

5th October, 2021

Monthly Report On Oilseeds & Edible Oils



Soybean

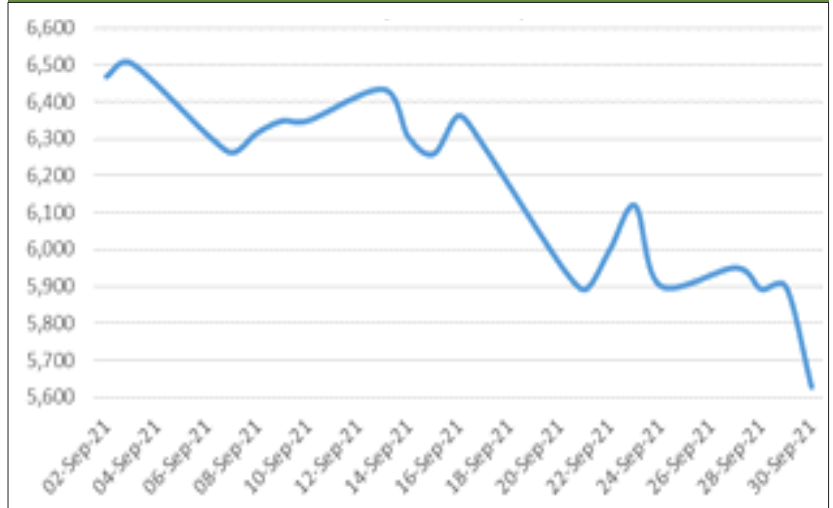
Factors to watch

- Harvest progress and unseasonal rains
- Production estimates for the new season
- Demand for soybean meal in domestic and export market
- US soybean production and Brazil area
- Edible oil imports during the next one month

Highlights

- Prices have cooled down more than 7% in September as harvesting period nearing
- Production estimate for new season higher compared to last season by Industry experts
- Market sources pegged production to be lower compared to last year
- Centre asks States to take disclosures of stock of edible oilseeds and oils from the millers and stockist
- New season soybean prices higher by 31% on year
- Soymeal exports down 27% Y/Y for Apr-Aug period

NCDEX Soybean - Sept-2021



Source: Reuters & SMC Research

- Soybean futures corrected about 7% in the month of September as new season soybean hitting the physical markets. The soybean prices in the September was higher by about 31% compared to last year prices due to lower carry overstocks and higher import prices of edible oils.
- India's soybean production in MY 2021-22 is expected to be around 10.8 million tonnes (mt), nearly 16.6% lower on the year according to the market sources.
- In the GLOBOIL conference the Industry experts has forecasted India's 2021 soybean output at 10 mt compared to 8.9 mt year ago. However, according to the 1st Advance estimated for 2021/22 by Ministry of Agriculture and Farmers Welfare, the production of soybean is pegged at 12.72 mt compared to about 129 mt last year.
- According to India's ministry of agriculture, planted area under soybean was at 12.2 million hectares in 2021-22, slightly higher than 12.1 million hectares in 2020-21.
- Soybean meal exports were down more than 37.5% for Apr-Aug period in FY 2021-22 at 1.56 lakh tonnes Vs 2.50 lt last year. For the first time, the Indian government has also allowed 1.2 mt of genetically modified soymeal due to shortage and high prices. India, which usually exports soymeal, has turned to imports as prices touching all-time highs.
- The USDA in its monthly report put 2021-22 world soybean production at 383.63 mt, down from the previous forecast of 385.22 mt. US soybean output was cut to 118.08 mt from 119.88 mt. Forecast production in Argentina was unchanged at 52 mt, as was that of Brazil at 144 mt.
- China the largest importer of soybean is forecast to import 101 mt in marketing year (MY) 21/22, up 3 mt from the previous year. The increase is based on growing soybean meal feed use, lower soybean production, and limited imports of rapeseed.

