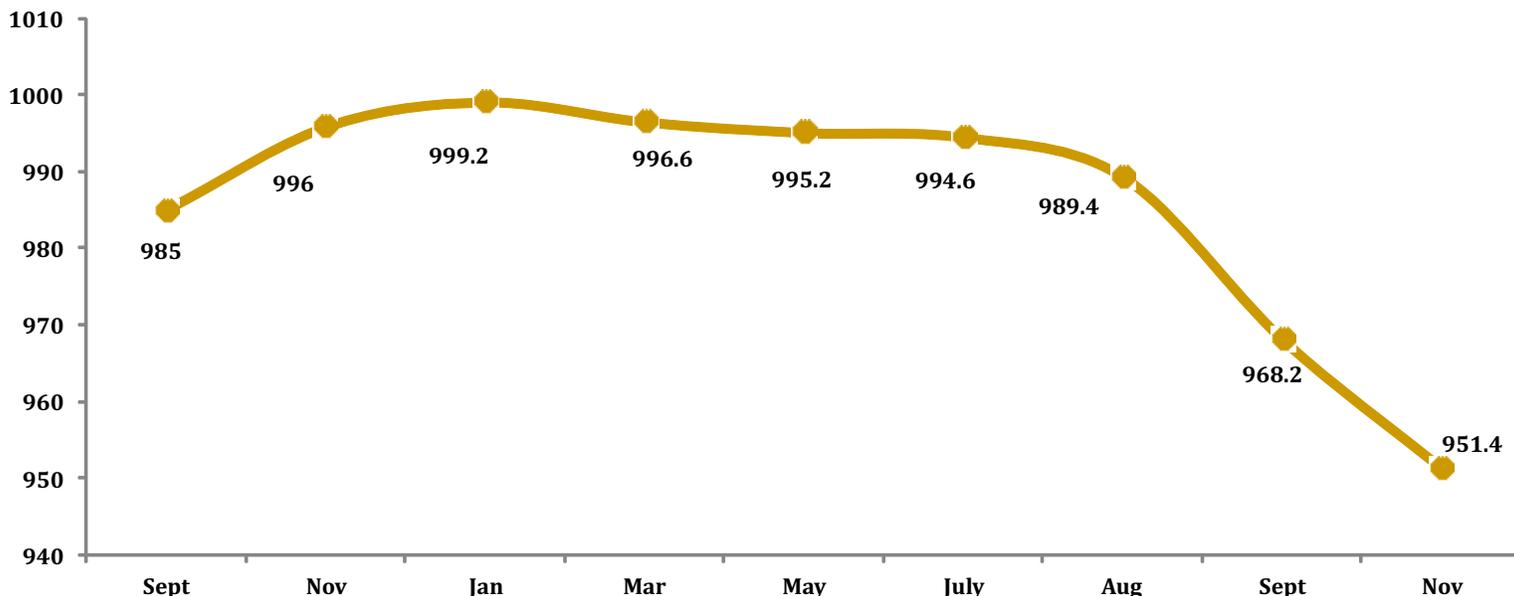
Source: SOPA

ESTIMATES OF SOYMEAL (In Lakh tons)	Oct to Aug 2020	Oct to Aug 2019
Stock Brought Forwarded from Previous Year	1.64	0.19
Production of Soybean Meal	60.87	70.88
Export of Soybean meal through SEA and Land	6.57	21.09
Domestic Consumption for Food	5.90	5.10
Domestic Consumption for Feed	48.50	43.25
Balance Stock of Meal as on 1 st September	1.54	1.63

