8th April, 2020

Monthly Report On

Oilseeds

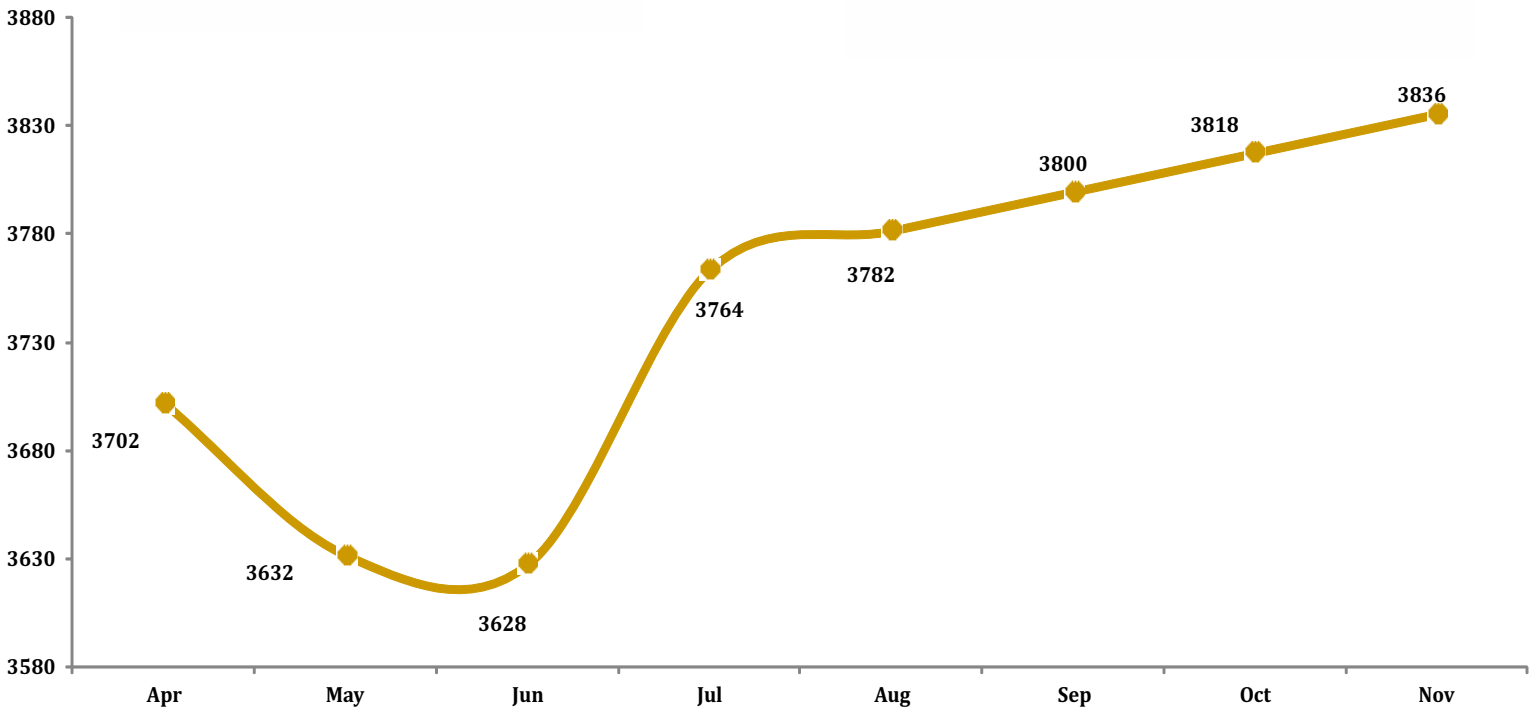
April 2020

smc

Moneywise. Be wise.