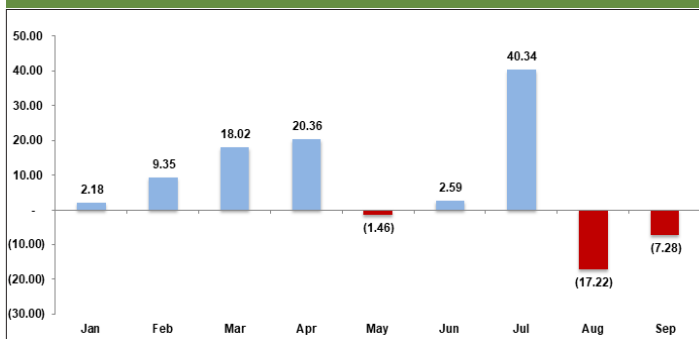
Outlook

Soybean futures on NCDEX have corrected for the second consecutive month in September and it is expected to correct further in the coming month due to arrival pressure from the new season crop. However, unseasonal rains in during the harvesting period may damage crops and decline the quality of seeds may support prices above 5000 levels. In coming weeks, we expect Soybean (Oct) prices to trade in a range of 5000 - 6100 with the resistance at 6370 levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	5628	4,870	5,250	5,990	6,370	7,100
Nov	5582	4,785	5,180	5,950	6,350	7,125

Monthly price movement of Soybean futures (%)



Heat map & Seasonal table for Soybean futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.83%	9.35%	18.02%	18.59%	-3.29%	4.48%	40.38%	-20.63%	-29.72%	-2.60%		
2020	-7.94%	-9.21%	2.37%	5.16%	-4.31%	-2.77%	1.78%	8.89%	-6.07%	10.27%	3.57%	4.33%
2019	12.56%	-5.54%	1.85%	-0.14%	0.60%	-0.65%	-2.15%	6.40%	2.27%	-1.25%	5.41%	8.94%
2018	20.27%	3.18%	-1.21%	-2.32%	-3.27%	0.48%	-4.88%	-5.01%	0.84%	2.19%	1.02%	1.34%
2017	0.23%	-3.26%	-2.79%	2.77%	-8.11%	5.86%	6.03%	1.32%	-2.64%	-7.10%	9.41%	0.99%
AVG	5.19%	-1.10%	3.65%	4.81%	-3.68%	1.48%	8.23%	-1.81%	-7.06%	0.30%	4.85%	3.90%

Mustard (RMSeed)

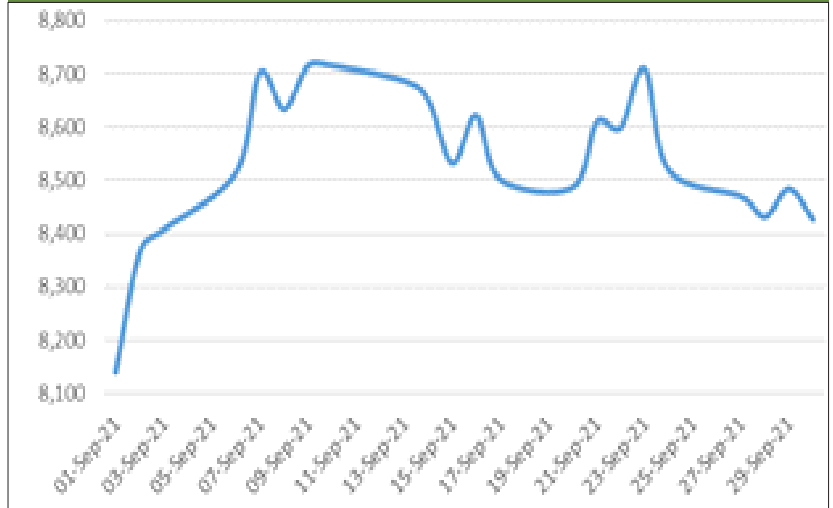
Factors to watch

- Festival demand for mustard oil
- Stocks available with traders and Farmers
- Stock arrival in the physical market
- Import of edible oil
- International prices of oilseed and edible oil.