Source: SOPA

International Fundamentals: Soybean CBOT

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

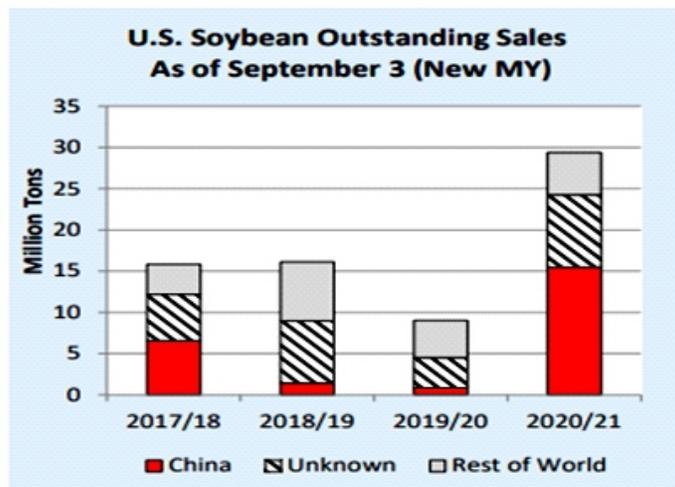


Source: Barchart

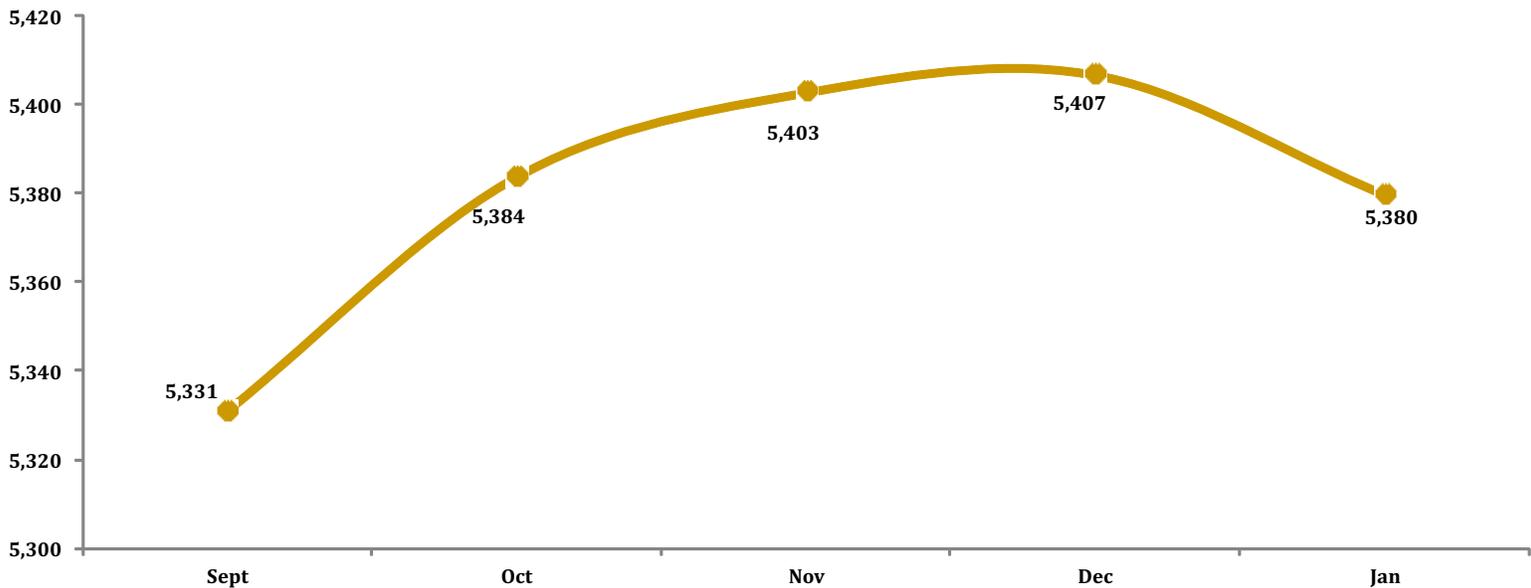
Closing as on 11th September, 2020

Fundamentals

- Chicago soybean has risen above \$10 a bushel and is trading near its yearly high of as Chinese buying and a lower estimate for U.S. production supported prices. Chinese demand for U.S. soybeans remained strong in the over the recent months, as USDA data showed, and traders expect the U.S. government to boost its export forecast for both commodities due to the recent surge of deals. Going ahead, the bullrun shall prevail till \$10.40-10.80 a bushel.
- The latest USDA report cited that U.S. soybean supply and use changes for 2020/21 include lower beginning stocks, production, and ending stocks. Lower beginning stocks reflect increases in exports and crush for 2019/20. Soybean production is projected at 4.3 billion bushels, down 112 million on a lower yield forecast of 51.9 bushels per acre.
- Yield is down 1.4 bushels per acre from the August forecast. With soybean crush and exports unchanged, ending stocks are projected at 460 million bushels, down 150 million from last month.
- Soybean and product prices are all projected higher for 2020/21. The U.S. season-average soybean price is forecast at \$9.25 per bushel, up 90 cents from last month.
- The soybean meal price is projected at \$315 per short ton, up 25 dollars.
- Global soybean exports are raised 0.9 million tons to 166.3 million, with higher exports for Brazil and lower exports for Ukraine based on available supplies. Crush is reduced for Argentina in line with the prior year's reduction.
- Global ending stocks are reduced 1.8 million tons to 93.6 million as lower U.S. stocks are partly offset by higher foreign stocks, particularly for Argentina and Brazil.
