

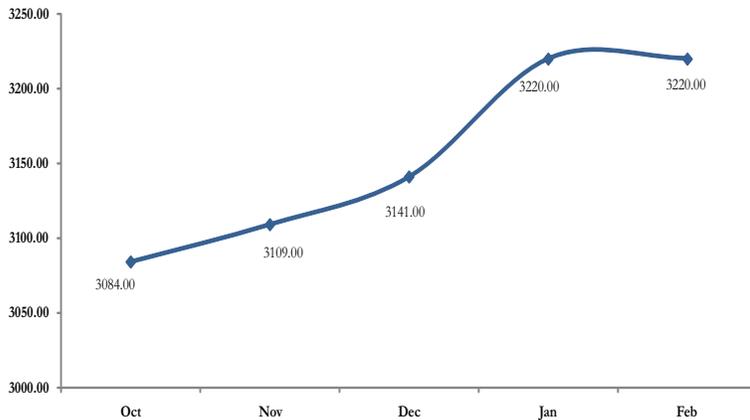
Monthly Report On Oilseeds

September 2017



Domestic Fundamentals: Soybean (NCDEX)

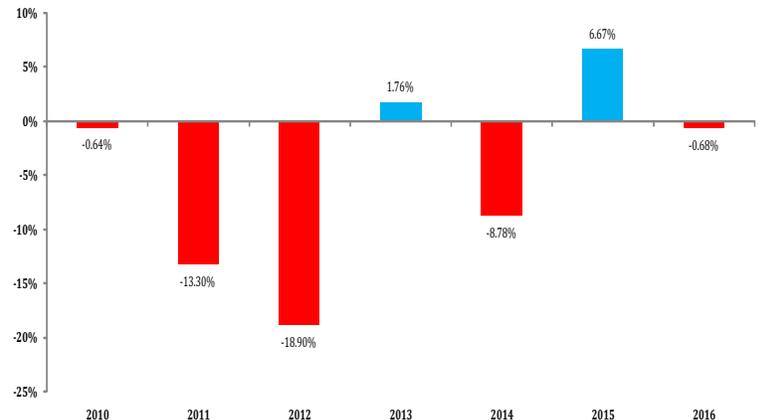
Forward Curve of Soybean Futures (NCDEX)



Source: NCDEX

Closing as on 1st September, 2017

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



Source: Reuters & SMC Research

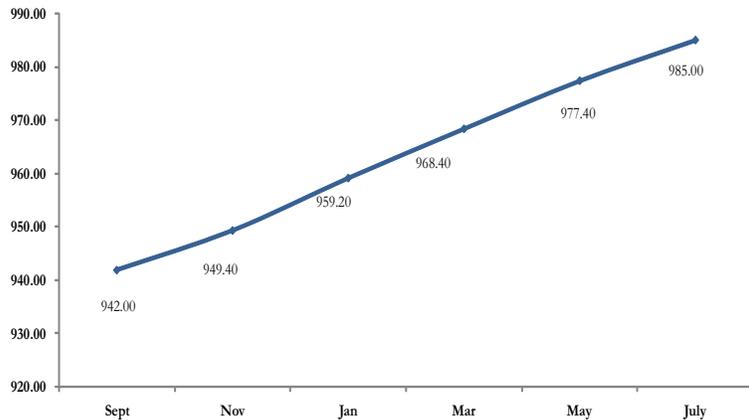
S3	S2	S1	Pivot	R1	R2	R3
2749	2899	2983	3133	3217	3367	3451

