

Oil Complex Market Update

June 2022



Soybean:

Crop progress: Soybean crop for the Kharif season 2022, has been planted in 30.52 Lakh Hectares, till 1st July 2022. This is just under 1% down as compared to the sowing of the same period last year. Although, the sowing is expected to pick up further pace in the coming weeks and may surpass the last year's levels, as the monsoon activity picks up in the major growing states.

The highest Sowing acreage have been seen in maharashtra with 19.86 Lakh Hectares sown so far. Although it is still around 1.73% below the sowing achieved during the same period last year.

Sowing in the major producing state of MP still have to see pick up in the activity as although acrege is marginally higher as compared to the same period last year but is lagging behind by around 14% against 2020.

Soybean stakeholders are expecting a high acreage this year. Growers are awaiting monsoon in the key producing regions of Madhya Pradesh.

State	Area Covered (Lakh Ha)		Difference in Area over last year
	2022	2021	2021
Maharashtra	19.863	21.589	-1.725
Rajasthan	3.37	2.468	0.902
Madhya.Pradesh	3.34	1.96	1.38
Karnataka	2.371	2.685	-0.314
Telangana.	0.764	0.778	-0.014
Total	30.517	30.287	0.229

The commodity is expected to face some competition as the farmers might shift towards cotton in parts of Maharashtra. The acreage of cotton is set to rise as it fetched remarkably higher prices last season.

Prices: Recently the Government has approved the import of around 0.55 MMT (Million Metric tonnes) of GM soymeal, to help the poultry industry tide over higher feed prices.

As per the directive the shipments of soymeal have to be imported before September 30, 2022. This has resulted in softening of the domestic bean prices in the recent weeks.

In August 2021, the government had allowed import of 1.2MMT of GM soymeal to help the poultry industry due to domestic supply constraint, but only around 0.6 MMT could be imported due to time constraints.

SOPA was Opposing the permission to import more GM soymeal as the country does not let farmers grow any GM food products.

Additionally the government has also scrapped customs duty and agriculture infrastructure development cess on the import of crude soyabean oil and crude sunflower oil for 20 lakh metric tonnes each per year to ease local prices.

This would mean till March 31, 2024, a total of 80 lakh MT on crude soyabean oil and crude sunflower oil could be imported duty free.

These government efforts coupled with subdued demand from stockists and processors have caused prices in major mandi in Indore, which have fallen to the lowest level since December last year.



US soybeans futures are set for post their third consecutive weekly slump, to the lowest level since December last year, as Concerns that a global economic slowdown could limit demand, and weakness in the crude oil market pressurised soybeans, while an improved outlook for U.S. crops also added to the downside.

Global Soybean Production: In a recent update, the USDA has raised its global soybeans production estimate for next year to 395.4 million tonnes, up 680,000 tonnes from the previous month's estimate and up 12.3% compared to the production in 2021-22.

This upward revision came on the back of expectations of a bumper crop was prospects of increased soy supply in Ukraine, although forecasts from this region should be viewed with caution due to the continuing war.

The USDA expects Ukrainian soybean production at around 2.8 million tonnes, which would be 500,000 tonnes more than previously expected, but nevertheless 1 million tonnes less than 2021/22.

The estimates for Brazil and Argentina remained unchanged from the previous month at 149 million tonnes and 51 million tonnes respectively.

Domestic Soybean Production:

According to the third estimate released by the Union agriculture ministry, soybean output was pegged at 13.8 million tonnes (MT) during kharif 2021. However as per Soyabean Processors Association of India (SOPA) Soyabean production is estimated to be nearly 119 lakh tonnes this year, which is higher by 14.337 lakh tons (13.71 per cent) as compared to last year on higher sowing area and likely improvement in productivity.

SOYBEAN PRODUCTION BY STATE (2021)				
SNo.	States	Kharif 2021		
		Sowing Area	Expected Yield	Estimated Production
1	Rajasthan	9.253	761	7.046
2	Madhya Pradesh	55.687	939	52.292
3	Maharashtra	43.848	1102	48.325
4	Andhra Pradesh	-	NAN	-
5	Chhattisgarh	0.513	910	0.467
6	Gujarat	2.237	1015	2.271
7	Karnataka	3.827	1005	3.846
8	Others	1.129	975	1.101
9	Telangana	3.488	1015	3.54
	Grand Total	119.982	991	118.888

Out of the total estimated production this year, the output in Madhya Pradesh and Maharashtra is seen at 52.3 lakh tonnes and 48.3 lakh tonnes this year. The production in Madhya Pradesh and Maharashtra stood at 41.8 lakh tonnes and 45.44 lakh tonnes last year.