Domestic Fundamentals: Soybean

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



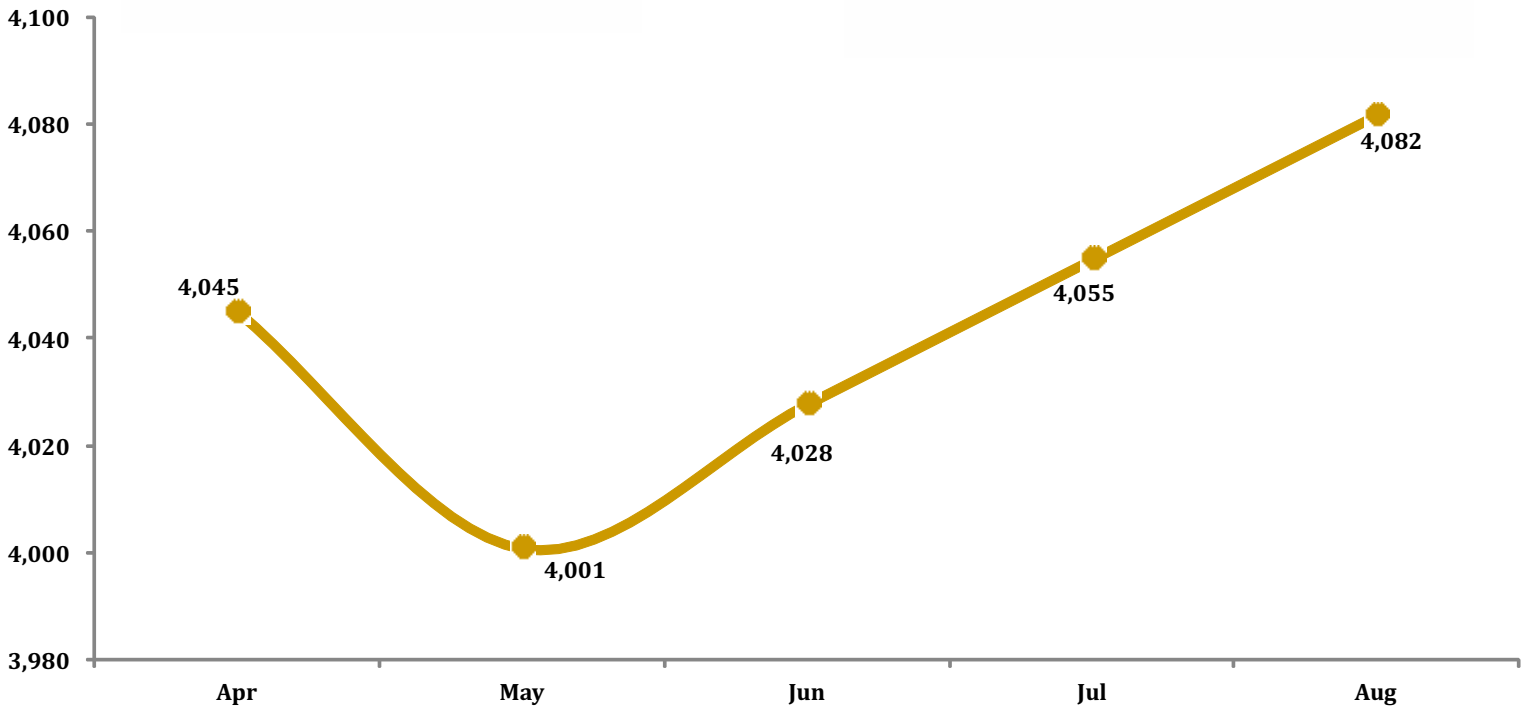
Source: NCDEX

Closing as on 3rd April, 2020

Fundamentals

- **Soybean futures (May) is expected to hold on the support near 3600, while he upside may remain capped near 4050. In days to come, the course or the direction of price will depend on the physical demand after the mandis get functional, as soon as the lockdown gets over.**
- Edible oil refineries across the country have reduced their operating capacity to 40-50 per cent due to non-availability of raw materials following delay in clearance of imported crude oil consignments and oilseeds supply disruptions on lockdown of spot Agricultural Produce Market Committee (APMC) mandis to prevent spread of coronavirus (Covid-19).
- Given current market conditions, Indian oil meal exports in MY 2019/20 are expected to moderate to less than 2.5 MMT (against March 2019 Post forecast of 3.2 MMT) mainly due to lower than anticipated soymeal exports.
- Tight supplies in the coming months will further elevate domestic soymeal prices and make Indian exports uncompetitive even to its traditional export markets.
- On CBOT, U.S. soybean futures (May) will most probably trade in the bearish direction & attempt to breach the near term support at 8.40 to test $8.15-8 a bushel. In the present scenario, not much export demand of U.S soy meal is coming from China, as it has diverted its purchase towards Brazil. The hopes of market participants for higher export after the U.S-China phase 1 deal have dimmed.
- Given the recent, historically thin exports, it might take some extraordinary circumstances for U.S. soybean shipments to approach the government's full-year target. And without an extended turnaround in export demand, U.S. soybean stockpiles could swell to the second-highest levels on record by September, despite last year's short crop.
- USDA's latest 2019-20 target for domestic soybean exports is 49.67 million tonnes or 1.825 billion bushels. Based on first half numbers and estimates for March, that would require April-August exports near 17 million tonnes, conservatively.
- China is likely the only country that could provide the needed lift to U.S. soybeans, but given cheaper, abundant supplies in Brazil and a slower global economy in the wake of the coronavirus, the outlook is not too favorable.
- Inspection data also implies that fewer than 200,000 tonnes of U.S. soybeans sailed to China in March, and that is the lightest for the month since 2002. Combining February and estimated March exports to China would put that volume at the smallest since 1999.
- Export sales are critically behind the pace required to achieve this record, even with stronger numbers in the latest two weeks. Using USDA's weekly export sales through March 26, the United States is close to 13 million tonnes short on sales to meet USDA's full-year export target.
- Chinese crushers are still buying large quantities of Brazilian beans. Brazil exported a record 35.8 million tonnes of soybeans, up 4% from the previous year's high. Some 81% of those went to China.

