

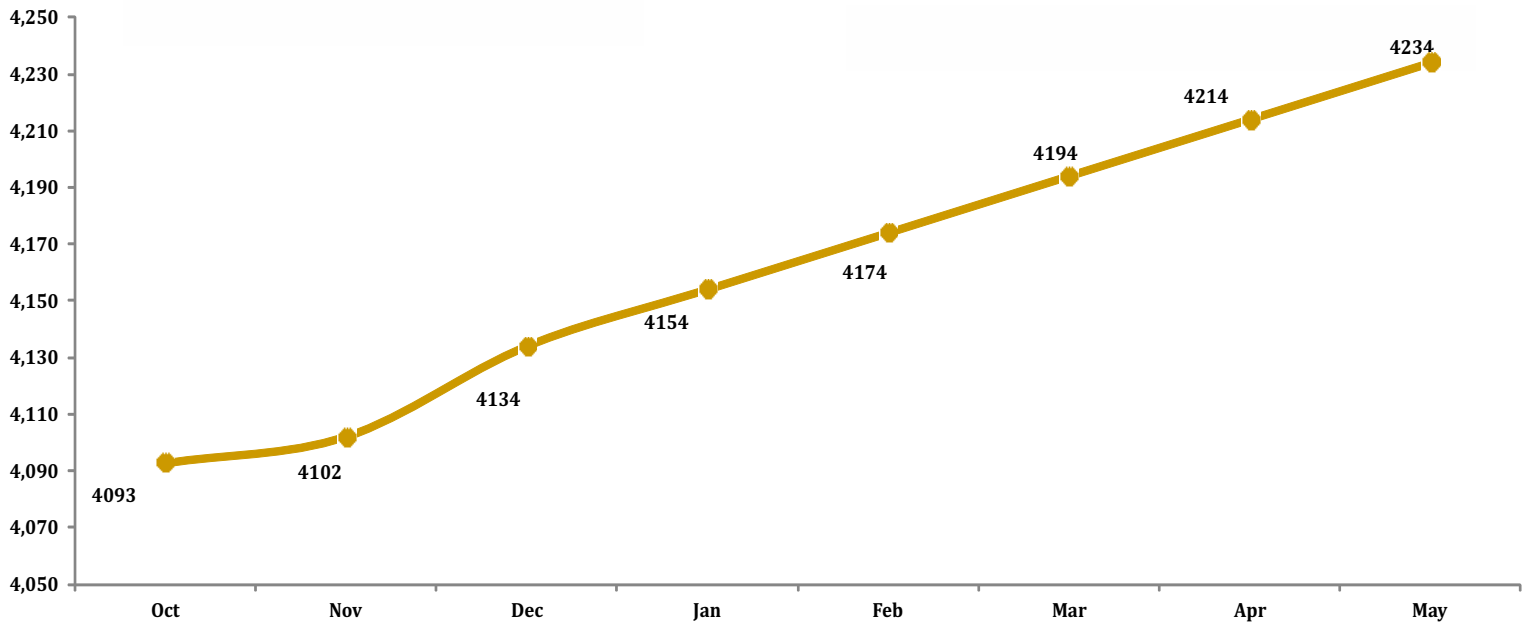
Monthly Report On Oilseeds

October 2020



Domestic Fundamentals: Soybean

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



Fundamentals

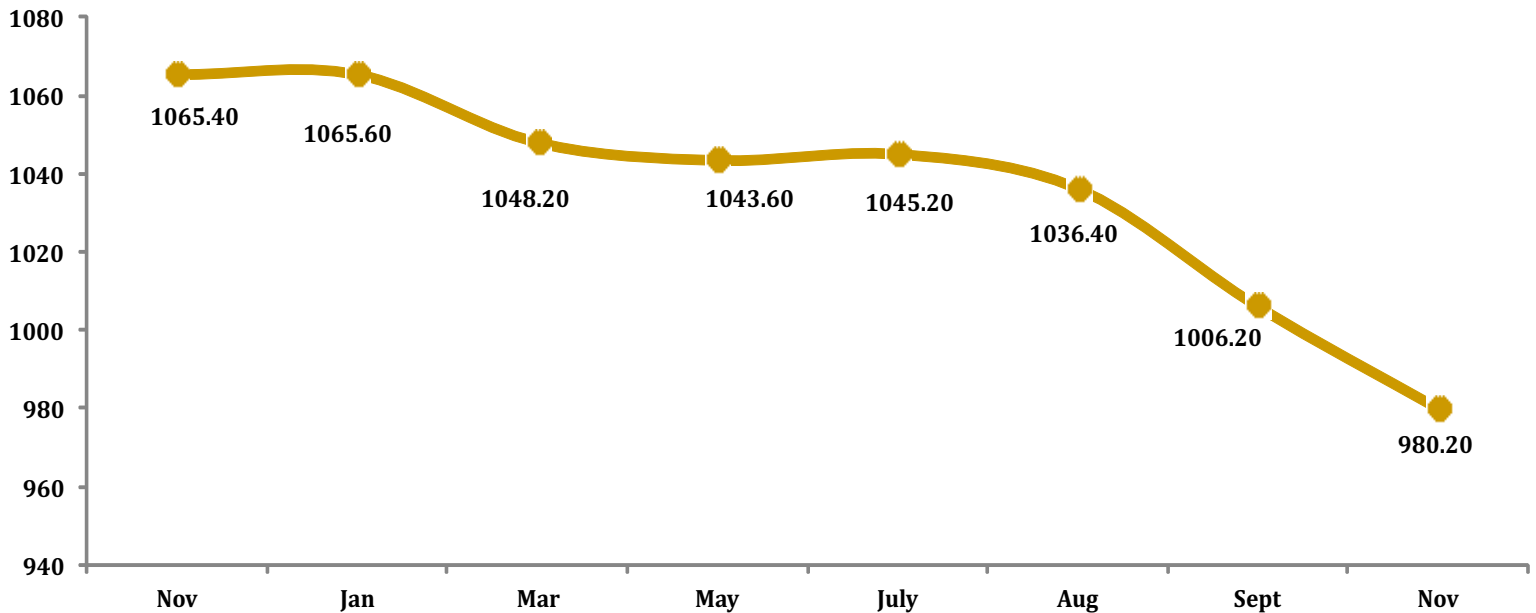
- Soybean futures (November) is expected to trade with an upside bias in the range of 3900-4300. Despite of the ongoing harvesting season, prices are showing an upsurge due to two factors. Firstly reports of crop damage during this Kharif season, lowering estimates of production, secondly tracking robust rally of U.S soy on CBOT.
- According to The Soybean Processors Association of India, Soybean Crop in Madhya Pradesh and Rajasthan was badly affected due to yellow mosaic virus, Stem fly, Anthracnose and other pests/disease resulting in low yield and small seed size. Seed damaged due to regular rains during crop harvesting time. Soybean crop in Maharashtra and other states is normal to good. Soybean production in Khandwa, Khargone, Badwani, Dhar, Ratlam and Mandsaur better than other districts in Madhya Pradesh.
- As per SOPA, total area under soybean for the year 2020 is 118.383 Lakh hectares, which is higher by about 10% over last year. The official area given by Government is 121.427 lakh hectares. Estimated total production of Soybean crop for all India for the year 2020 is 104.552 Lakh tons, which is higher by 12.346% as compared to previous year's production of 93 lakh tons.
- Soybean yield in 2020-21 is estimated at 883 kg per ha, as against 865 kg per ha last year. Sopa, earlier projected the yield to be 1,052 kg per ha.
- Total area under soybean in Madhya Pradesh for the year 2020 is 58.540 Lakh hectares, which is higher by about 12.68% over last year. Estimated total production of Soybean in Madhya Pradesh for the year 2020 is 41.772 Lakh tons, which is higher by 4.15% as compared to previous year's production of 40.107 lakh tons.
- As per SOPA, total area under soybean in Maharashtra for the year 2020 is 40.397 Lakh hectares, which is higher by about 8.12% over last year's area of 37.363 lakh hectares. Estimated total production of Soybean in Maharashtra for the year 2020 is 45.444 Lakh tons, which is higher by 15.29% as compared to previous year's production of 39.416 lakh tons.
- Total area under soybean in Rajasthan for the year 2020 is 11.002 Lakh hectares, which is higher by about 14.28% over last year. Estimated total production of Soybean crop for Rajasthan for the year 2020 is 8.583 Lakh tons, which is higher by 30.84% as compared to previous year's production of 6.560 lakh tons.

