

2nd September 2021

Monthly Report On

Oilseeds & Edible Oils



Soybean

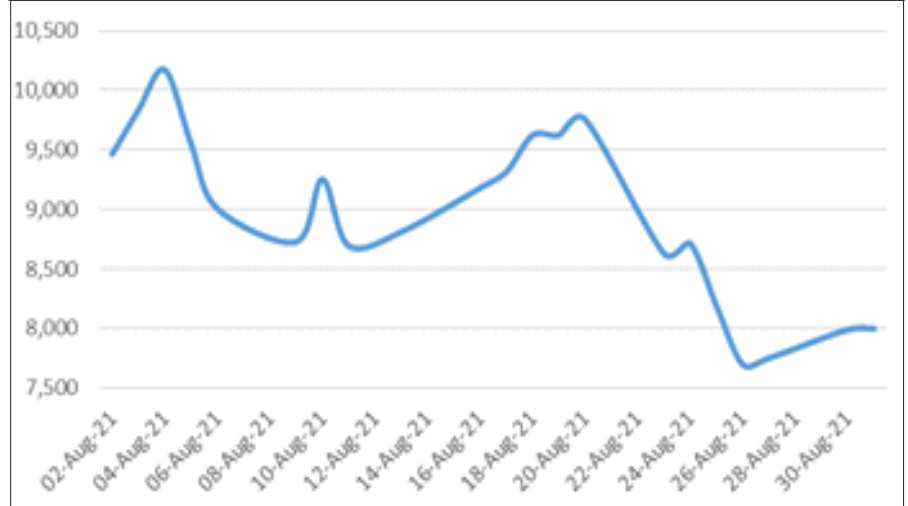
Factors to watch

- Area in kharif and its progress
- Monsoon progress in Sep
- Demand for soybean meal in domestic market
- Meal imports into country
- US soybean and oil prices

Highlights

- YTD prices higher by 36%
- Prices have cooled down as harvesting period nearing
- Soybean area higher compared to last year area
- Favorable rain forecast will boost the production prospects
- Soybean exports down 25% Y/Y for Apr-Jul period
- Soybean imports of 1.2 lakh tons allowed

NCDEX Soybean - Aug-2021



Source: Reuters & SMC Research

- Soybean futures corrected about 17-20% in the month of August due to various fundamentals.
- As per latest data published by Soybean Processor Association of India (SOPA), the area under soybean is higher at 123.54 lakh hac compared to 118 lakh ha last year as on 28-Aug. Of all the major soybean growing states in the country, soybean sowing in Maharashtra, Telangana, Karnataka and Gujarat has exceeded last year. However, India's largest soy producing state of Madhya Pradesh lagging behind in soybean sowing this year at 55.8 lakh hac Vs 58.4 lakh hac.
- Soybean meal exports were down more than 25% in FY 202-21 at 1.44 lakh tonnes Vs 1.91 lt.
- India Officially Permits Limited Soybean Meal Imports - On August 24, 2021, the Directorate General of Foreign Trade (DGFT), Ministry of Commerce and Industry published a directive in the Gazette of India Extraordinary that will officially permit India to import 1.2 million metric tons (MMT) of soybean meal and soy cake derived from genetically engineered (GE) soybeans through October 31, 2021.

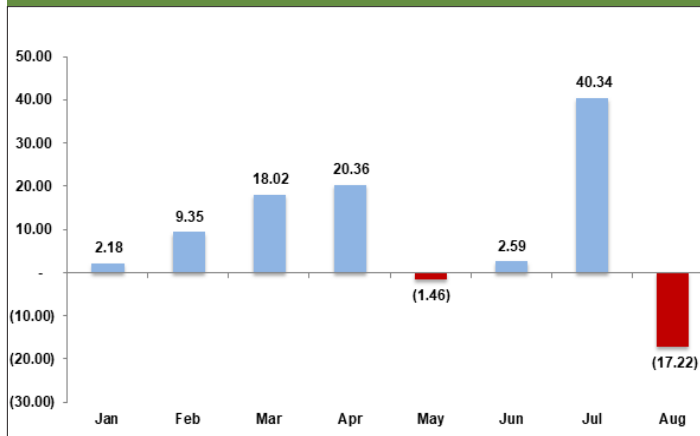
Outlook

Soybean futures have corrected in August and it is expected to correct further in the coming month due to arrival pressure from the new season crop. In coming weeks, we expect Soybean (Sep) prices to trade lower towards 7000 with the resistance at 8200 levels while Soybean (Oct) may trade towards 5500 levels with the resistance at 7300 levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	8130	5,698	6,845	8,750	9,895	11,800
Oct	6300	3,875	5,090	7,320	8,535	10,760