- For the final report ending September 3, 2020, 2019/20 accumulated U.S. soybean exports to China totaled 16.3 million tons and 28.7 million to the rest of the world. For 2020/21, soybean export commitments (outstanding sales plus accumulated exports) to China shot up to 15.9 million tons compared to 1.1 million the previous year.
- In the week ended Sept. 8, money managers boosted their net long in CBOT soybean futures and options to 173,907 contracts from 162,607 a week earlier, according to data from the U.S. Commodity Futures Trading Commission.



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



Source: NCDEX

Closing as on 11th September, 2020

Fundamentals

- The overall trend of mustard futures is bullish, however since past two weeks the gains are getting capped as the crushing margin has turned negative. Hence, we may see some profit booking from higher levels. But as the fundamentals are supportive and the demand side is stronger as compared to supply, buying at lower level would be suggested in the October contract near 5200, eyeing an upside range of 5600-5700.

Crush Margin

Ex Jaipur	Market Price (Rs/quintal)	Recovery %	Rs./quintal
A. Cost of Seed (after cash discount of 1%)			5,417
B. Benefit of Lab & Weight tolerance (1%)			55
C. Market price of DOC	1,670	59	985
D. Market Price of Kachi Ghani Oil	10,940	40	4,376
E. Total Recovery			5,361
F. Gross Margin (E-(A-B))			-1
G. Processing Cost			150
H. Crush Margin (F-G)			-151

- The revised output figure in the beginning of this month was 69 lakh tons, out of which 52.15 lakh tons of arrivals have hit the spot market in various states and 16.85 lakh tons are still left with farmers. Taking into account the 5.55 lakh tons of opening stock, the above mentioned arrivals & the crushing of 46 lakh tons, the balance of inventories with processors, stockists & NAFED/HAFED is 11.70 lakh tons. Overall, the total balance of crop that is still there are about 28.55 lakh tons.
- Looking at the steady demand from millers of 8 lakh tons per month amid rising domestic consumption and the next crop being 5-6 months away, there might be a supply crunch in days to come.