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



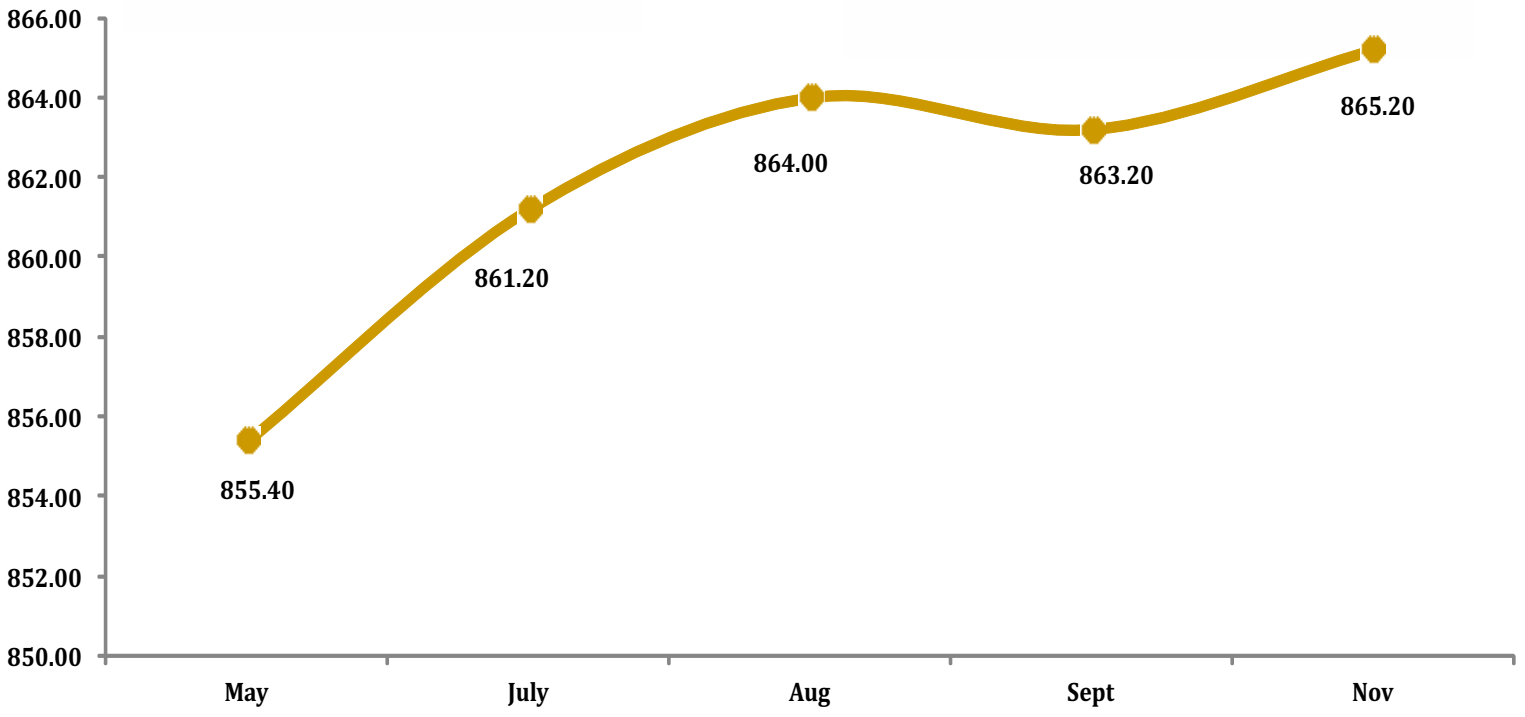
Source: NCDEX

Closing as on 6th April, 2020

Fundamentals

- **Mustard futures (May) would probably trade with a positive bias & move higher towards 4400, taking support near 3970 levels. In recent times, some unseasonal rainfall & delayed harvesting due to the ongoing lockdown is lending positive sentiments to the counter. Moreover, as soon as the procurement starts a MSP from mid-April, a positive impact would be seen on prices on the national bourse.**
- The factors to be watched out will be such as timely completion of harvesting operations, favorable weather conditions, including unseasonal rainfall that are occurring frequently. Dry weather is essential for timely harvesting of RM crop.
- In days to come, another major aspect which should be monitored is the procurement of this Rabi oilseed by major growing states.
- The state Government of Haryana has directed officials to make arrangements to ensure hassle-free procurement of mustard starting April 15 from April 20, so farmers did not face trouble in selling crops in mandis. The procurement of this oilseed crop would be done by issuing coupons after collecting data registered on the 'Meri Fasal Mera Byora' portal by the farmers.
- As per the information, the mustard and gram will be initially procured from 71 purchase centres in Haryana by Hafed, on behalf of Nafed.
- Based on the registered gross area of cultivation, a net of 8 quintal mustard seed per acre and 3.83 quintal gram per acre and 3.83 quintal gram per acre shall be procured on MSP.
- The government of Uttar Pradesh has announced that the procurement will start on time at the minimum support price (MSP). The purchase of mustard has started from April 2. This will give much relief to the farmers of Bundelkhand and Agra divisions. The government will buy 2.64 lakh Mts of mustard from farmers at MSP. The purchases will continue for 90 days.
- The Minimum Support Price (MSP) for rapeseed and mustard crop in MY 2019/20 is Rs.4425 per quintal.
- As per estimates of USDA, assuming normal weather conditions through harvest, India is expected to produce 7.5 MMT of rapeseed and mustard (RM) in MY 2019/20 from 6.9 million hectares. This season, RM planted area is very close to last year's level.

