Agri-Commodities Daily Report

Friday, August 04, 2017

Agri-Fundamentals

Soybean

NCDEX Soybean August futures fell to 2 weeks low tracking weak international prices and lower edible oil prices. Currently, market participants liquidate their long positions on anticipation of steady demand for soybean in coming weeks due to sufficient supplies of edible oil in the country.

However, kharif sowing of soybean fell so far during the period due to a drop in acreage in Madhya Pradesh, the country's largest producer of soybean, as most farmers shifted to more profitable crops such as cotton due to poor returns from oilseeds last year. As per government data, soybean planting fell 10.3% to 95.7 lakh hectares compared with the same period last year. Last year, the acreage was 106.7 lakh hectares.

CBOT November soybean futures fell to a one-month low on Thursday, pressured by beneficial Midwest rains and forecasts for cool temperatures that should boost soy yield potential. The USDA reported, net sales of 233,400 MT for 2016/2017 were up 43% from the previous week, but down 20 % from the prior 4-week average however, exports of 713,600 MT were up 64 % from the previous week and 93% from the prior 4-week average.

RMseed (Mustard seed)

Mustard Aug futures fell more than 1.4% on Thursday tracking weak edible oil prices and other oilseeds. Market participants are liquidating their positions in the front month contract as additional pre-expiry margins are applicable from yesterday. There is steady physical demand and high stock levels are pressurizing prices.

There is improvement in exports of meal during the first quarter of 2017/18. Meal exports from the country during the first quarter increase to 1.36 lakh tonnes from 60,889 tonnes last year same period.

Mustard prices have been under pressure this season due to record production in 2016/17 and higher imports of Mustard oil during the current oil year started Nov 2016. As per SEA recent data, mustard oil imports for period Nov-May increase 5% to 1.18 lt in 2016/17 from 1.72 lt in the previous year. Moreover, imports increase by 55.7% in May compared to last year imports.

Outlook

Soybean futures are expected to trade lower due to steady demand and lower acreage in kharif. Moreover, good crop conditions of soybean central India may pressurize prices. However, expectation of good crushing demand on reports of hike in import may support prices.

Mustard seed futures expected to trade lower today on expectation of higher imports of edible oil on stronger rupees which will cut down demand for mustard crushing. However, reports of crop damage in warehouses in Gujarat and Rajasthan and hike in import duty may support prices.

Technical Levels

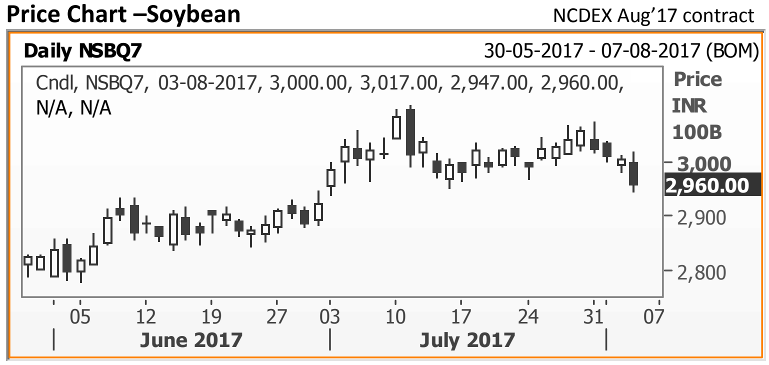
Contract	Unit	Support	Resistance
Soybean NCDEXAugl'17	₹/qtl	2980-2920	2990-3030
Mustard NCDEX Aug'17	₹/qtl	3560-3600	3700-3760

Market Highlights – Oilseeds

			% Change			
	Unit	Last	Prev day	WoW	MoM	YoY
Soybean Spot- NCDEX -Indore	R/10 kg	2956	-0.44	-0.44	1.34	-22.84
Soybean- NCDEX Aug'17	R/10 kg	2960	-1.46	-2.70	-2.25	-14.77
Soybean-CBOT Nov'17	USc/lb	961	-1.74	-4.67	#N/A	-3.03
RM Seed Spot- NCDEX	MYR/Tn	3863	0.13	-0.04	4.40	-25.26
RM Seed- NCDEX Aug'17	R/10 kg	3648	-1.41	-1.33	0.22	-24.44
Rapeseed-WCE	CAN $/Tn	498	-0.68	-1.23	-10.70	11.57