Fundamentals

- **Soybean futures (October) is likely to take support near 3030 levels & trade higher towards 3290 levels, getting pushed by various factors such as pest attacks, poor rains and projections of lower acreage.**
- The market participants are optimistic that challenging the usual bearish trend during fresh arrival season, soybean prices may rise 10% in Oct-Nov, bolstered by pest attacks, weak rains, and projections of lower acreage.
- India's kharif soybean crop sowing area as on August 1, 2017 reached at 10,518,000 hectares, down from 11,330,000 hectares same period a year ago, i.e -7.17% according to data released by the farm ministry.
- In Maharashtra, farmers have planted nearly soybean across 3.8 mln ha, down 3.1% on year, while in Rajasthan, acreage was at 924,500 ha, down from 1.02 mln ha the previous year.
- Kharif sowing has slowed down due to poor monsoon rains in the country since July.
- As per estimates of U.S Department of Agriculture, Soybean production in marketing year (MY) 2017/18 (Oct-Sept) is revised down to 10 million metric tons (MMT) produced from an estimated planted area of 10.5 million hectares.
- Further, the estimates of carry over stock of soybean in 2017-18 could be at record higher levels of 20 lakh tonnes will keep the cap on the upsurge in the price.
- The survey by the Soybean Processors Association (SOPA), showed this season might end with 9.5 million tonnes of soybean output, compared with 11.4 million tonnes last year which was below market expectation. However, the new crop estimates looks to be sufficient to cater the current year demand with 9.5 million tonnes of soybeans, giving the market a bearish tilt.
- According to SOPA survey soybean production may fall by around 17% whereas traders were expecting it to decline by 25-30%.
- Update of New Crop Soybean: Rains are occurring at regular intervals in the key soybean growing areas of Madhya Pradesh and Maharashtra and crop has entered the pod filling stage and condition is average. Forecast calls for favourable weather in coming seven days which was much needed as crop is passing through the yield deciding period.
- Farmers in Madhya Pradesh are reporting that if weather is favourable till 10th September then new crop arrival of early sown variety will start from 15th September.
- Incidents of attacks by white grub, semi looper caterpillar, girdle beetle, and white fly have been reported in many parts of major growing areas.
- On 29th August, the Madhya Pradesh Cabinet approved a scheme under which farmers will be compensated if the market price of a crop falls below its minimum support price (MSP) i.e. Rs 3,050/100kg. Due to this scheme millers will be able to procure soybean below MSP price which is beneficial from crushing perspective. This policy will come into effect from 1st October 2017 and ends on 31st December 2017.
- On the export front, Indian Soymeal is priced at \$422 per tonne FAS Kandla Vs \$345 Argentina CIF Rotterdam (August) as of Aug 31, 2017.
- The demand of Indian soy meal in international market is very weak due to its higher premium compared to Argentine soy meal which is also weighing on soy meal prices.

Soybean (CBOT)

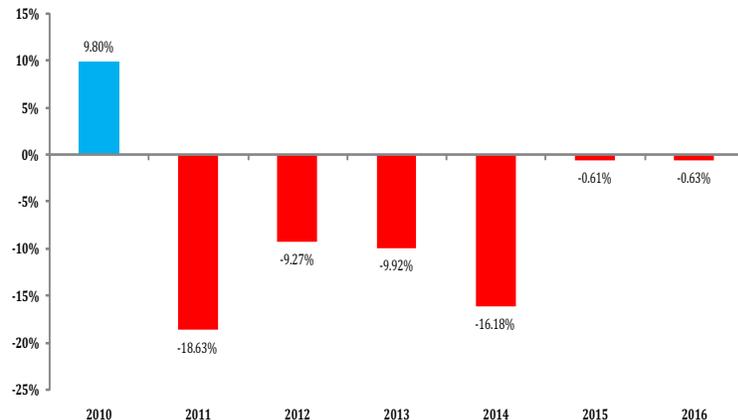
Forward Curve of U.S Soybean futures (COBT)



Source: COBOT

Closing as on 1st September, 2017

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



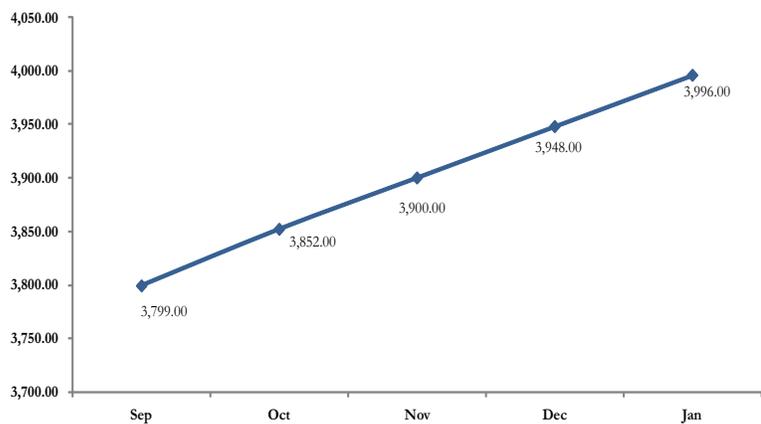
Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
841.50	881.25	913.25	953.00	985.00	1024.75	1056.75