SUMMARY OF SOYBEAN PRODUCTION ESTIMATE FOR KHARIF 2020

State	Area as per SOPA in Lakh Ha.		Yield Kg per Ha.		Production Lakh MT	
	2019	2020	2019	2020	2019	2020
MADHYA PRADESH	51.952	58.540	772	714	40.107	41.772
MAHARASHTRA	37.363	40.397	1055	1125	39.416	45.444
RAJASTHAN	9.627	11.002	681	780	6.560	8.583
TELENGANA	1.783	1.599	846	1028	1.508	1.644
KARNATAKA	3.302	3.320	816	1124	2.694	3.732
CHATTISGADH	0.742	0.776	726	884	0.539	0.686
GUJARAT	1.003	1.492	858	972	0.861	1.450
OTHER STATES	1.841	1.257	748	988	1.377	1.242
G.TOTAL	107.613	118.383	865	883	93.062	104.552

International Fundamentals: Soybean CBOT

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



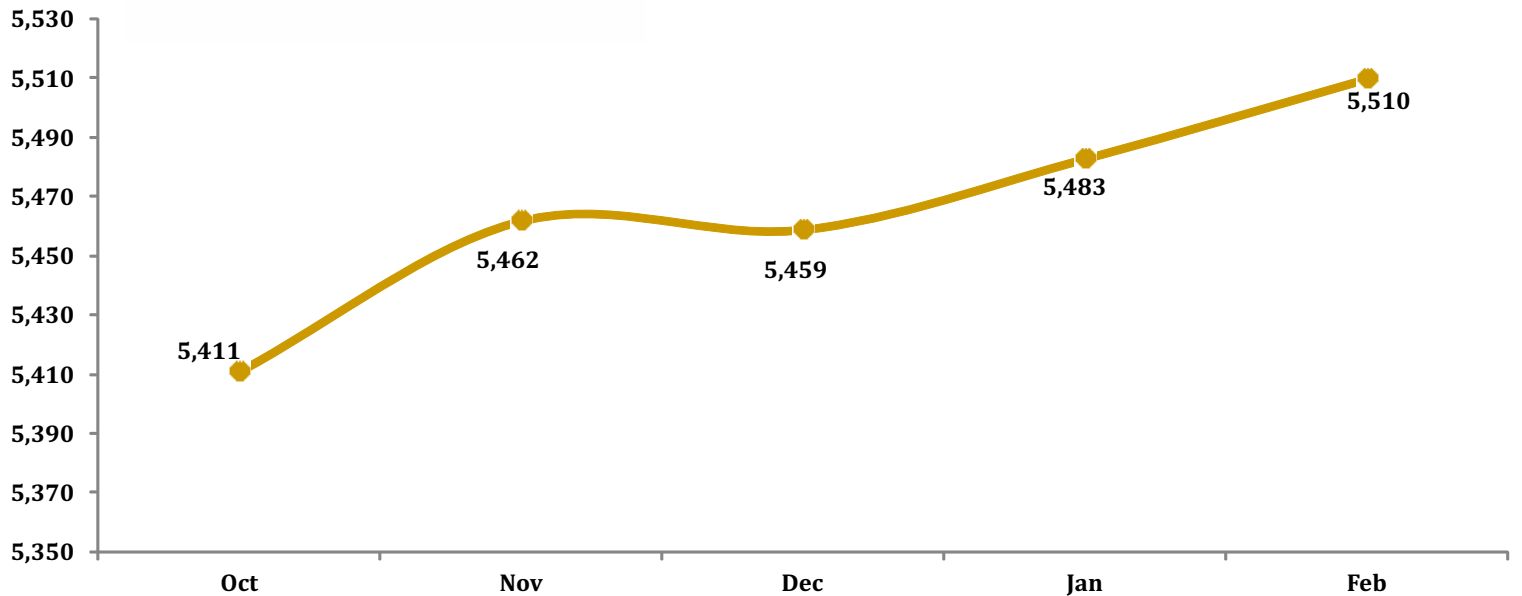
Source: Barchart

Closing as on 9th October, 2020

Fundamentals

- Chicago soybean futures trading near a more than two-year peak as the U.S. government's estimate for lower supplies supported prices. Soybean stocks were pegged at a five-year low, with rising exports eating into the stockpile, according to the U.S. Agriculture Department's monthly World Agricultural Supply and Demand Estimates Report.
- U.S. oilseed production for 2020/21 is projected at 126.6 million tons, down 1.1 million from last month with lower soybean, peanut, and cottonseed production partly offset with higher canola and sunflowerseed.
- U.S Soybean production is forecast at 4.3 billion bushels, down 45 million on lower harvested area. Harvested area is reduced 0.7 million acres to 82.3 million, with reductions for Kansas, North Dakota, and South Dakota.
- The soybean yield is projected at 51.9 bushels per acre, unchanged from the September forecast. Soybean supplies for 2020/21 are forecast at 4.8 billion bushels, down 96 million on lower production and beginning stocks.
- Despite reduced supplies, soybean exports are raised 75 million bushels on record early-season sales. With smaller supplies and increased exports, ending stocks are projected at 290 million bushels, down 170 million from last month.
- The U.S. season-average soybean price for 2020/21 is forecast at \$9.80 per bushel, up 55 cents reflecting smaller supplies and higher exports. The soybean meal price is forecast at \$335.00 per short ton, up \$20.00. The soybean oil price forecast is raised 0.5 cents to 32.5 cents per pound.
- With U.S. soy supplies tightening, traders are increasingly turning their attention toward rival producer Brazil, where dryness has threatened plantings.
- Weather issues in the United States and related reductions in forecast soybean production have further reduced forecast ending stocks when combined with lower 2019/20 carryout. This increases the possibility of global supplies tightening in 2021, particularly if the current La Niña weather pattern leads to drier conditions in South America. This has likely added some strength to futures prices.
- In the week ended Oct. 6, money managers increased their net long position in CBOT soybean futures and options to 238,394 contracts, up 9,351 from the previous week, according to data from the U.S. Commodity Futures Trading Commission.