Monthly price movement of Soybean futures (%)



Heat map & Seasonal table for Soybean futures

Year	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%	2.51%			
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%	-0.62%	1.02%	4.85%	3.90%

Mustard (RMSeed)

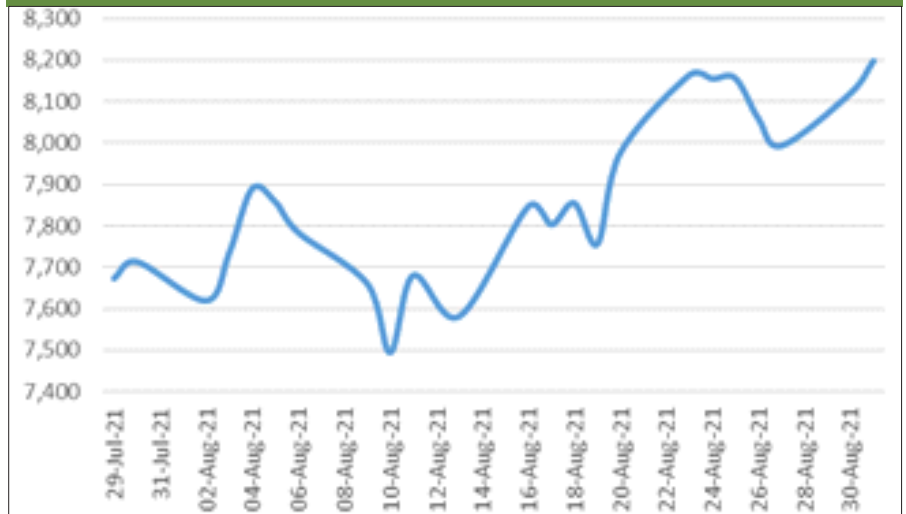
Factors to watch

- Domestic crush Demand
- Stocks available with traders and Farmers
- Import of edible oil
- International prices of oilseed and edible oil

Highlights

- YTD prices higher by 46.8%
- Domestic demand is firm
- Mustard stocks with the farmers and traders are low compared to last year
- Mustard meal exports Apr-Jul higher by 10% compared to last year
- Canada canola production to drop by 24% this season

NCDEX RMSeed - Aug-2021



Source: Reuters & SMC Research

- Mustard seed futures surged higher in August by about 6-7% as stocks with the stocks with the farmers and oil millers are lower at about 35-40 lakh tonnes with more than 7-months to go for new season crop.
- More than 50 percent 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 seven months.
- As per the industry sources, around 1.75 lakh bags (14000 tonnes) are arriving daily in the sport market across the country. Around 55-60 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 10% at 4.80 lakh tonnes during Apr-Jul 2021 compared to last year. However, mustard meal exports were lower by 14% m/m and 36% y/y in Jul-2021 compared to the same period last year due to almost 50% increase in export prices.
- As per USDA monthly update, World rapeseed seed production for 2021-22 is estimated lower by 2.6% at 699 lakh tonnes compared to last year.

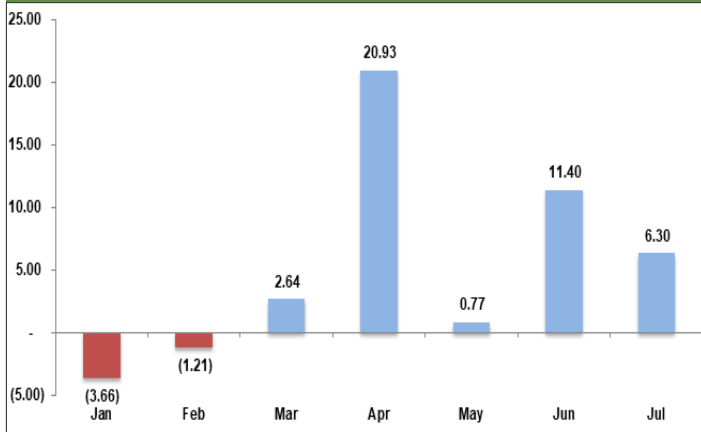
Outlook

According to trade sources, the consumption of mustard is likely to increase further in the coming months. On the other hand, the stock is continuously declining. This has kept the mustard buoyant with prices even went past Rs. 8300 per quintal. Processing units and stockiest expected to buy actively on reports that the stock of mustard in the country is continuously declining. We expect the prices to trade with positive bias in the coming weeks towards 8400 levels with support at 7550.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	8130	6,9845	7,550	7,920	8,490	8,860
Oct	8169	8,085	8,175	8,265	8,350	8,440