Estimated Mustard Seed New Crop 2019-20

S.No.	State	Crop	Revised 04-07-2020	Revised 01-09-2020
1	Uttar Pradesh	13.00	11.00	10.00
2	Rajasthan	32.00	31.00	30.00
3	Punjab / Haryana	10.00	10.00	10.00
4	Gujarat	3.00	3.00	3.00
5	Madhya Pradesh	6.50	6.00	6.00
6	West Bengal, Eastern India & Others	11.50	11.00	10.00
Total Crop		76.00	72.00	69.00
Add:	OLD STOCK (As on 29th Feb' 2020)	5.00	5.00	5.00
Marketable Surplus		81.00	77.00	74.00

Fig in Lac MT

Statewise Arrivals 2019-20 (Approximation as per our polling)

State	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total
1 Uttar Pradesh	1.40	1.00	1.80	1.50	1.25	0.60						7.55
2 Rajasthan	3.25	3.25	3.00	4.25	3.50	1.75						19.00
3 Punjab / Haryana	0.30	0.15	0.20	0.20	0.15	0.15						1.15
4 Gujarat	0.35	0.30	0.35	0.30	0.20	0.15						1.65
5 Madhya Pradesh	0.70	0.45	0.65	0.70	0.35	0.20						3.05
6 West Bengal, Bihar & Others	1.25	0.90	1.50	1.25	0.80	0.70						6.40
7 Arrival on MSP (NAFED)	0.00	3.25	3.50	1.15	0.15	0.00						8.05
8 Arrival on MSP (HAFED)	0.00	0.50	3.50	1.30	0.00	0.00						5.30
Total Crop	7.25	9.80	14.50	10.65	6.40	3.55	0.00	0.00	0.00	0.00	0.00	52.15

Fig in Lac MT

Estimate of Crushing 2019-20

Month	Crushing
01st Mar'20 to 31st Mar'20	7.50
01st Apr'20 to 30th Apr'20	6.50
01st May'20 to 31st May'20	8.00
01st Jun'20 to 30th Jun'20	8.00
01st Jul'20 to 31st Jul'20	8.00
01st Aug'20 to 31st Aug'20	8.00

- The monthly crushing demand is steady at 8 lacs MT.

End stock with Farmers	
Opening Stock (1st Mar, 2020)	68.45
Arrival Till 31st Aug'20	-52.15
Stock with farmers	16.30

Fig in Lac MT

End stock with Processors & Stockists	
Opening Stock (1st Mar, 2020)	5.55
Arrival Till 31st Aug'20	52.15
Crushing Till 31st Aug'20	-46.00
Stock with Processors & Stockists & NAFED/HAFED	11.70

Fig in Lac MT

Stocks summary with farmers, stockiest & Govt. agencies

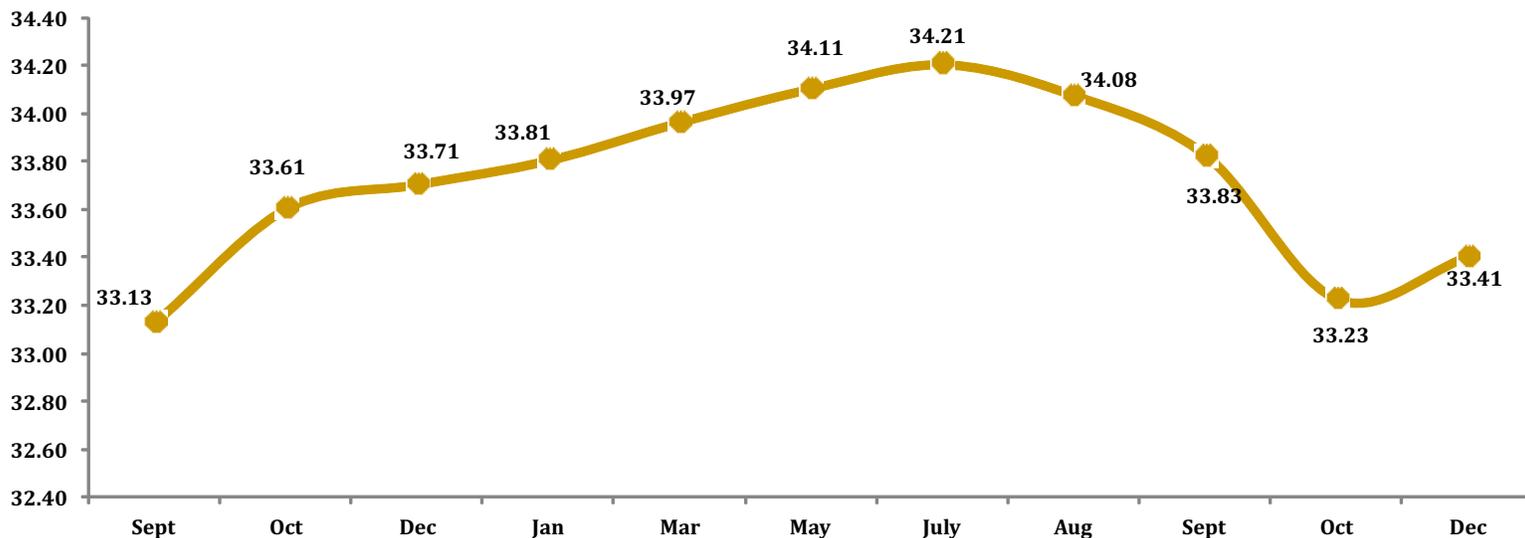
Stock Summary 2019-20	
Stock with Farmers	16.30
NAFED	5.50
HAFED	2.50
Stock with Processors & Stockists	3.70
Total	28.00