- Open interest in soybean futures and options reached 1.27 million contracts as of Oct. 6, less than 30,000 contracts off the June 2016 record. That represents a 32% surge in open interest since late August, which is huge for a seven-week stretch.
- The dynamics behind the mid-August to mid-September price surge are complex but basically reflect a rebound in China purchases of U.S. soybeans and limited availability of exportable supplies in South America.
- The strong pace of 2020 exports, driven by strong China demand and a record low exchange rate, has depleted exportable supplies and is forecast to drive Brazil imports to their highest level since 2003.
- Consequently, China buyers have turned aggressively to securing U.S. soybeans in recent months. Outstanding sales to China in mid-September totaled nearly 17.0 million tons, nearly equal to the record set in 2013.

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



Source: NCDEX

Closing as on 9th October, 2020

Fundamentals

- Mustard futures (Nov) is expected to trade range bound and witness profit booking towards 5300-5200 facing resistance near 5560-5600. In the present scenario, the crush margin is negative, demand from millers have reduced due to higher prices and also due to increase in MSP for next Rabi season there are prospects of higher output.
- India is likely to grow a record 10 mln tn mustard crop in 2020-21 mainly on likelihood of a sharp rise in area. Govt aimed an all-time high crop of 12.5 mln tn this Rabi and it is possible that total mustard crop this yr may cross 10 mln tn.
- The government has more than enough mustard seed of good quality for the 2020-21 (Jul-Jun) rabi sowing. It has total stock of 26,700 tn certified seeds against requirement of 25,100 tn.
- Crushing of mustard seeds by mills in India surged 18.2% year on yr to 650,000 tn in September. Crushing improved sharply with the easing lockdowns on rising demand for its oil which is seen as an immunity booster. But, if we take a closer look month on month the crushing demand has reduced due to lower arrivals, higher prices and negative crush margin.

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
01st Sep'20 to 30th Sep'20	6.50
Total	52.50

End stock with Farmers	
Opening Stock (1st Mar, 2020)	68.45
Arrival Till 30th Sep'20	-56.15
Stock with farmers	12.30

Fig in Lac MT

End stock with Processors & Stockists	
Opening Stock (1st Mar, 2020)	5.55
Arrival Till 30th Sep'20	56.15
Crushing Till 30th Sep'20	-52.50
Stock with Processors & Stockists & NAFED/HAFED	9.20

Fig in Lac MT

Stock Summary 2019-20	
Stock with Farmers	12.30
NAFED	3.50
HAFED	1.40
Stock with Processors & Stockists	4.30
Total	21.50

Fig in Lac MT

Crush Margin

Ex Jaipur	Market Price (Rs/quintal)	Recovery %	Rs./quintal
A. Cost of Seed (after cash discount of 1%)			5,544
B. Benefit of Lab & Weight tolerance (1%)			56
C. Market price of DOC	1,730	59	1,021
D. Market Price of Kachi Ghani Oil	11,120	40	4,448
E. Total Recovery			5,469
F. Gross Margin (E-(A-B))			-19
G. Processing Cost			150
H. Crush Margin (F-G)			-169