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%	11.40%	6.29%	-0.54%			
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%	-3.92%	-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%	1.06%	5.48%	-0.08%	0.35%

Ref Soy oil

Factors to watch

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

Highlights

- YTD prices is 16.4% higher
- Crude Soyoil imports at 18.5 lakh tonnes (Oct-Jun), down 3.15% compared to previous year
- Tariff value is unchanged since two months at 1228 dollars per ton
- USDA - India Soybean oil production estimated at 17.5 lakh tonnes 2021/22, up 3.5%
- Average import price of Crude soybean oil increased in Jul to 1374 US\$/tonne m/m

NCDEX Ref Soy Oil - Aug-2021



Source: Reuters & SMC Research

- Ref Soy oil futures on NCDEX was very volatile during the last one-month period touching the high of 1444 levels but then closed lower by 1.70% on month due to major corrections seen in the US soybean oil prices as well as domestic soybean prices.
- Moreover, the government has reduced the basic customs duty on crude, soyoil, and sunflower oil to 7.5 per cent - almost half of its previous rate applicable till September 30, 2021. The lower duties are intended to boost the domestic supply in the economy and also ease the rising prices of vegetable oil in the domestic market.
- According to SEA monthly import data, crude soy oil imports during the month of July increased by 45.7% m/m to 3.80 lakh tonnes while the import down 21.6% Y/Y if compared to last year. Currently, the tariff rates of crude soy oil are 1228 dollar per tonne unchanged since June.

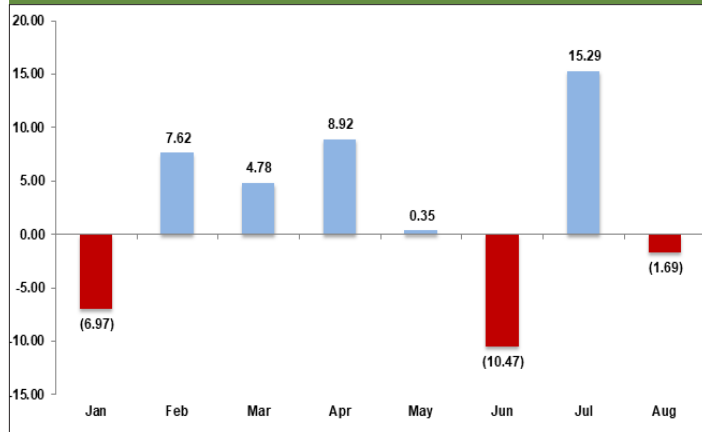
Outlook

Ref soy oil futures expected to consolidated in the range of 1343 -1450 levels. Government has cut import duty on both crude soybean oil and sunflower oil to control the edible oil prices in the country which will have cooling effect on soy oil. Moreover, harvesting season of kharif oilseed will also pressurize the prices in coming weeks.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	1387	1,287	1,343	1,394	1,450	1,501
Oct	1367.5	1,260	1,321	1,377	1,439	1,495

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%				
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%	-1.25%	-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%	1.08%	2.63%	5.17%	6.41%

Crude Palm Oil (CPO)