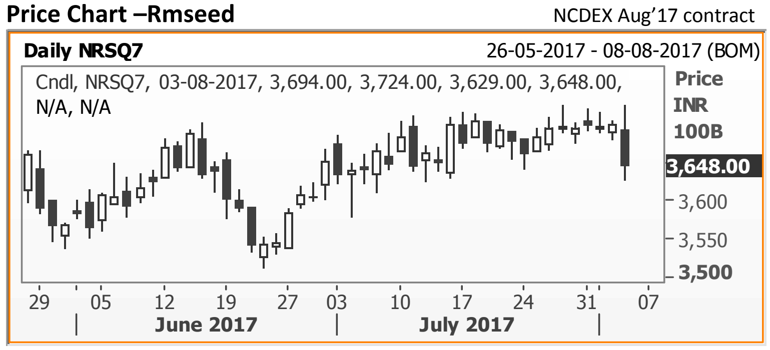
Price Chart –Soybean

NCDEX Aug'17 contract



Price Chart –Rmseed

NCDEX Aug'17 contract



Refine Soy Oil

Refined Soy Oil Aug futures continue to close lower for the third consecutive session yesterday on strong rupees and weak physical demand from the stockists. Stronger rupees make imports cheaper for the imports. Earlier, Government has increased soy oil tariff rates for the next fortnight capped further loss. However, higher stock levels in the domestic market is keeping prices under pressure.

The base import price of crude soyoil has been hike by $8 to $820 per tonne for the first half of August. Base import prices of edible oils are revised every fortnight, based on global prices and changes in foreign exchange rate. The prices were last revised on Jul 14.

As per SEA, the import volume is down by about 30% for the period from Nov-May to 16.10 lt compared to 24.22 lt last year for same period.

Crude Palm oil

MCX CPO closed fell more than 1.8% on Thursday tracking weak Malaysian palm oil futures and stronger rupee. The base import prices of refined, bleached and deodorised palm oil, refined, bleached and deodorised palmolein and crude palmolein have been cut by $12 per tonne each for first half of August.

However, higher imports and stock data are keeping the prices under pressure.

Imports of palm oil increase by 35% on Year to 8.2 lakh tonnes compared to 6.1 lt last year. During the first 8 months of current oil year, the imports are higher by 5.7% to 59.21 lt compared to 56 lt last year same period.

Malaysian palm oil fell for a third straight session on Thursday, hitting their lowest in a week due to forecasts for rising output and weaker performing related edible oils.

Inventories and output for July are expected to rise in line with the seasonal trend, while cargo surveyor data also showed an increase in demand from Europe and China.

Outlook

We expect **Ref Soy oil** to trade sideways to lower due to stronger rupees and higher supplies in domestic market due to higher imports. However, increase in base import duty and consideration of higher import duty may keep prices supportive at higher levels.

CPO futures may trade sideways to lower on expectation of weak Malaysian prices due to higher production in coming months. Moreover, higher stocks in the physical market may pressurize prices. However, reports of increase the import duty of edible oil in the country may keep prices supportive.

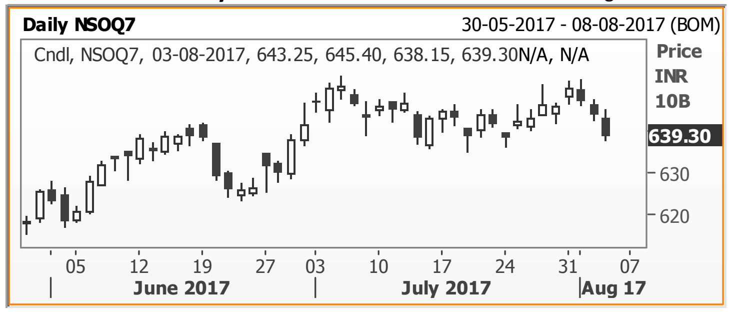
Technical Levels

Contract	Unit	Support	Resistance
Ref Soy Oil NCDEX Aug'17	₹/qtl	632-635	642-645
CPO MCX Jul'17	₹/qtl	470-473	482-488

