

1st November, 2021

Monthly Report On Oilseeds & Edible Oils

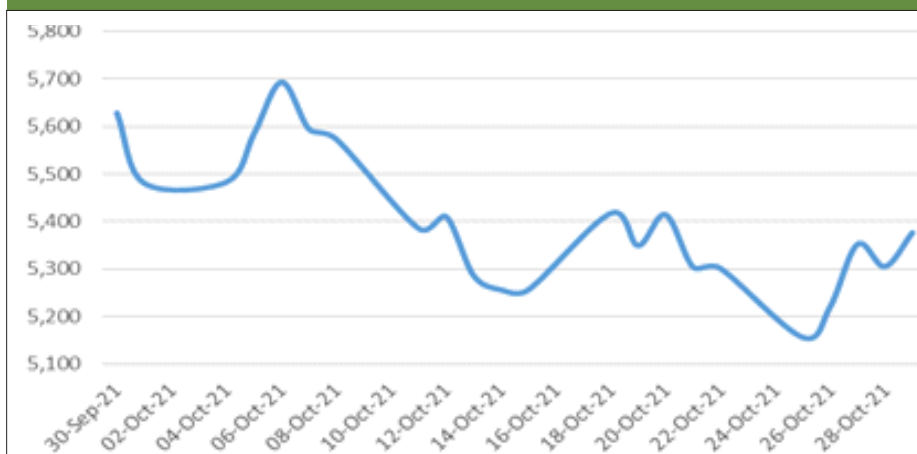


Soybean

Factors to watch

- New season soybean arrivals
- Domestic Crushing demand for the soybean
- Demand for soybean meal in domestic and export market
- US soybean production and Area in Brazil & Argentina
- Edible oil import scenario during the next one month

NCDEX Soybean - Oct-2021



Source: Reuters & SMC Research

Fundamentals

- New season soybean prices higher by 30% on year as demand is higher compared to the arrivals in the physical market.
- Soybean Prices have corrected for the third consecutive month in October due to new season soybean entering the physical market along with the record imports of edible oil in the country.
- Allowing import of soymeal into the country till January next year also weighing on the soybean prices.
- Oilseed area in the rabi season will be very important driver for the soybean prices.
- 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.
- Centre asks States to take disclosures of stock of edible oilseeds and oils from the millers and stockist
- Soybean meal exports were down more than 37.5% for Apr-Sep period in FY 2021-22 at 1.61 lakh tonnes Vs 3.17 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.

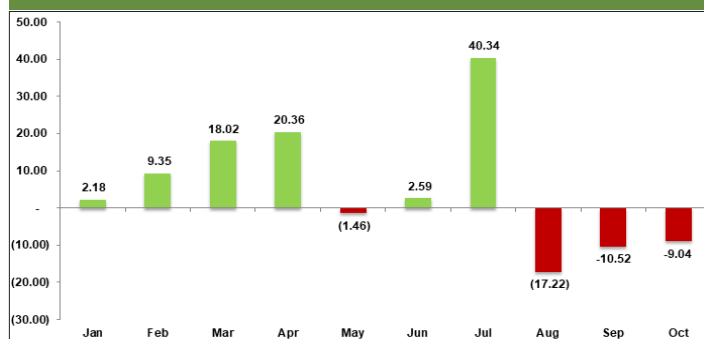
Outlook

Soybean futures on NCDEX have corrected for the third consecutive month in October and it is expected to trade higher as per the seasonality due to increasing demand for the new season crop. Moreover, unseasonal rains in during the harvesting period may damage crops and decline the quality of seeds, which support prices above 5500 levels. In coming weeks, we expect Soybean (Nov) prices to trade towards 5800 with the support at 5000 levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	5374	4,660	5,030	5,460	5,815	6,255
Dec	5417	4,810	5,110	5,445	5,750	6,080

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%	-4.43%		
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%	-3.65%	1.48%	8.23%	-1.81%	-7.06%	-0.07%	4.85%	3.90%

Ref Soy oil

Factors to watch

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

NCDEX Ref Soy oil - Oct-2021



Source: Reuters & SMC Research

Fundamentals

- Ref soy oil prices on NCDEX corrected for the third consecutive month in October due to higher imports of edible oil and government asked for disclosure for the stocks on the government portals and asked states to implementation stock limits on oilseed and edible oil in the country.
- As per SEA monthly report, import of edible oils during September 2021 jumped 62 y/y to 16.98 lakh tons compared to 10.44 lakh tons. The overall import of edible oils during November 2020 to September 2021 (11 months) is reported at 120.85 lakh tons compared to 119.50 lakh tons i.e. higher by 1.1% compared to last year.
- However, imports of crude soy oil for Nov-Sep 2021 period is lower by 14.7% y/y to 26.50 lakh tonnes due to higher import prices.
- Average import price of Crude soybean oil is 70% higher in 2020-21 at 1285 US\$/tonne y/y compared to only 750 dollars in the previous year.
- Similarly, the tariff value also increased in October twice to about 1406\$ from 1328 \$ in September.
- USDA - India Soybean oil production estimated at 17.5 lakh tonnes 2021/22, up 3.5% y/y