Highlights

- YTD prices higher by 44.3%
- Domestic demand is firm as prices increase for the 3rd consecutive month
- Mustard stocks with the farmers and traders are low compared to last year
- Mustard meal exports Apr-Aug higher by 11% compared to last year
- Canada Rapeseed production is forecasted at 12.8 mt in 2021, 1.2 mt less than the USDA forecast
- USDA cut rapeseed stocks-to-use to just 5.2%

NCDEX RMSeed - Sept-2021



Source: Reuters & SMC Research

- Mustard seed futures surged higher in September by about 2-3% on good domestic demand and expectation of limited stocks with the farmers and oil millers as the sowing season stated in one months' time.
- As per market sources more than 60% of the fresh mustard crop of this rabi season has already arrived in the markets of major producing states, and lower stock is left with farmers to meet crushing requirements of the industry for remaining six months.
- As per the industry sources, the arrival of mustard in mandis across the country has come down from 1.85 lakh bags (80 kg per bag) to 1 lakh bags during the month of September. Around 60-65 lakh tonnes mustard seed is estimated to reach in the markets out of about 86 lakh available this season.
- India's Rapeseed meal exports higher 11.4% at 5.43 lakh tonnes (It) during Apr-Aug 2021 compared to 4.87 It last year. However, mustard meal exports were lower by 33.5% m/m due to higher export prices. Currently, the average FOB prices are 315 dollars per ton compared to 219 last year. Top export destinations for Indian mustard meal are South Korea, Thailand and Vietnam, which constitutes 87 per cent of exports volumes.
- As per USDA monthly update, World rapeseed seed production for 2021-22 is estimated lower by 5.7% at 68.17 mt compared to last year. USDA supply and demand estimates cut rapeseed stocks-to-use to just 5.2%.
- Canada is the largest rapeseed producing country in the world. USDA estimates Canada rapeseed production for marketing year 2021/22 at 14 mt, down 2.0 mt (13%) from last month, 5.5 mt (28%) from last year, and 31% below the 5-year average.

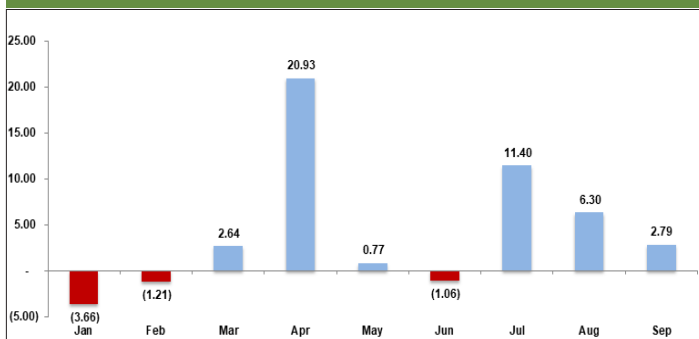
Outlook

We have witnessed fall in mustard prices last week of September due to the decline in oilseeds prices. There is expectation that the mustard may continue to trade in a range due to pressure of soybean arrivals as crushing plants are taking utmost precaution in entering into new deals. Along with mustard, oil and oil meal also remained steady. According to trade sources, the demand of mustard is likely to be good in the coming months as stock is continuously declining. This may kept the mustard supported above 8000 levels. We expect some corrections in the coming weeks towards 8000 levels with resistance at 8570 levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	8427	7,735	8,080	8,450	8,800	9,180
Nov	8417	7,750	8,080	8,500	8,830	9,240

Monthly price movement of RMSeed futures (%)



Heat map & Seasonal table of RMSeed futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-3.66%	-1.21%	2.64%	20.93%	1.85%	-1.06%	10.95%	6.29%	2.93%	-0.70%		
2020	-11.79%	-2.65%	2.80%	2.87%	6.26%	3.45%	8.24%	7.49%	1.07%	10.95%	-3.23%	-0.92%
2019	1.63%	-3.52%	-1.91%	-0.27%	5.48%	-0.20%	-0.10%	-0.38%	0.82%	8.90%	0.35%	7.80%
2018	5.00%	-1.23%	-1.81%	-6.33%	4.21%	1.69%	4.65%	-4.22%	4.79%	-2.18%	-2.76%	-1.46%
2017	-11.82%	0.37%	1.56%	-3.81%	-7.34%	3.62%	2.49%	1.95%	-0.85%	4.23%	5.31%	-4.02%
AVG	-4.13%	-1.73%	0.66%	-2.68%	-2.09%	1.50%	5.33%	2.22%	1.75%	4.24%	-0.08%	0.35%