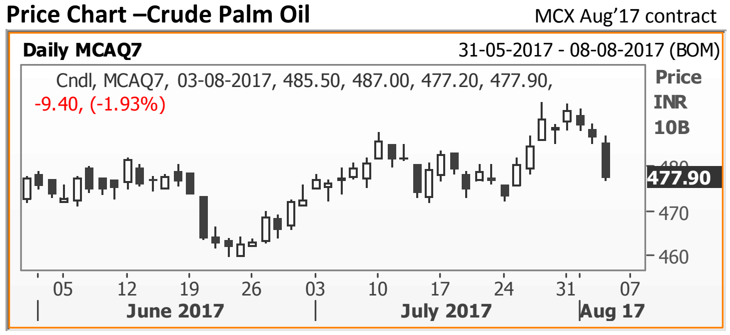
Market Highlights – Edible Oils

				% Change		
	Unit	Last	Prev day	WoW	MoM	YoY
Ref Soyoil Spot - Mumbai	R/10 kgs	637.0	-0.47	-0.08	0.55	0.3
Ref Soy oil- NCDEX Aug'17	R/10 kgs	639.3	-0.81	-1.13	-1.74	-1.6
Soybean Oil- CBOT- Dec'17	USc/lbs	33.80	-2.23	-1.43	#N/A	11.6
CPO-Bursa Malaysia - Oct'17	MYR/T	2604	-1.44	-2.73	3.83	5.0
CPO- MCX – Aug'17	R/10 kg	477.9	-1.85	-2.63	0.29	-15.1

Price Chart –Ref Soy Oil NCDEX Aug'17 contract



Price Chart –Crude Palm Oil MCX Aug'17 contract



Source: Reuters

Sugar

Sugar Futures traded lower on Thursday tracking weak international prices. The food ministry expects sugar output in 2017-18 (Oct-Sep) at 235-240 lakh tonnes (lt), much below 251 lt projected by the Indian Sugar Mills Association (ISMA). As per the officials, Sugar output in Uttar Pradesh may rise to about 92-93 lt in 2017-18, up from 88 lt produced this year, while in Maharashtra, sugar production may rise to 73 lt, up from 42 lt produced in 2016-17.

ICE Sugar futures tumbled nearly 6% on Thursday after computer-generated sell stops drove prices sharply lower within just one minute, triggering a circuit breaker. October raw sugar settled down 0.48 cent, or 3.3%, at 14.31 cents per lb, after falling 5.9 percent. Earlier, Brazilian government reduced a federal ethanol tax on Friday, after the market closed, while maintaining higher diesel and gasoline rates.

Outlook

Sugar futures may trade sideways to higher on expectation of higher physical demand. However, sufficient supplies in the domestic market may keep the prices under control. Production is expected to be higher by 25% in 2017/18.

Technical Levels

Contract	Unit	Support	Resistance
Sugar NCDEX Oct'17	₹/qtl	340-3510	3560-3610

Cotton / Kapas

MCX Cotton traded in a narrow range and closed lower on Thursday as market participants' book profits at current levels. As per farm ministry, incidents of pink bollworm attacks have been reported in many parts of key cotton growing areas in south India and Gujarat. However, good progress in cotton sowing in the country capped further gain. **As per latest data from Agricultural Ministry, cotton is planted in 111.2 lakh hectares (l ha) till last week, higher 20% compared to last year acreage of 92.3 lakh ha for same period.**

ICE cotton futures edged lower after hitting a fresh seven-week high in low volume trade on Thursday, amid weaker export sales data.

The U.S. Department of Agriculture early on Thursday reported, net upland sales reductions of 55,700 RB for 2016/2017--a marketing-year low--were down noticeably from the previous week and from the prior 4-week average. Moreover, exports of 275,300 RB were down 16% from the previous week, but unchanged from the prior 4-week average.

Outlook

Cotton futures are expected trade sideways to higher on reports of heavy rains in cotton growing areas of Gujarat coupled with good physical demand in the country. However, sufficient stocks good acreage in the country may keep the prices in a range.