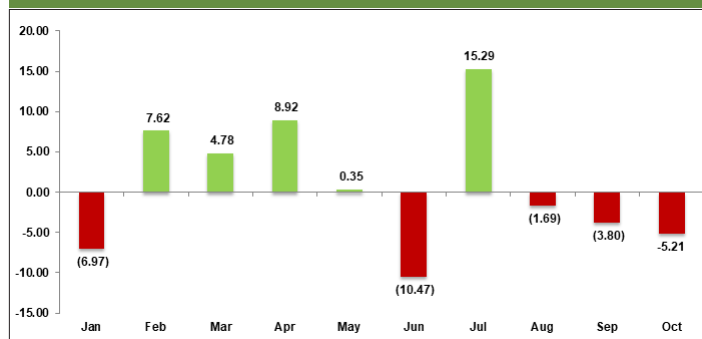
Outlook

Ref soy oil futures (Nov) expected to trade in a range 1220-1300 levels. India's edible oil imports in September to all-time high for the single month imports as refiners raised purchases after the government slashed import duty ahead of key festivals Government. However, higher tariff value for the edible oil is neutralizing the import duty cut on edible oil, which may keep the prices supported at higher levels.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	1263.4	1,160	1,212	1,294	1,346	1,428
Dec	1232.2	1,126	1,179	1,274	1,328	1,423

Monthly price movement of RSO futures (%)



Heat map & Seasonal table of Ref Soy Oil futures

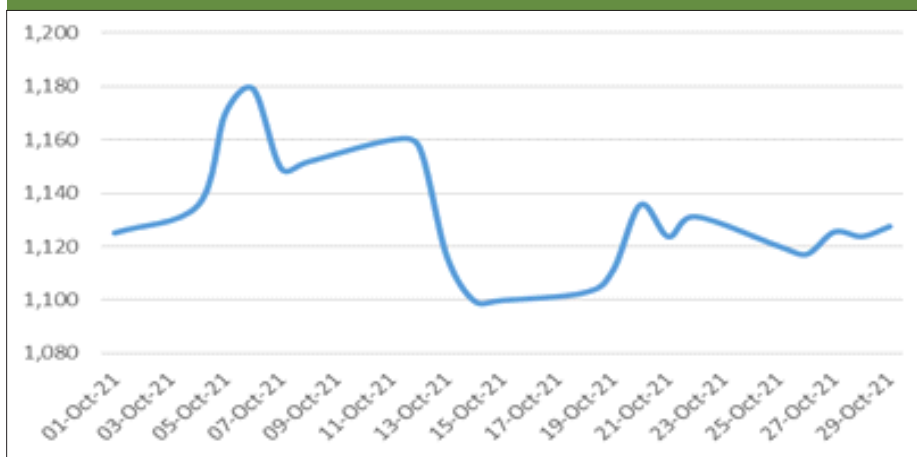
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2021	0.83%	9.35%	18.02%	18.59%	-3.29%	4.48%	40.38%	-20.63%	-29.72%	-4.43%		
2020	-7.94%	-9.21%	2.37%	5.16%	-4.31%	-2.77%	1.78%	8.89%	6.07%	10.27%	3.57%	4.33%
2019	12.56%	-5.54%	1.85%	-0.14%	0.60%	-0.65%	-2.15%	6.40%	2.27%	-1.25%	5.41%	8.94%
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2017	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%	-0.07%	4.85%	3.90%

Crude Palm Oil (CPO)

Factors to watch

- Production and export data from Malaysia and Indonesia
- Imports of CPO and other edible oils
- Import duty cuts on edible oil and tariff value increases
- Domestic supply at port and pipeline
- Domestic demand for edible oil
- Global oilseed and oil production and price

MCX CPO - Oct-2021



Source: Reuters & SMC Research

Fundamentals

- CPO futures mostly traded in a broad range of 1100-1180 during the month of October. During the first half the prices are higher but then due to cut in import duty the prices have corrected during the second half.
- India's palm oil imports in September higher for the second consecutive month and higher by 68% on the month to 12.62 lakh tonnes, according to data published by SEA. Moreover, the imports almost doubled as compared to the last year imports in September due to expectation of recovery in domestic consumption during the festival season.
- Duty cut on the imports of crude and refined edible oil also contributed to increasing imports.
- However, higher tariff value for the edible oil is supporting the prices in the domestic market. Since the month of August, government increased tariff value by more than 200 dollars per ton.

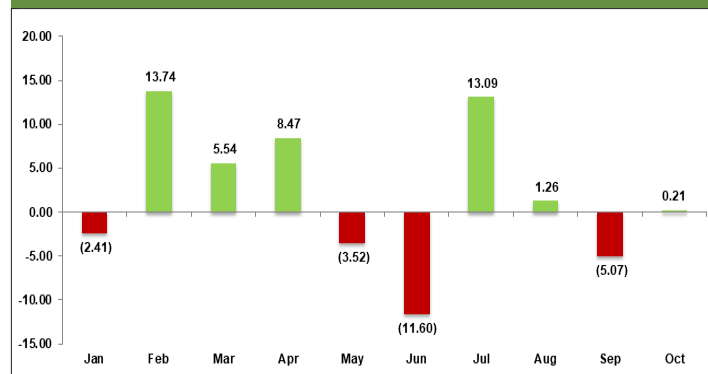
Outlook

The CPO prices are currently trading more than 40% higher compared to last year due to lower production of palm oil in Malaysia and Indonesia coupled with record tariff rates and transportation charges. Palm oil prices expected to remain higher as supply looks stagnant for at least 3-4 months due to labor shortage in Malaysia. We expect CPO (Nov) to trade higher towards 1200 levels in coming weeks. The stock levels, rabi sowing progress and the kharif oilseed harvest may have impact on the overall edible oil prices as imports of edible oil expected to be at higher prices due to higher tariff values despite lower import duty.

Technical Levels

Contract	CMP	S1	S2	PIVOT	R1	R2
Nov	1142.3	1,039	1,091	1,143	1,194	1,246

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%	0.24%		
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%	3.02%	-7.06%	2.13%	3.66%	6.52%

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