

SPECIAL TECHNO-FUNDA REPORT ON

16 October, 2019

SOYABEAN

[November]



Moneywise. Be wise.

Summary

This year, till date soybean is performing well on the national bourse & maintaining its course of uptrend. If we look at the price movement year-on-year, then this is the third year, wherein this oilseed has given a positive return of more than 15% by rising from low of 3439 and making to the previous year high of 3958, is mainly due to higher price of domestic produce soybean meal, thanks to higher MSP of soybean.

In the international market as well, Chicago soybean futures gained more ground with prices hitting a 16-month peak as progress in U.S.-China trade talks underpinned the market. Recently, U.S. President Donald Trump outlined the first phase of a deal to end a trade war with China and suspended a threatened tariff hike, but officials on both sides said much more work needed to be done before an accord could be agreed. Soybeans, the largest U.S. crop export to China, have been supported by purchases of U.S. soybeans by China. For the report ending October 3, 2019, U.S. soybean accumulated exports (shipments) to China totaled 896,000 tons and 3.1 million to the rest of the world. Outstanding sales were 3.9 million tons to China and 8.5 million to the rest of the world.

Coming back to home, this year we may see an extended rally in soybean as the Kharif crop is damaged the state of Madhya Pradesh received rainfall 44% above average. The heavy rains stunted the flowering of the plant. The projections by USDA also shows that supplies are likely to be lower ending stocks are inferior.

The Soybean Kharif 2019 First Crop Survey Report by The Soybean Processors Association of India highlights that:

- Total area under soybean in Kharif 2019 is estimated at 107.613 Lakh hectares, as against Government's estimate of 113.988 Lakh hectares. SOPA had estimated 2018 kharif area as 108.396 lakh hectares.
- Estimated total production of Soybean crop for all India for the year 2019 is 89.941 Lakh tonnes (+ 5%), which is lower by 19.391 lakh tons (- 17.7%) as compared to final estimates for kharif 2018.
- This year monsoon arrived at right time and sowing was done between 25th June to 15th July. In some areas in Maharashtra, sowing was done up to last week of July.
- Crop is badly affected in 15% to 30% low lying areas of Madhya Pradesh, Maharashtra and Rajasthan due to water logging.
- In Latur, Beed and Oshmanabad, Districts of Maharashtra, there was no rainfall for 30 to 35 days, causing moisture stress initially, affecting the productivity.
- In Mandsaur, Neemuch and Ratlam districts of Madhya Pradesh, there was heavy rainfall causing extensive damage to crop due to water logging.
- In Baran, Pratapgarh and Jhalawar districts in Rajasthan also suffered extensive damage due to heavy rains.
- Average yield for the year 2019 is estimated as 836 kg/hectare as against 1009 kg/hectare during the year 2018.
- Total area under soybean in Madhya Pradesh for the year 2019 is 51.952 Lakh hectares, which is lower by 4.0% as compared to previous year. Estimated total production of Soybean for the year 2019 is 40.107 Lakh tonnes which is lower by 18.073 Lakh tons (-31.1%) as compared to previous year. Average yield for the year 2019 is 772 kg/hectare as against 1075 kg/hectare during the year 2018.
- Total area under soybean in Maharashtra for the year 2019 is 37.363 Lakh hectares or an increase of 0.97 Lakh hectares (2.70%) as compared to previous year. Estimated total production of Soybean for Maharashtra for the year 2019 is 36.295 Lakh tonnes, an increase of 1.955 Lakh tons (5.70%) as compared to previous year. Average yield for the year 2019 is 971 kg/hectare as against 944 kg/hectare during the year 2018.
- Total area under soybean in Rajasthan for the year 2019 is 9.627 Lakh hectares or an increase of 0.410 hectares (4.50%) as compared to previous year. Estimated total production of Soybean for Rajasthan for the year 2019 is 6.560 Lakh tonnes, a decrease of 2.386 Lakh tons (-26.7%) as compared to previous year. Average yield for the year 2019 is 681 kg/hectare as against 971 kg/hectare during the year 2018.