Technical Levels

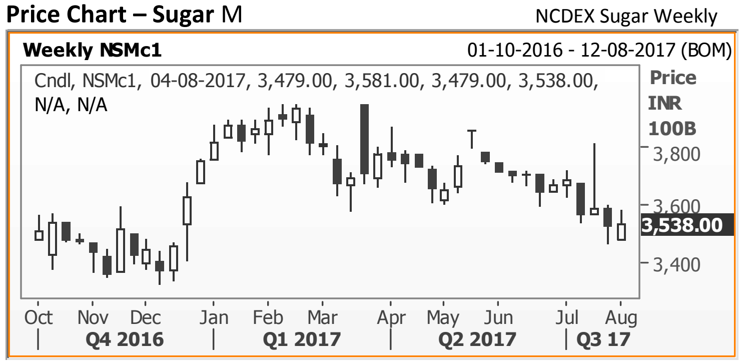
Contract	Unit	Support	Resistance
Kapas NCDEX Apr '18	₹/20 kgs	865-870	880-885
Cotton MCX Oct'17	₹/bale	18100-18300	18700-18900

Market Highlights - Sugar & Cotton

	Unit	Last	Prev day	WoW	MoM	YoY
			% Change			
Sugar M- NCDEX	R/qtl	3538	-0.3	1.0	-3.1	-1.4
ICE-Europe Sugar No 5- Aug'17	$/tonne	388.8	-2.1	-1.1	0.0	-26.4
ICE-US Sugar No 11- Oct'17	$/tonne	14.31	-3.2	-0.8	#N/A	-24.8
NCDEX Kapas Apr '18	R/20 kgs	874.5	-0.34	-0.63	1.27	-6.27
MCX Cotton Oct'17	Rs/Bale	18490	-0.22	-0.43	0.33	-9.05
ICE Cotton Dec '17	Usc/Lbs	70.16	-0.26	1.84	#N/A	-4.98
Cotton ZCE	Yuan/ton	15015	1.15	0.87	2.00	6.30

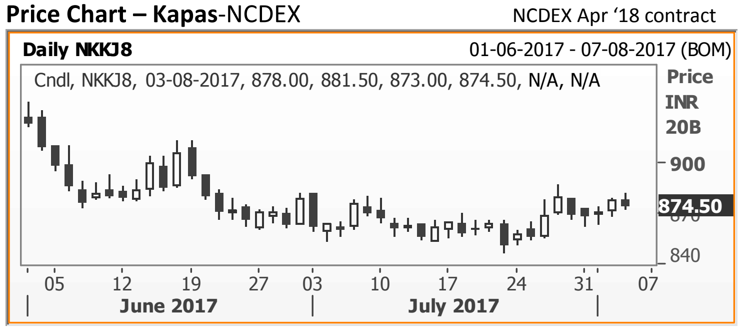
Price Chart – Sugar M

NCDEX Sugar Weekly



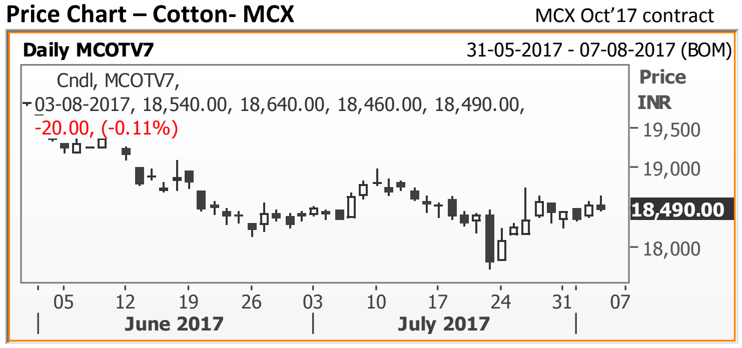
Price Chart – Kapas-NCDEX

NCDEX Apr '18 contract



Price Chart – Cotton- MCX

MCX Oct'17 contract



Source: Reuters

Spices (Jeera & Turmeric)

NCDEX Jeera for Aug delivery contract closed higher on Short covering on Thursday as market participants are moving to far month contract. Near month August delivery contract is now attracting additional pre-expiry margins. Far month Sep delivery contract has seen some fresh buying yesterday.