Ref Soy oil

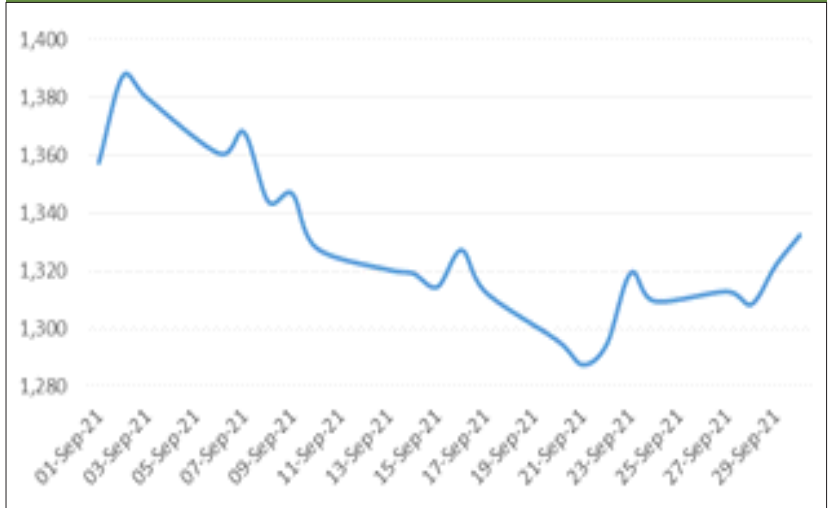
Factors to watch

- Tariff value and Import duty decided by the govt.
- Soybean harvest in India
- Soybean oil price in US /Brazil
- Prices of competing vegetable oil
- Stocks at port and pipe line

Highlights

- YTD prices is 11% higher
- Crude Soyoil imports at 24.30 lakh tonnes (Oct-Aug), down 13.5% compared to previous year
- Tariff value raised about 100\$ in September to 1328\$ per ton
- USDA - India Soybean oil production estimated at 17.5 lakh tonnes 2021/22, up 3.5% y/y
- Average import price of Crude soybean oil down 0.90% in Aug at 1362 US\$/tonne m/m but prices are higher by 69% y/y.
- Disclosures of stock of edible oilseeds and oils by the traders on government portal

NCDEX Ref Soy Oil - Sept-2021



Source: Reuters & SMC Research

- Ref Soy oil futures on NCDEX witness correction in the month of September due to weak international prices as we see corrections in the US soybean oil prices as well as domestic soybean prices. The prices have corrected due to expectation of higher oilseed production, cheap imports of vegetable oil due to cut in the base import duty for all major importing edible oils.
- As per SEA monthly report, import of vegetable oils during August 2021 down 23% y/y to 10.54 lakh tons compared to 13.70 lakh tons. The overall import of vegetable oils during November 2020 to August 2021 (10 months) is reported at 107.11 lakh tons compared to 111.96 lakh tons i.e. down by 4% compared to last year.
- Meanwhile after keeping tariff rate unchanged for 2 months, govt has raised the tariff import value of CPO by \$101 per tonne and crude soybean oil by \$100 per tonne.
- According to SEA monthly import data, crude soy oil imports during the month of Aug down by 108% m/m to 1.82 lakh tonnes while the import down 54% Y/Y compared to last year. Currently, the tariff rates of crude soy oil are 1238 dollar per tonne increased 100\$ on 15th Sep 2021.
- In US, Soyoil demand for food purposes is recovering from coronavirus disruption, but its use in biodiesel is falling, especially in the United States. Moreover, US is considering big cuts to national biofuel blending requirements. US Soybean production is likely to rise but that is unlikely to swell supplies of soyoil as the pace of crushing is inhibited by lower demand for meal.

