

Long term Positional Buy RM Seed Futures (April)



Source : Reuters

BUY RM SEED futures (April) at CMP for a target of 4185 levels & keep a Closing Stop loss below 3885 levels.

FUNDAMENTALS :

- As per estimates of U.S Department of Agriculture, in 2016/17 the production is estimated to be nearly 68 MMT on 6.5 million hectares with a higher yield of 1.05 MT/Ha.
- The total supply is projected at 71.09 MMT (including beginning stocks) & the overall consumption will be probably 67MMT, leaving behind closing stock of 4.09 MMT.
- The status of Rabi crop planting as per preliminary reports received from the States, the total area sown under mustard as on 30th December, 2016 is 6.89 million hectares as compared to 61.12 million hectares in same period during 2015-16.
- India has always been self sufficient in this commodity & fully meets domestic demand without need for imports non-existent. Mustard seed is crushed for its cake & oil, which is a major source of vegetable after soybean oil and palm oil.
- The countries such as South Korea, Taiwan, Vietnam & Myanmar are the major importers of rapeseed meal from India.

- The projections are that in 2016/17, the exports of rapeseed meal will be nearly 3.5 MMT, about 41% higher than 2015/16. The reason is, the supplies of rapeseed worldwide have been waning & is expected to tighten further in the days to come.
- The global stockpile of rapeseed is likely to get shrunk by 15% to 55.48 MMT as compared to last year. Lower harvest prospects on the Eurasian continent will further draw down the falling supply there.
- Regarding long term view of price movement, after taking into all the above mentioned fundamental factors, the outlook of mustard seed futures is looking bullish. The reason is that the mustard oil consumption is increasing every year and is consistent owing to its multi-uses.
- In 2016-17, the total consumption of mustard oil is expected to be 25.35 MMT, which is 11% more than the previous year. Typically, the consumption of mustard oil goes higher during the winter season & the tendency is that during this period, the mustard prices trades sets out to make new high's in the domestic market.

India's Demand And Supply Scenario

RM Seed	2015/2016	2016/2017	Unit Description
Area Harvested	5,814	6,500	(1000 HA)
Crush	5,000	5,700	(1000 MT)
Beginning Stocks	339	309	(1000 MT)
Production	5,920	6,800	(1000 MT)
Total Supply	6,259	7,109	(1000 MT)
Domestic Consumption	5,950	6,700	(1000 MT)
Food Use Dom. Cons.	650	700	(1000 MT)
Feed Waste Dom. Cons.	300	300	(1000 MT)
Ending Stocks	309	409	(1000 MT)
Total Distribution	6,259	7,109	(1000 MT)
Yield	1.02	1.05	(MT/HA)

Source : USDA

Mustard Meal	2015/2016	2016/2017	Unit Description
Crush	5,000	5,700	(1000 MT)
Beginning Stocks	105	142	(1000 MT)
Production	2,985	3,403	(1000 MT)
Total Supply	3,090	3,545	(1000 MT)
Exports	248	350	(1000 MT)
Domestic Consumption	2,700	3,015	(1000 MT)
Feed Waste Dom. Cons.	2,700	3,015	(1000 MT)
Ending Stocks	142	180	(1000 MT)
Total Distribution	3,090	3,545	(1000 MT)
SME	1,921.05	2,145.17	(1000 MT)