As far as estimates of overall demand & supply given by U.S Department of Agriculture, the report is as follows:

Oilseed, Soybean India as of October 2019							
Attribute	19/20 Oct'19	Change	19/20 Sep'19	18/19	17/18	16/17	15/16
Area Harvested (1000 HA)	11,000	-	11,000	11,000	10,400	11,183	11,605
Beginning Stocks (1000 MT)	694	-	694	339	880	338	200
Production (1000 MT)	11,000	-	11,000	11,500	8,350	10,992	6,929
MY Imports (1000 MT)	160	-	160	150	166	79	53
Total Supply (1000 MT)	11,854	-	11,854	11,989	9,396	11,409	7,182
MY Exports (1000 MT)	220	-	220	190	217	269	134
Crush (1000 MT)	9,700	-	9,700	9,800	7,700	9,000	5,500
Food Use Dom. Cons. (1000 MT)	454	-	454	440	420	400	360
Feed Waste Dom. Cons. (1000 MT)	880	-	880	865	720	860	850
Total Dom. Cons. (1000 MT)	11,034	-	11,034	11,105	8,840	10,260	6,710
Ending Stocks (1000 MT)	600	-	600	694	339	880	338
Total Distribution (1000 MT)	11,854	-	11,854	11,989	9,396	11,409	7,182
Yield (MT/HA)	1	-	1	1.05	0.80	0.98	0.60

Source: USDA

SUMMARY OF SOYBEAN PRODUCTION ESTIMATE FOR KHARIF 2019

STATES	Area as per SOPA		Yield		Production	
	Lakh Ha.		Kg. per Ha.		Lakh MT.	
	2018	2019	2018	2019	2018	2019
MADHYA PRADESH	54.100	51.952	1075	772	58.180	40.107
MAHARASHTRA	36.390	37.363	944	971	34.340	36.295
RAJASTHAN	9.212	9.627	971	681	8.945	6.560
TELENGANA	1.791	1.783	877	846	1.571	1.508
KARNATAKA	3.190	3.302	911	816	2.906	2.694
CHATTISGADH	1.281	0.742	865	726	1.108	0.539
GUJARAT	1.342	1.003	925	858	1.241	0.861
OTHER STATES	1.090	1.841	955	748	1.041	1.377
G.TOTAL # (+- 5%)	108.396	107.613	1009	836	109.332	89.941