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



Source: Barchart

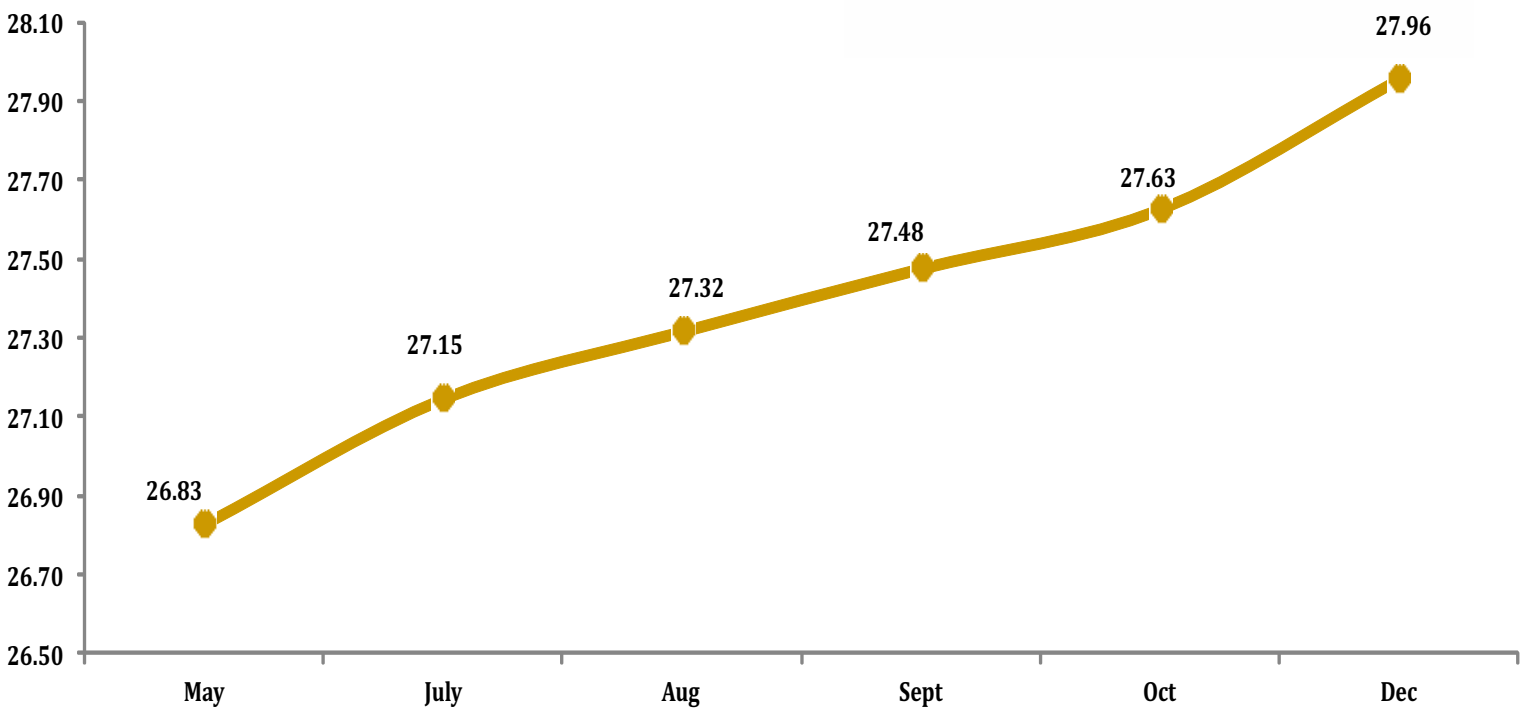
Closing as on 6th April, 2020

Fundamentals

- **CPO futures (April) on MCX is likely to catch up the upside momentum & move higher towards 680-700, taking support near 630.**
- **Soy oil futures (May) is expected to trade with a positive bias in the range of 760-850 levels.**
- **The edible oil counters are looking strong, the reason being the imports are slowing down due to the lesser incoming shipments to India owing to outbreak of coronavirus worldwide & the import restrictions imposed by the Govt. of India. Moreover, in days to come, supply of cooking oil may fall because of labour shortage.**
- As per the provisional data released by the Solvent Extractors Association of India (SEA), there was a 90 per cent fall in import of RBD palmolein at 30,850 tonne in March this year, as compared to 3,12,673 tonne in the year-ago period.
- Import of soybean oil declined marginally to 2,92,410 tonne in March this year from 2,92,925 tonne in same period last year
- **BMD CPO futures (June) is likely to trade higher towards 2455, taking support near 2265. The anticipation of lower production due to the closure of movements in plantations will cue the output in days to come.**
- Palm oil supply and demand are expected to remain tight in the near term as the expected fall in demand amid the Covid-19 crisis will be accompanied by a fall in output.
- The weak demand is partially offset by tighter supply prospects as some of the soybean and palm oil operations in Brazil, Argentina and Malaysia have been reportedly impacted by movement controls.
- Malaysia's end-March palm oil stockpile likely fell 1.9% from February to 1.65 million tonnes amid a one-month movement control order requiring some plantations to shut down, a Reuters survey showed.
- The closure of six high-production output districts in Sabah due to the movement control order would have a significant impact on April's crude palm oil (CPO) output from Sabah, which accounts for 25% of Malaysia's palm oil output.
- Malaysian palm oil association says estimate to lose 189,000 tonnes of crude palm oil from 14 day shutdown order in biggest palm oil producing state.
- Crude is also stabilizing amid hopes that the world's biggest producers will agree to cut production, even though analysts cautioned it may do little to boost demand. Stronger crude oil futures make palm a more appealing option for biodiesel feedstock.
- U.S soybean crushing would be higher side, processors are in strong demand for soy products, in anticipation that top supplier Argentina would raise export taxes on farm goods

CBOT U.S soybean oil futures (May)

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



Source: Barchart

Closing as on 6th April, 2020