Fig in Lac MT

Fundamentals

- **Soy oil futures is on a bull-run and steady on the way to approach its lifetime high of 950 level (for October contract). On it way, any correction can be seen as a buying opportunity as there is crunch on the supply side in the domestic market due to lower imports and also there are strong cues from CBOT.**
- **CPO futures is also riding high and trading near its 5 months high, owing to the fact that crude palm oil imports have been declining month on month due to govt. restrictions and also the reason that production in Malaysia has been affected due to labour issues. Adding to it, the bullish trend of soy oil on CBOT is adding support to the edible oil prices. Going ahead, we can see the counter reaching 790-810 levels in October contract.**
- The Solvent Extractors' Association of India has compiled the Import data of Vegetable Oils (edible & non-edible) for the month of August 2020. Import of vegetable oils during August 2020 down by 14% to 1,370,457 tons compared to 1,586,514 tons in August 2019, consisting 1,308,405 tons of edible oils and 62,052 tons of non-edible oils.
- The overall import of vegetable oils during November 2019 to August 2020 is reported at 11,195,890 tons compared to 12,867,486 tons during the same period of last year i.e. down by 13%.
- The import of edible oils is reduced mainly due to demand destruction since April'20 from HoReCa segment hitting lower import, mainly of Palm Products.
- The overall import during oil year 2019-20 (Nov-Oct) may witness fall in import by a 14-15 lakh tons and be around 134-135 lakh tons against last year 149.1 lakh tons.
- **The crude palm oil futures contract (November) on Bursa Malaysia Derivatives is expected to trade with an upside bias in the range of 2750-3000 MYR/ton.**
- The labour shortage issue inherent in the domestic plantation industry is expected to reduce productivity and harvesting even further during the peak cycle season at the end of the year. Malaysian Palm Oil Association said local planters have already lost up to about 25% of potential yield throughout the series of Movement Control Orders (MCOs) right to the current Recovery MCO (RMCO), without the services of some 37,000 foreign workers who had been sent home during the peak of the Covid-19 pandemic.
- The industry expects to face a shortage of 62,000 workers as many countries are still imposing travel restrictions, while many international entryways remain closed.
- Indonesia may further increase palm oil export levies in future to support its ambitious biodiesel programme.
- **The upside momentum of CBOT Soy oil futures (December) is looking bullish and can test 36 cents per pound in days to come.**
- Rising oil prices persisted in August due to stronger demand for oils and slower crushing in Argentina. Brazil soy oil prices climbed \$49 to \$773/ton and the United States experienced a \$63 jump to \$771/ton. Argentina soybean oil prices rose modestly, up \$37 to average \$746/ton for the month, positioned at a \$25/ton discount against the other major exporters. Palm oil prices continued to rally owing to strong soy oil prices offsetting a late August dip due to growing Malaysian stockpiles.
- Funds slightly increased bullish bets in soybean oil futures and options to 85,299 contracts through Sept. 8 from 81,557 a week earlier. Both new longs and short covering have been a theme in soybean oil for the last four weeks, and funds were pegged as slight net buyers over the last three sessions.