Source: SOPA

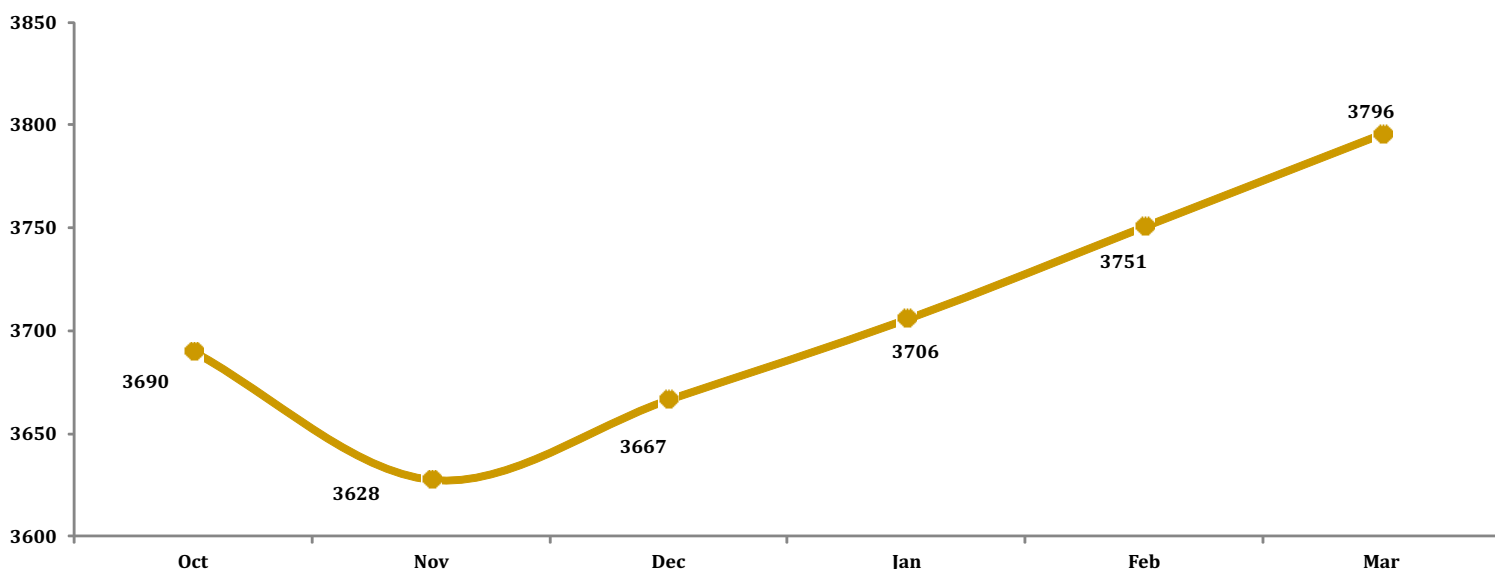
SUMMARY OF SOYBEAN PRODUCTION ESTIMATE FOR KHARIF 2019

STATES	Area as per SOPA				Yield				Production			
	Lac Ha.		Variation		Kg per Ha		Variation		Lac MT		Variation	
	2018	2019	Lakh Ha.	%	2018	2019	Kg per Ha	%	2018	2019	Lakh Ha.	%
MADHYA PRADESH	54.100	51.952	-2.15	-4.0%	1075	772	-303	-28.2%	58.180	40.107	-18.073	-31.1%
MAHARASHTRA	36.390	37.363	0.97	2.7%	944	971	28	2.9%	34.340	36.295	1.955	5.7%
RAJASTHAN	9.212	9.627	0.41	4.5%	971	681	-290	-29.8%	8.945	6.560	-2.386	-26.7%
TELANGANA	1.791	1.783	-0.01	-0.4%	877	846	-31	-3.5%	1.571	1.508	-0.062	-4.0%
KARNATAKA	3.190	3.302	0.11	3.5%	911	816	-95	-10.4%	2.906	2.694	-0.212	-7.3%
CHHATTISGARH	1.281	0.742	-0.54	-42.1%	865	726	-139	-16.1%	1.108	0.539	-0.569	-51.4%
GUJARAT	1.342	1.003	-0.34	-25.3%	925	858	-67	-7.2%	1.241	0.861	-0.381	-30.7%
OTHER STATES	1.090	1.841	0.75	68.9%	955	748	-207	-21.7%	1.041	1.377	0.336	32.3%
G.TOTAL	108.396	107.613	-0.78	-0.7%	1009	836	-173	-17.1%	109.332	89.941	-19.391	-17.7%

Source: SOPA

The forward curve is showing an uptrend direction & is revealing the fact that the outlook is looking bullish.

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



Closing as on 14th Oct, 2019

Source: NCDEX

Also, crush margin is positive.

Crush Margin - Soybean				
Particular			Amount	Realization
Soybean	Rs/Quintal	A	3,653	36530
Ref Soy Oil	Rs/10 Kgs	B	751.25	12983
Soymeal	Rs/Tonnes	C	32,125	26343
Gross Crush Margin (Per Ton)		(B+C)-A		2795