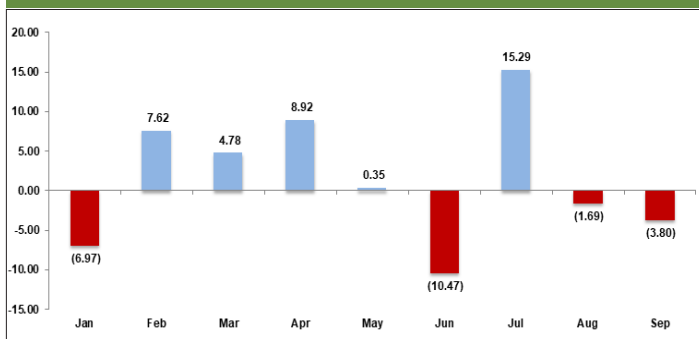
Outlook

Ref soy oil futures (Nov) expected to consolidate in the range of 1270 -1450 levels as the soybean harvesting is nearing while we see some weakness in International prices of Soybean in the US. Moreover, India's edible oil imports in September could jump as much as 59% from a year ago to 1.65 mt as refiners raised purchases after the government slashed import duty ahead of key festivals Government. Moreover, harvesting season of kharif oilseed may also pressurize the prices in coming weeks.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Oct	1332.40	1,216	1,274	1,342	1,400	1,468
Nov	1390.19	1,203	1,261	1,328	1,387	1,454

Monthly price movement of RSO futures (%)



Heat map & Seasonal table of Ref Soy Oil futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-7.11%	7.86%	6.47%	7.18%	0.36%	-10.47%	15.29%	-1.73%	-3.90%	-0.65%		
2020	-8.79%	-9.82%	8.10%	-0.58%	-4.80%	1.74%	9.12%	2.40%	1.25%	6.56%	11.30%	10.99%
2019	6.26%	-2.50%	-3.66%	1.55%	2.06%	-0.65%	-1.19%	2.71%	1.00%	0.73%	5.75%	14.59%
2018	3.25%	1.43%	3.06%	-2.55%	0.97%	-2.02%	-0.83%	-1.21%	1.46%	1.04%	-4.55%	1.41%
2017	-2.51%	-3.24%	-5.97%	-3.88%	1.58%	3.27%	1.60%	1.14%	0.61%	2.18%	8.17%	-1.36%
AVG	-1.78%	-1.26%	1.60%	0.34%	0.03%	-1.75%	5.33%	0.66%	0.08%	1.97%	5.17%	6.41%

Crude Palm Oil (CPO)

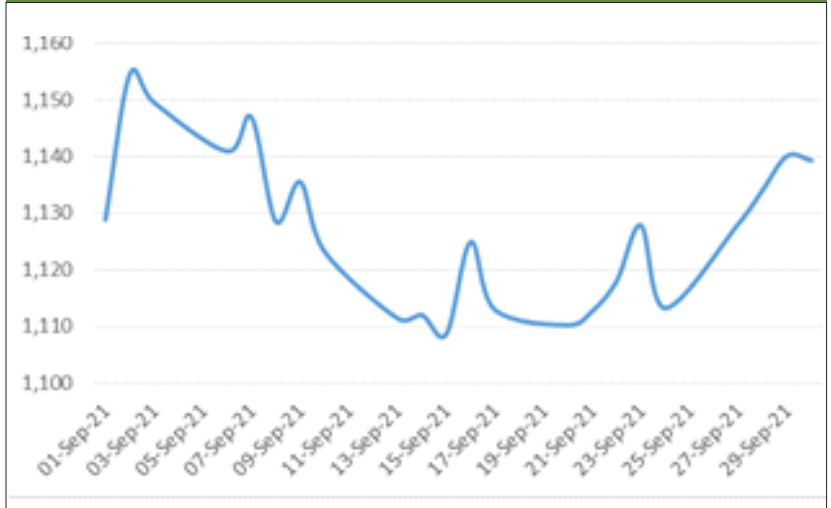
Factors to watch

- Imports of CPO and other edible oils
- Imports duty and tariff value
- Domestic Supply at port and pipeline
- Global oilseed and oil production and price
- Production and export data from Malaysia and Indonesia