Fundamentals

- **U.S soybean futures (Nov) may consolidate in the range of \$9-9.90 a bushel & the downside may remain capped.**
- Weather premium back into prices as cold temperatures are forecast for September 6th-8th in the northern tier states as well as a dry pattern for most of the Midwest for the next 2 weeks.
- The average estimate for the US July crush that will be released on Friday September 1st has the crush at 153.55 million bushels versus 153.45 million last year and compared to the June crush at 154.12 million bushels.
- Private analytics firm Informa Economics on Friday raised its estimate of the U.S. 2017 corn yield to 169.2 bushels per acre (bpa), up from 165.9 a month ago, three trade sources said.
- Informa also raised its U.S. 2017 soybean yield estimate to 49.4 bpa, from 47.3 last month. The firm estimated soybean production at 4.384 billion bushels and corn production at 14.123 billion bushels.
- In the coming weeks, the market will monitor crop conditions here in the U.S., but more and more of the market's attention will focus on weather and crop development in South America.
- In early September producers in a few areas of South America will begin to plant soybeans. However, most of the attention will be focused on planting as it gets into full gear starting in November through February of next year.
- U.S. farmers are preparing to harvest their largest soybean crop on record this autumn, adding to the more than 10 million tonnes of soybeans remaining from the previous crop, the fifth largest end-of-season U.S. supply ever, according to the USDA.
- The USDA is scheduled to release updated crop estimates on Sept. 12.
- On the demand side, soybean exports have been good for the 2016-17 year, but they're starting to fall behind for new crop. At this stage of the year, shortly before harvest begins, the U.S. soybean export pace tends to be slow. Most of the international buyers are going to Brazil and Argentina to source their soybeans.
- The country's total soybean purchases for 2017-18 (Sept/Aug) season shipments from the United States stood at just 3.49 million tonnes as of Aug. 10, 46 percent behind the same point last year and the lowest mid-August new-crop sales commitments since 2006, according to USDA data.

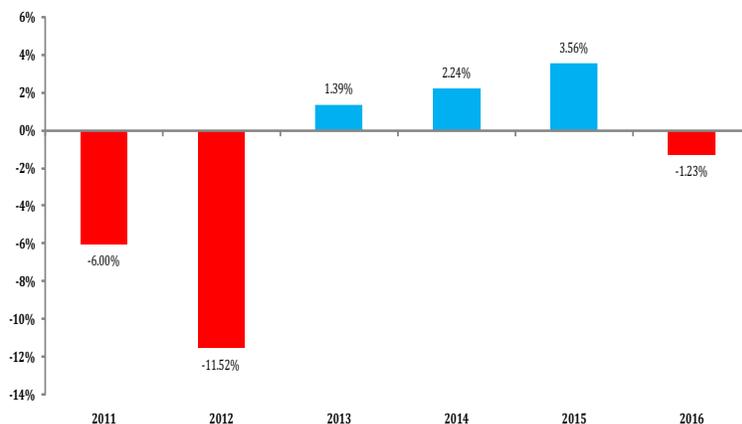
Forward Curve of Mustard futures (NCDEX)



Source: NCDEX

Closing as on 1st September, 2017

Historic return of RM Seed in the month of September



Source: Reuters & SMC Research

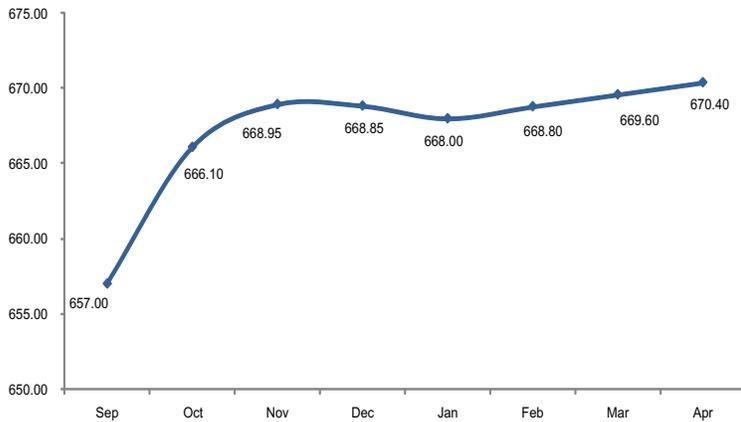
S3	S2	S1	Pivot	R1	R2	R3
3487	3595	3708	3816	3929	4037	4150