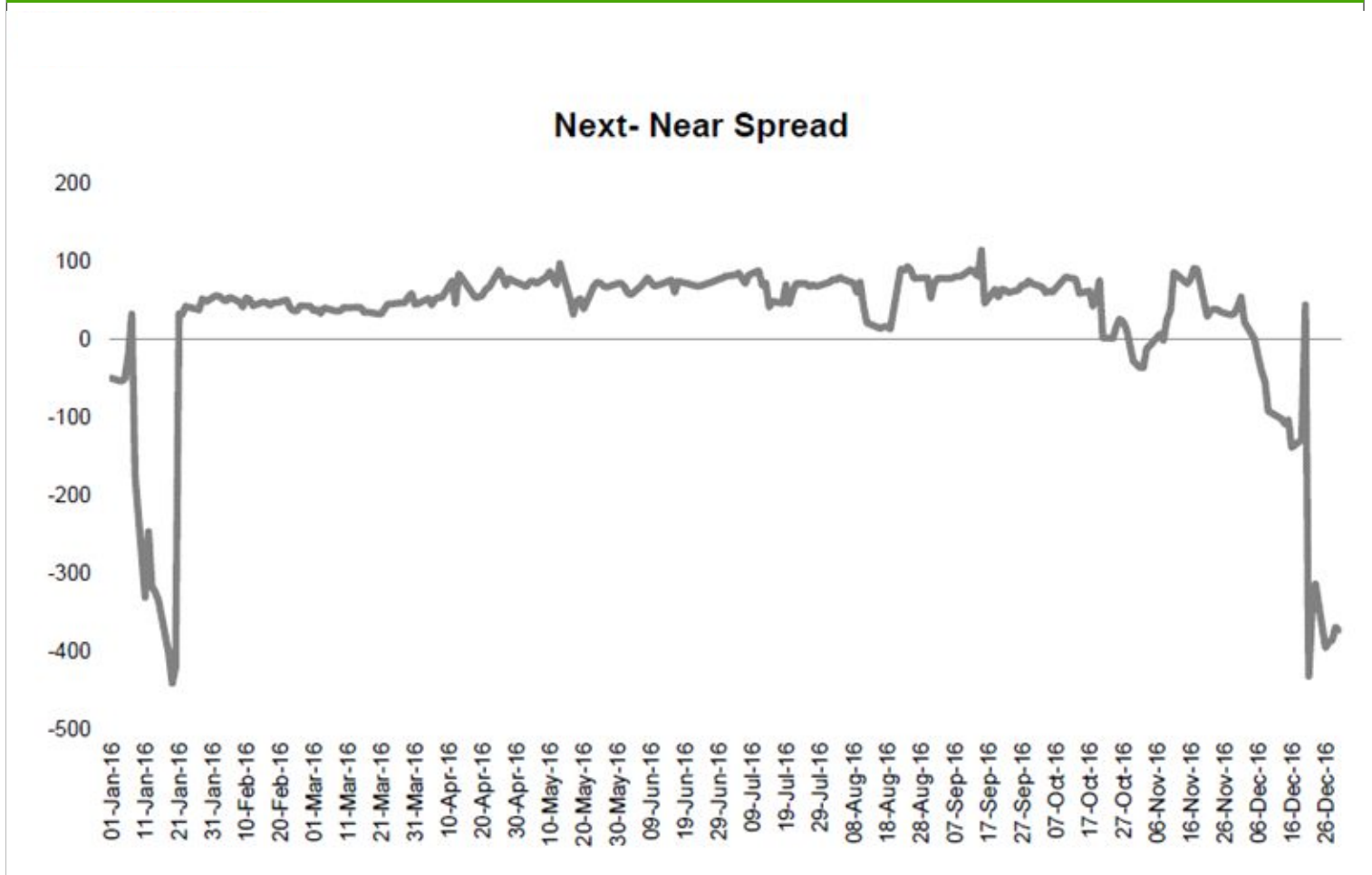
Source : USDA

Crush Margin

Ex Jaipur	Market Price (Rs/quintal)	Recovery %	Rs./quintal
A. Cost of Seed (after cash discount of 1%)			4466
B. Benefit of Lab & Weight tolerance (1%)			45
C. Market price of DOC	1630	62	1011
D. Market Price of Kachi Ghani Oil	8510	37	3149
E. Total Recovery			4159
F. Gross Margin (E-(A-B))			-262
G. Processing Cost			125
H. Crush Margin (F-G)			-387

Source : NCDEX

Spread Chart



Source : NCDEX

Stock Position

Commodity	Location	Demat Stock (in MT)	Quantity in Process (in MT)
RMSEED	Alwar	100	0
	Bikaner	788	0
	Jaipur	2740	0
	Jodhpur	70	0
	Kota	2144	0
	Sriganganagar	20	0
	Total	5862	0

Source : NCDEX

EDD wise stock Position (in MT)

Centre	05-Jan-17	05-Feb-17
Alwar	10	90
Bikaner	289	499
Jaipur	10	3341
Jodhpur	0	70
Kota	1439	875
Sriganganagar	0	20
Total	1748	4895

Source : NCDEX

Location Premium / Discount

Basis Centre	Delivery Centre	Premium/Discount
Jaipur	Alwar	-Rs.10/q
	Kota	No Premium/Discount
	Sriganganagar	-Rs.60/q
	Bikaner	-Rs.50/q
	Jodhpur	-Rs.60/q

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