As per Agmarknet, jeera arrival during in July dropped to 3,668 tonnes as compared to June arrival data. In June, arrival record at 8,072 tonnes. **As per the data release by government, in May 2017, exports are down 35.8% to 13,605 tonnes compared to 21,188 tonnes exported during last May. Moreover, Jeera exports during first five months in 2017 is 5039 tonnes, up 9.7% compared to last year exports volume for the same period.**

NCDEX August Turmeric futures continue its uptrend on Thursday on dry conditions in turmeric growing areas, slower sowing progress and good physical demand. In Telangana, turmeric acreage as on 29-Jul-17, down 2.5% to 39,000 hectares as compared to last year acreage of 40,000 hectares

Market arrivals dropped about 30% in July compared to June. As per Agmarknet data, about 19,218 tonnes arrived in July compared to 27,373 tonnes in previous month. **As per the data release by government, turmeric exports during May 2017 was down 18% to 11,204 tonnes on year but the exports during first five months in 2017 is 54,058 tonnes, up 22% compared to last year exports volume for the same period.**

Outlook

We expect **Jeera** futures expected to trade may trade sideways today but, tight supplies due to rain damage and good physical as well as export demand may keep the prices higher.

Turmeric futures expected to trade sideways to higher on dry conditions in the turmeric growing regions of south India. Moreover, improving demand from upcountry buyers and lower carryover stock this season may also support prices.

Technical Levels

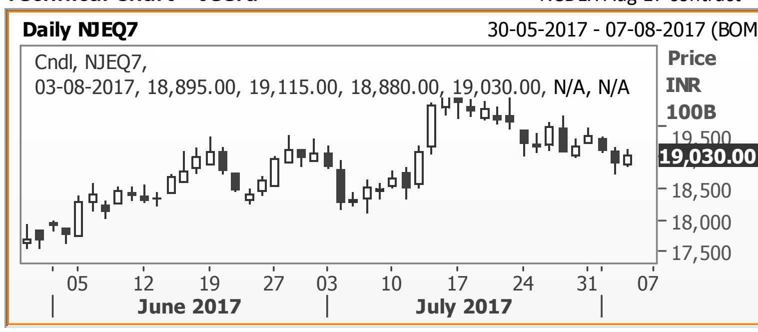
	Unit	Support	Resistance
Jeera NCDEX Aug'17	₹/qtl	18500-18700	19200-19400
Turmeric NCDEX Aug'17	₹/qtl	7400-7520	7740-7840

Market Highlights - Spices

				% Change		
	Unit	Last	Prev day	WoW	MoM	YoY
Unjha	R/qtl	19313	0.55	-0.79	3.25	0.13
Jeera- NCDEX Aug'17	R/qtl	19030	0.58	-0.34	4.05	2.34
Turmeric Spot- NCDEX	R/qtl	7683	0.20	6.67	21.48	-9.21
Turmeric- NCDEX Aug'17	R/qtl	7678	1.37	9.09	18.71	-6.30

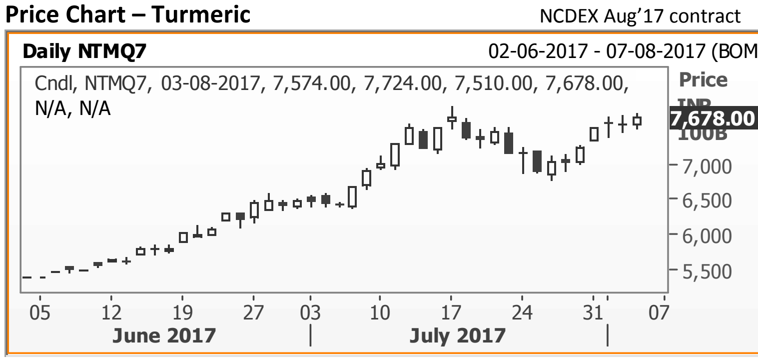
Technical Chart – Jeera

NCDEX Aug'17 contract



Price Chart – Turmeric

NCDEX Aug'17 contract



Source: Reuters

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