Fundamentals

- **Mustard futures (October) has been on an uptrend since past four months & a similar trend will possibly continue taking support near 3800-3770 levels, while the upside may get extended to test 3945-4000 levels.**
- Mustard seed prices in the spot market snapped its 5-month winning streak during last month. For the upcoming month, arrivals may slowdown further and this may support the seed prices further.
- Trade activity may pick up in next 1-2 weeks ahead of Durga puja and Diwali festival.
- Spot mustard seed prices are steady in the benchmark Jaipur market of Rajasthan owing to active buying by the millers on higher sales of Oil.
- Millers were active in procuring seed in bulk quantity and at every drop in prices so as to carry the crushing smoothly amid good demand for Oil.
- According to traders, mustard oil demand is likely to remain strong in winter season which is peak consumption period from August to December. The only factor that is worrying the traders is that the price advantage of mustard oil to soy oil.
- The demand of pure mustard oil is still good and may improve in festive season.
- Also, with the onset of winters consumption will increase in the North India.
- Oil mills in the country crushed 550,000 tn of mustard seed in July, largely unchanged from a month ago, according to data compiled by Mustard Oil Producers Association of India.
- The quantum of mustard crushed was largely unchanged in July because of absence of significant demand from oil millers.
- Oil mills have crushed about 3.5 million tons of mustard seed since the start of the crushing season in February compared to total arrivals of 3.8 million tons during the period.
- The only worrying factor is the price advantage of mustard oil to soy oil which is of Rs 14/kg, however when this premium widens to Rs 16-18/kg then consumers may shift to soy oil which will weigh on mustard oil prices.
- Indian farmers are likely to have harvested 6.9 million tons of mustard in the crop year that ended June, up nearly 19% from 5.8 million tons harvested a year ago, because of better yields and favourable weather, according to the results of a joint survey by the Central Organisation for Oil Industry and Trade and Mustard Oil Producers Association.
- Total marketable surplus of mustard is pegged at 6.78 million tons, which includes a carryover stock of 200,000 tons. About 350,000 tons of seed have been retained by farmers for sowing and direct consumption.

Edible oil complex (Domestic Fundamentals)

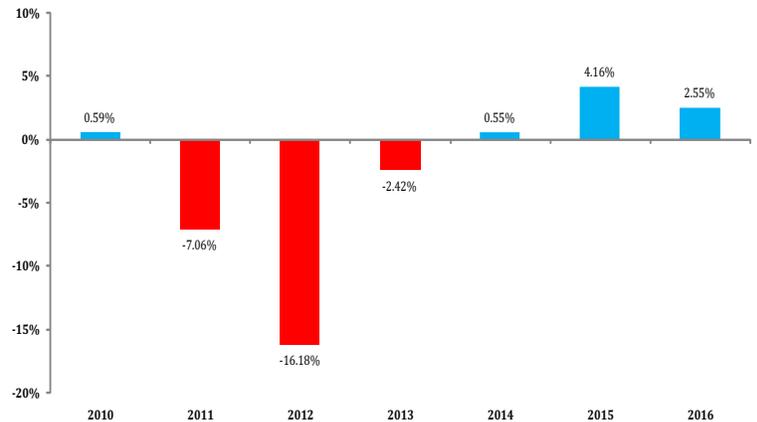
Forward Curve of Refined Soy oil futures (NCDEX)



Source: NCDEX

Closing as on 1st September, 2017

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



Source: Reuters & SMC Research

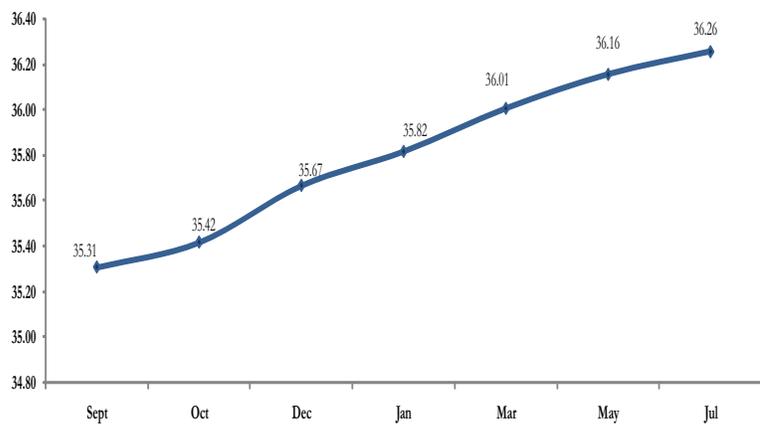
S3	S2	S1	Pivot	R1	R2	R3
443	460	489	505	534	551	580
616	630	647	661	678	692	709