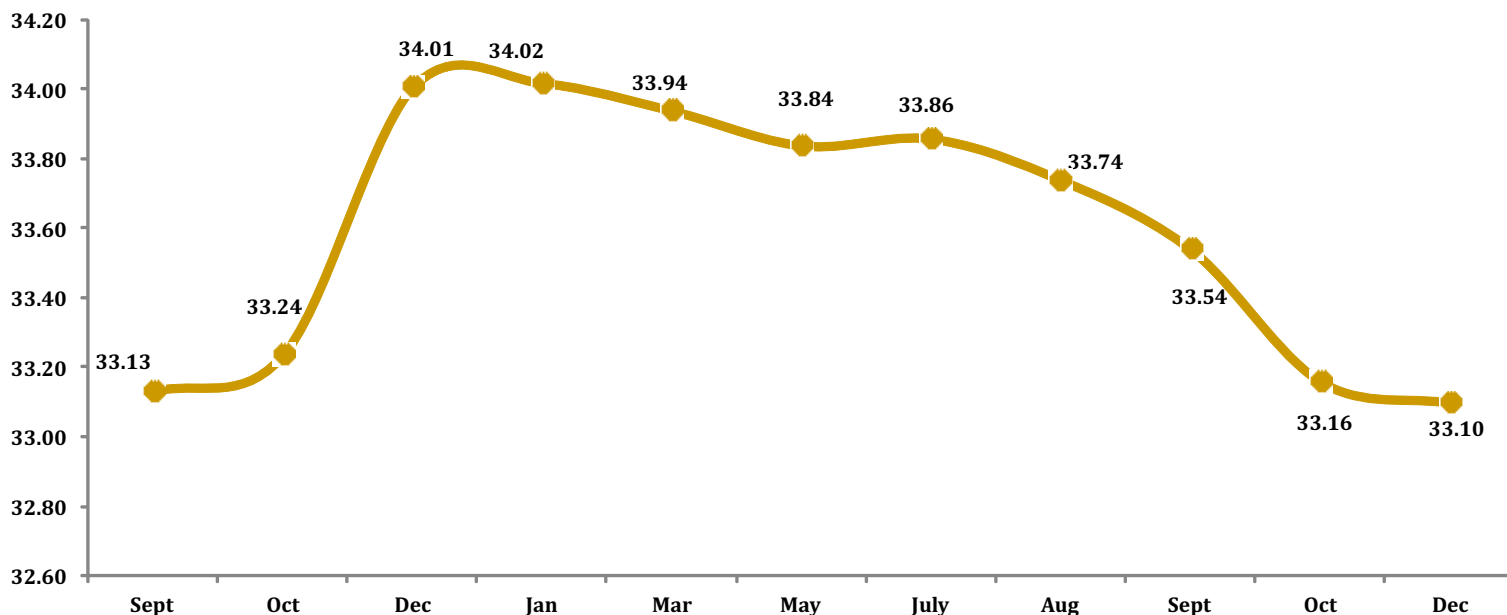
Fundamentals

- There is more room for upside in soy oil futures (November) as it has the potential to test 960-980, while CPO futures (October) can rally till 850 levels respectively.
- India's import of edible oil is likely to fall by almost 1.5 million tonnes (mt) during the oil year 2019-20. (The edible oil year ranges from November to October.) The country is estimated to import around 13.5 mt during 2019-20 as against 14.9 mt in the previous year.
- Imports may decline in November and December as higher production of monsoon-sown oilseeds curbs imports, while palm oil-use in restaurants and hotels is still picking up.
- A recovery in demand from India may curb the expansion of stockpiles, which have begun to swell in Malaysia, and could underpin prices at a time when a chronic labor shortage hampers production in the second-largest grower.
- On the international market, money managers reduced their net long in soybean oil futures and options to 80,994 contracts through Oct. 6 from 94,098 a week earlier, despite a 1% rise in futures and the expectation for light buying.
- Malaysia's palm oil inventory up 1.2% in September from a month earlier, official data Monday showed.
- Stockpile in Malaysia, the world's largest palm oil producer after Indonesia, totaled 1.73 million tons in September compared with 1.70 million tons in August, according to Malaysian Palm Oil Board. Exports up 1.9% to 1.61 million tons from 1.58 million tons in the previous month.
- Production, meanwhile, rose 0.3% at 1.87 million tons in September from 1.86 million tons in August.