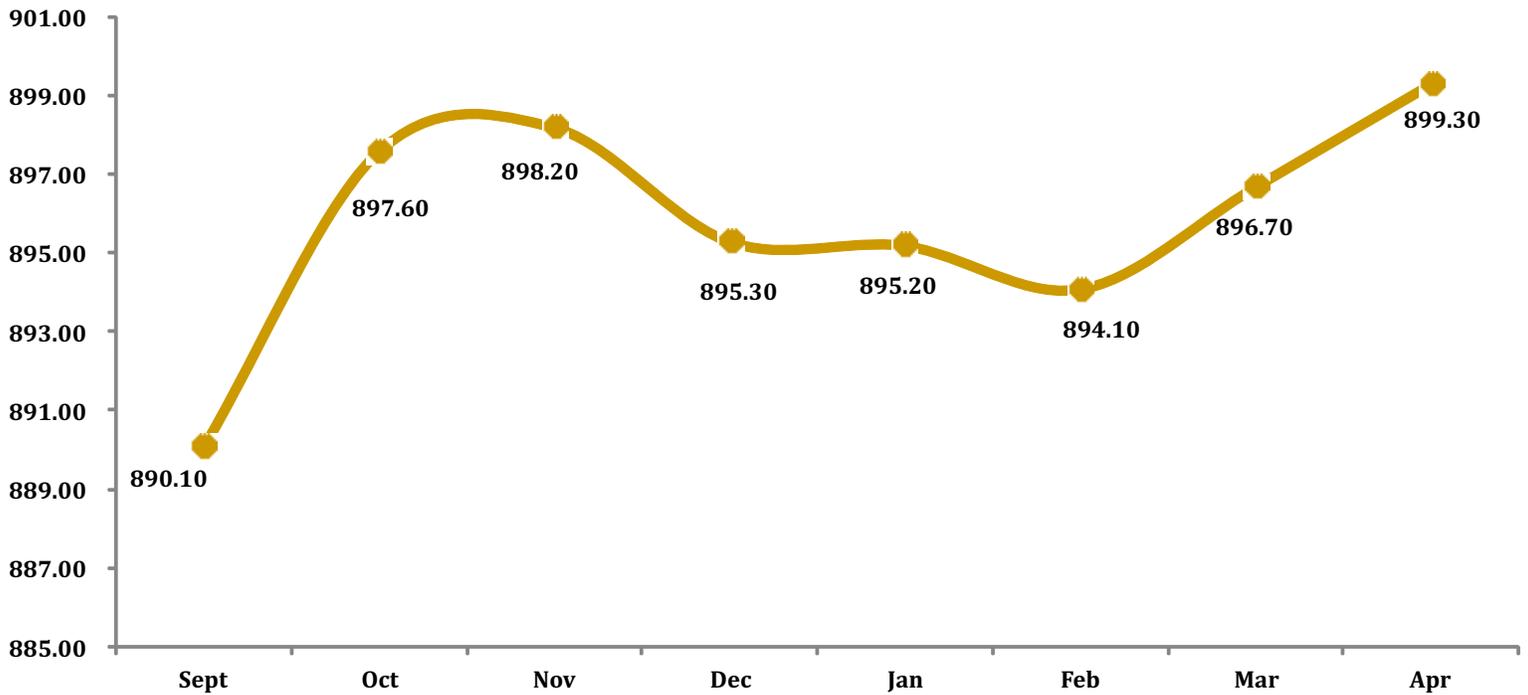
Forward curve of U.S Soybean Oil Futures (Cents per pound)