Fundamentals

- **CPO futures (September) may post gains for the second consecutive month, taking support near 515 levels, while the upside may get extended towards 540-545 levels.**
- India's refined palm oil imports are likely to plunge in the next marketing year, industry officials said, as changes in trade tariffs make imports of crude palm oil cheaper, a boon for refiners previously hit by cheaper imports of rivals' goods.
- After the recent duty changes, crude soy oil now attracts 17.5 percent duty, lower than 25 percent for CPO, which could encourage imports of soyoil.
- In the first nine months of the current marketing year started on Nov. 1, India has imported 6.74 million tonnes of palm oil, including 2.2 million tonnes of refined palm oil.
- **Refined soy oil futures (October) is maintaining its uptrend since past six weeks & this month also, the gains will continued to be seen as it has the potential to test 690 levels, taking support near 660 levels.**
- It is estimated by the U.S. Department of Agriculture that total oilseed production for MY 2017/18 is now revised down from 38.6 MMT to 35.9 MMT. As a result, an estimated six percent less oilseed will be available for crushing. Edible oil imports will rise modestly to 16.6 MMT given sufficient current stocks but oil meal export sales will get trimmed to 2.4 MMT to adjust for local demand and competition from international suppliers.
- However, compared to the current year's estimate of 15 MMT, import growth is at a modest 10 percent. Tightening palm oil supplies will slightly limit imports but will encourage import of soft oils at competitive prices to partially fill the gap. The import basket is expected to include 10 MMT of palm oil, 4.2 MMT of soybean oil, 2 MMT of sunflower seed oil and remaining 'other' oils.
- Despite the decrease in imports, edible oil stocks are apparently sufficient to meet consumption demand. India's monthly requirement is about 1.75 MMT and operates at 30 days reserve stock; current stocks are 2.47 MMT, or 42 days of reserve stock.
- According to Customs Notification (No. 71/2017 dated Aug 11, 2017), the import duty on crude palm oil has now been raised from 7.5% to 15%; RBD Palmolein (and palm oil) from 15% to 25%; and crude soybean oil from 12.5% to 17.5%.

Edible oil complex (International market fundamentals)

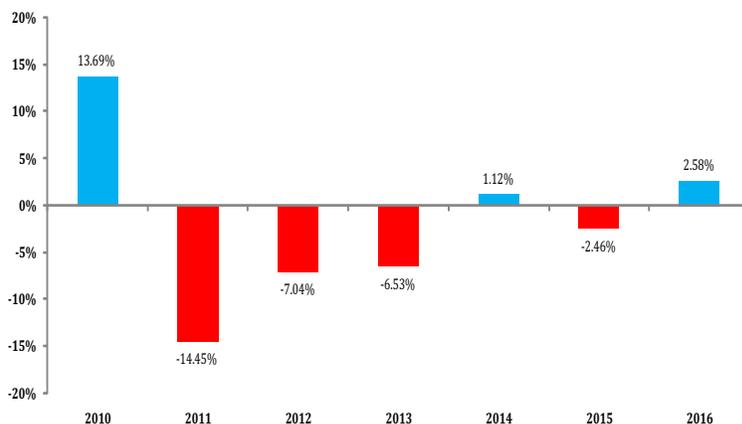
Forward curve of U.S Soybean Oil Futures



Source: CBOT

Closing as on 1st September, 2017

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



Source: Reuters & SMC Research

S3	S2	S1	Pivot	R1	R2	R3
2381	2477	2591	2687	2801	2897	3011
30.95	31.95	33.50	34.50	36.05	37.05	38.60

Fundamentals

- **CPO futures (November) may consolidate in the range of 2670-2850 ringgit per tonne.**
- Malaysian palm oil production is recovering after two consecutive years of decline due to El Nino-induced droughts, seeing output fall from 20.2mn tonnes in 2014 to 17.7mn tonnes in 2016. Yields are moving back up to trend and are compensating for an ongoing deceleration in area expansion, in line with industry efforts to reduce deforestation and meet sustainability criteria. We expect the recovery to peter out by 2019/2020, as production growth falls below the 2% level and struggles to regain momentum thereafter, leaving Indonesia as the undisputed leader in global palm oil production.
- Indonesia's crude palm oil output likely rose to 3.5 million tonnes in July, compared to 3.2 million tonnes in June, a Reuters survey showed, as production started to increase in line with the typical rise that occurs at this point in the annual crop cycle.
- Exports of Indonesian CPO were estimated to have risen in July to 2.4 million tonnes, from 2.2 million a month earlier.
- Malaysia, the world's second-largest palm oil producer after Indonesia, will maintain its crude palm oil export tax at 5.5 percent in September, the same rate as the previous month.
- **Ref. soy oil (December) may trade with an upside bias in the range of 34.20-37.20 cents a pound.**
- CBOT December soy oil is looking bullish after the U.S. Department of Agriculture said that crude soybean stocks at the end of July fell to 1.628 billion pounds, down from 1.815 billion a month earlier.
- There are expectations of increased demand for soybean oil from the U.S. soy-based biodiesel sector after the U.S. government in August slapped tariffs on imports of Argentine biodiesel.

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