	Sept 2020 (in million tons)	% change from Aug
Production	1.869	0.32
Palm Oil Imports	0.048	49.40
Exports	1.612	1.88
Biodiesel Exports	0.039	59.54
Local Disappearance	0.284	-7.44
End Month Stocks	1.725	1.24

In millions of tons

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



Source: Barchart

Closing as on 12th October, 2020

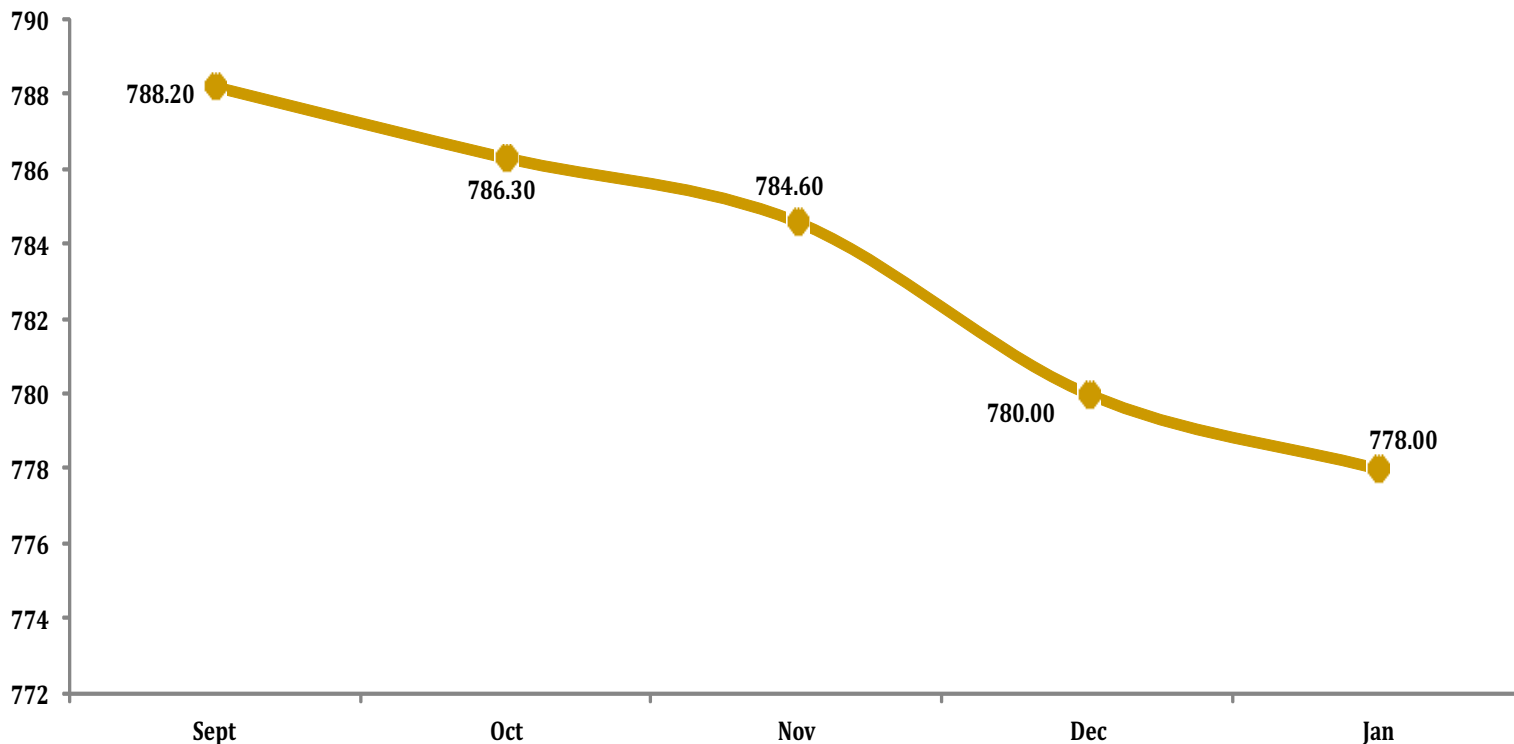
Forward Curve of Refined Soy oil futures (NCDEX) (Rs. 10/Kgs)



Source: NCDEX

Closing as on 12th October, 2020

Forward curve of CPO futures (MCX)



Source: MCX

Closing as on 12th October, 2020

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