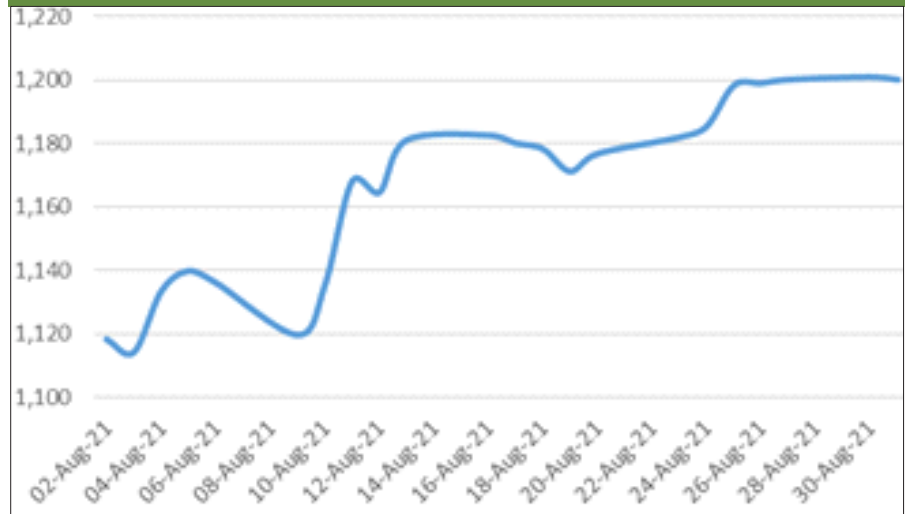
Factors to watch

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

Highlights

- YTD CPO prices rise 17.4%
- Tariff value unchanged but higher by 45% compared to last year
- CPO imports down 43% m/m in Jul-2021
- CPO imports higher by 10% at 56 lakh tonnes for Nov-Jul period
- Malaysia palm oil exports down 18% m/m in Aug-2021
- Indonesia to Raise CPO Export Tax for Sept., Keep Levy Unchanged

MCX CPO - Aug-2021



Source: Reuters & SMC Research

- At Multi Commodity Exchange (MCX), CPO futures rose about 7% in the month of August due to good domestic demand. The imports in Jul were lower by 43.5% Y/Y and 20.74% m/m due to higher prices and sufficient stocks in the country. However, during first 7-month of calendar year, country imported 56.15 lakh tonnes of CPO from Malaysia and Indonesia, up by 10% compared to last year imports.
- The tariff value of CPO and RBD palmoil is unchanged from last one and half month at 1029 and 1064 dollar per ton respectively which is almost 45% higher than last year tariff value.
- Indonesia set its crude palm oil (CPO) export reference price 13% higher in September at \$1,185.26 per tonne, up from \$1,048.62 a month earlier. This means that the export tax for the edible oil has jumped from \$93 per tonne in August to \$166 in September. Export levies for CPO, however, remain the same at \$175 per tonne.
- There is surplus palm oil in the market with Indonesia having a stockpile of around 4million tonnes and Malaysia about 1.5 million tonnes; and as the current price is considerably very high. the increasing stockpiles in producing countries Indonesia and Malaysia were expected to weigh on the market sentiment. The exports of Malaysian palm oil products for Aug fell 18% compared to July.

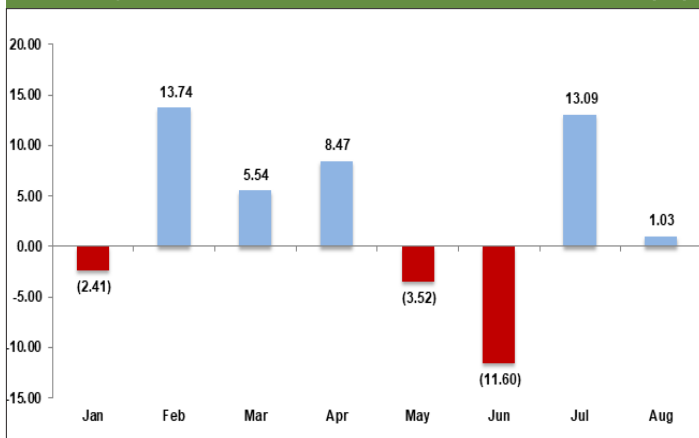
Outlook

The CPO prices are currently trading more than 50% higher compared to last year and now we expect it to trade in a range of 1134 -1235 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. As per SEA data release, Country has sufficient stocks while expectation of higher imports will have negative impact on the prices this month.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Sep	1138	1,070	1,135	1,1670	1,235	1,270

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%	6.47%	7.77%	-3.47%	-11.38%	13.52%	1.26%	-5.08%			
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%	8.12%	-5.94%
AVG	1.48%	-0.26%	1.53%	-0.38%	-0.26%	-2.45%	2.88%	0.66%	0.22%	2.60%	3.66%	6.52%

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