Source: Barchart

Closing as on 11th September, 2020

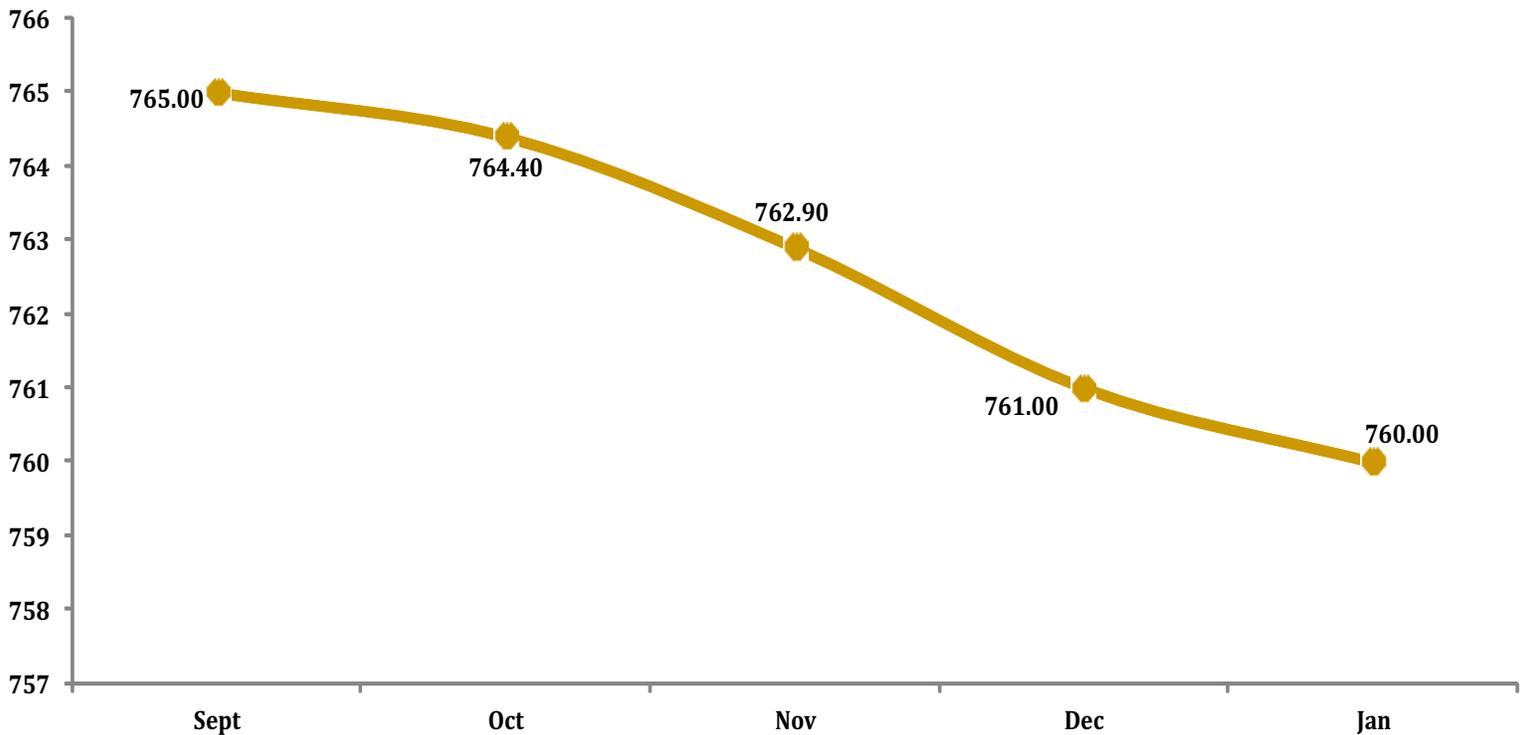
Forward Curve of Refined Soy oil futures (NCDEX) (Rs. 10/Kgs)



Source: NCDEX

Closing as on 11th September, 2020

Forward curve of CPO futures (MCX)



Source: MCX

Closing as on 11th September, 2020

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