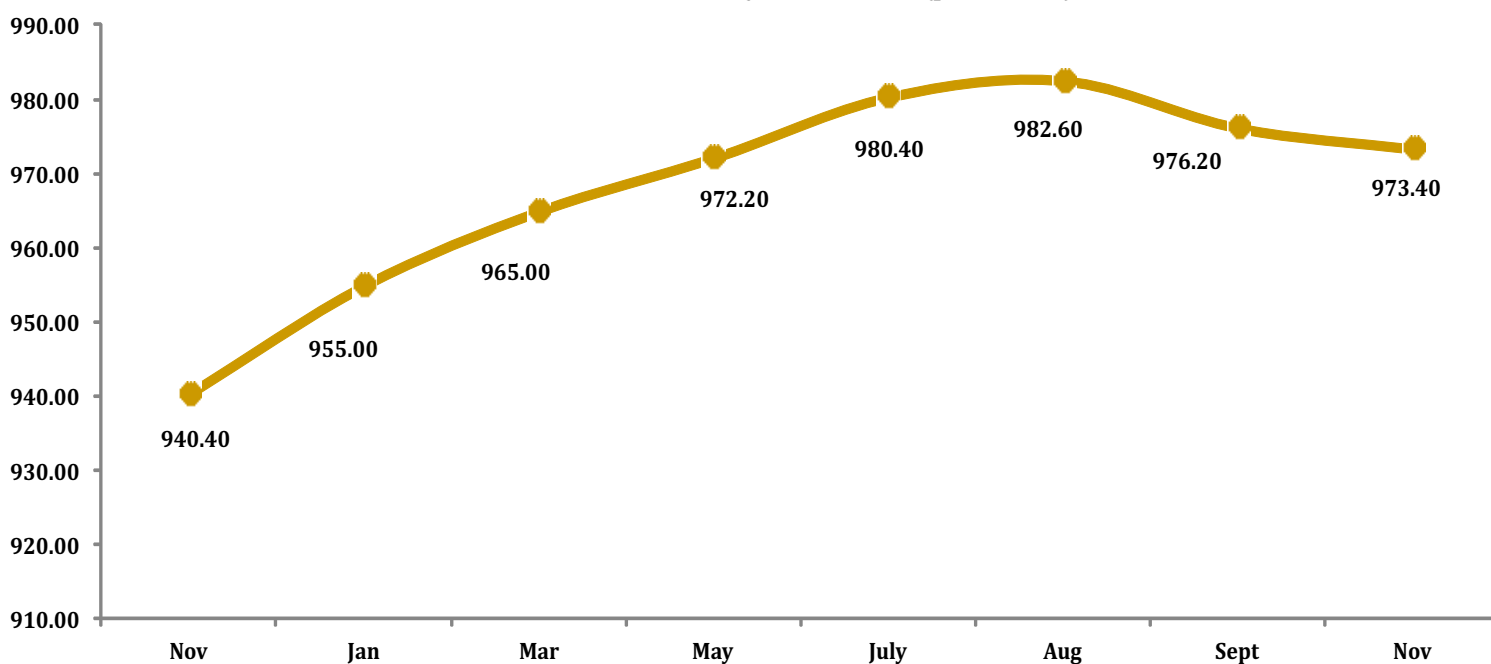
Source: NCDEX

The market participants are also keeping an eye are on the U.S soybean crop. In the recent report, USDA highlighted that:

- U.S Soybean production is forecast at 3.6 billion bushels, down 83 million, mainly on lower yields. The soybean yield is projected at 46.9 bushels per acre, down 1 bushel from the September forecast. Harvested area is reduced slightly to 75.6 million acres.
- U.S Soybean supplies for 2019/20 are forecast at 4.5 billion bushels down 175 million on lower production and beginning stocks.
- With a small increase in U.S soybean crush, ending stocks are projected at 460 million bushels, down 180 million.

Going ahead, the wrap of trade war could lift the market sentiments. Recently, there was a backdrop of news that the US and China had reached a handshake agreement on “phase one” of a trade deal. Saying China has promised to buy up to \$50 billion in US agricultural products, President Donald Trump is encouraging American farmers to prepare for a major influx of business. Outlining the first phase of a deal to end a trade war with China, U.S. President Donald Trump on Friday lauded his counterparts for agreeing to make purchases of \$40 billion to \$50 billion in U.S. agricultural goods.

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



Closing as on 14th Oct, 2019

Source: BarChart

The partial handshake agreement means that the US will suspend hiking tariffs on \$250 billion of imports from 25 to 30 percent. The measure was scheduled to take effect on Tuesday. Postponing a measure does not equate to a cancelation, however, and plans for another hike on Dec. 15 persist. The danger of ever-increasing tariffs between the world's two largest economies still hangs over the global economy

To conclude, the overall view is optimistic for soybean & it is being projected that in days to come, we may see a bull run in soybean counter based on the above mentioned fundamental factors.

TECHNICAL RECOMMENDATION



Source: Reuters & SMC Research

Soybean has trading in downward sloping channel since Jan'19 where long term resistance hold at 3960 & long term support at 3460. After tumbling from trend line resistance prices have shown consolidation in range of 3600-3680, a level where prices hold strong support. Present structure suggested that if price break above the resistance of 3680 then a sharp rally can be seen. The sharp fall in the international soybean has additionally weighed on domestic prices. Directional movement index has given some early sign of buying momentum. Commodity channel index also reflects the same. Buying on dips suggested in counter.

Vandana Bharti : AVP - Commodity Research
Subhranil Dey : Sr. Research Analyst (Agro)
Ravinder Kumar : Research Associate

Boardline : 011-30111000 Extn: 625
Boardline : 011-30111000 Extn: 674
Boardline : 011-30111000 Extn: 684

vandanabharti@smcindiaonline.com
subhranildey@smcindiaonline.com
ravinderkumar@smcindiaonline.com

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata-700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions.

Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein(c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.