Highlights

- YTD CPO prices higher by 15.9%
- Tariff value increased by 100 dollars per ton
- India Palm oil import up 61% in Aug 2021
- Palm oil imports higher by 9.80% at 63.7 lakh tonnes for Nov-Aug period
- Malaysia palm oil exports increased in September

MCX CPO - Sept-2021



Source: Reuters & SMC Research

- CPO futures mostly traded sideways in the month of September due to various fundamentals like higher imports and increasing tariff values. India's palm oil imports in August jumped by more than 61% on the month to 750,134 mt, according to data published by SEA, as bulk buyers looked to pad up edible oil inventories ahead of India's upcoming festival season.
- Due to a relaxation in policy for imports of RBD Palmolein — refined bleached, deodorized palm oil — deliveries of refined palm oil into India increased many-fold to 187,471 mt in August and are likely to continue to see similar volumes in the coming months, the Solvent Extractors' Association of India said in its monthly imports press release on Sept. 15. The govt has raised the tariff import value of CPO by \$101 per tonne.
- Government cuts import duty on palm, soybean and sunflower oils - Customs duty, along with additional infrastructure and development Cess, will be a uniform 24.75 per cent for all crude edible oils. For refined oils, the duty will be 35.75 per cent.
- On Sept. 30, palm oil futures in Malaysia set a new all-time high supported by supply concerns and higher exports coincided with Chinese buyers rushing to book palm oil shipments to make up for a potential shortage in soybean oil ahead of China's week-long Golden Week national holiday. Malaysia's exports of palm oil products in September are expected to be higher between 33%-43% on the month, according to data released by cargo surveyors ITS and Amspec.

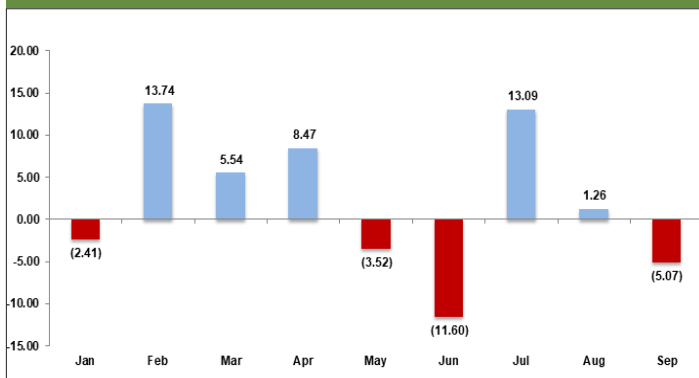
Outlook

The CPO prices are currently trading more than 41% higher compared to last year due to lower production of palm oil in Malaysia and Indonesia coupled with higher import duties and transportation charges. Palm oil prices expected to remain higher as supply may be constrained in 2021 due to production issues in Malaysia and Indonesia. We expect CPO (Oct) to trade in a range of 1080-1200 levels in coming weeks. The festival demand and the kharif oilseed harvest may have impact on the overall edible oil prices along with the imports of edible oil at reduced tax.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	1139.30	1,071	1,105	1,134	1,169	1,198

Monthly price movement of MCX-CPO futures (%)



Heat map & Seasonal table of MCX CPO futures

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	-2.54%	13.72%	5.26%	7.77%	-3.47%	-11.38%	13.52%	1.26%	-5.04%	-1.13%		
2020	-3.92%	-10.31%	-1.47%	-7.38%	4.20%	6.46%	5.57%	3.20%	1.21%	7.62%	4.87%	11.32%
2019	11.92%	-2.31%	-5.99%	3.17%	-2.78%	-1.60%	-0.14%	8.42%	-0.65%	6.18%	14.73%	20.22%
2018	0.99%	4.82%	11.02%	-1.33%	1.57%	-1.48%	-4.10%	-3.74%	-0.13%	-2.97%	-13.08%	0.46%
2017	0.96%	-7.21%	-1.17%	-4.14%	-0.79%	-4.23%	-0.45%	5.98%	5.76%	-0.42%	8.17%	-5.94%
AVG	1.48%	-0.26%	1.53%	-0.38%	-0.26%	-2.45%	2.88%	3.02%	0.23%	1.86%	3.66%	6.41%

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