But many industry players believe the soybean crop is much lower at 10 MMT as they do not see the pressure of market-arrivals even at the current high price of soybean.

Soymeal: The Soybean Processors Association of India has cut its forecast for soybean crushing in marketing year 2021-22 (October-September) by 9% to 8 million MT and its domestic meal consumption estimate to 5.4 million MT from 5.6 million MT.

The outlooks have been lowered due to an estimated 75% year-on-year rise in meal imports to 0.7 million MT.

The overall crushing of raw beans up to May 31 was down 29% year on year to 5.3 million MT, though May alone was up 16% to 0.7 million MT. farmers were likely to continue hold the major part of their crop in anticipation of better prices. Meanwhile, soybean meal exports up to



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May 31 in MY 2021-22, were down 69% to 0.45 million MT, leading to a production decline of 29% to 4.23 million MT.

USDA in its June'22 report, India's 2022-23 Soymeal production kept unchanged at 81.6 Lakh tonnes as compared to previous year estimates and Soymeal crushing for the year 2022-23 is kept unchanged at 102 Lakh tonnes as compared to previous year.

Soymeal, exports for the period April to June remained subdued as "India is out priced in the international market. Exports of soymeal plunged to 43,899 tn in Apr-May compared with 92,139 Tonnes a year ago.

As per the Soybean Processors Association of India, India's soymeal exports in May fell 13% on year to 40,000 Tonnes. For Oct-May, soymeal exports plunged to 550,000 Tonnes from 1.79 Million Tonnes in the year-ago period. In May, production of soymeal rose to 559,000 Tonnes from 479,000 Tonnes a year ago, while the output for Oct-May was at 4.23 Million Tonnes, down from 5.99 Million Tonnes in the year-ago period.

Soyabean Oil

Prices: Soybean oil prices are receiving support from lagging numbers of Soybean planting progress in the US and also on the back of sharp decline in the rupee value against dollar.

CBOT Soy oil took support at the range of 66-67.0 cents per pound and rebounded to 70.70 cents per pound. Increase in crude oil prices supported the gains in Soy oil.

However, expectation of higher global supplies of soybean and Soy oil for the coming year 2022-23, is likely to limit the gains of edible oil. USDA has estimated Soybean supplies to increase by 43.37 MMT to 395.37 MMT and Soy oil supplies to rise by 2.08 MMT to 61.509 MMT for the year 2022-23.

In India, the decision of scrapping import duty and Agri cess on the import of crude soybean oil and crude sunflower oil and the softness in the domestic mustard oil along with a persistent correction in CPO prices also pressurizing refined prices.

SEA has approached government to roll back their 'holiday tax' on Soy oil and Sun oil, as it might discourage farmers to take oilseeds as the prices are declining.

Crude palm oil: Palm oil futures prices in Malaysia are seen continuously falling since touching the record-high price seen on March 2. The prices have declined to the level last seen during September last year and have corrected around 30% since Indonesia uplifted its export ban.

Some experts are predicting even cheaper Malaysian CPO prices in the second half of 2022, although on a full-year basis, the average CPO price is forecast to be above the RM5,000-per-tonne mark.

However, news of Indonesia to test higher percent of biofuel mix at 40% has somehow supported the prices at the lower levels and some recovery was seen.

In India, the CPO prices started softening after Indonesia lifted ban on exports and shipped two lakh tonne of crude palm oil to India. The edible oil prices in India have soared up by over 30% in a year due to shortfall in production, Russia-Ukraine conflict and Indonesia's ban on palm oil exports.



As per data, India's total consumption of edible oils is pegged between 225 and 230 lakh tonne, of which domestic production stands at about 100 lakh tonne. The deficit of around 130 lakh tonne is met through imports. More than 60% of the imports, which is around 80-85 lakh tonne, is palm oil. Out of this, around 45% comes from Indonesia and the rest from Malaysia.

Fears of a recession, Indonesia's U-turn on its palm oil export ban and the expected easing of the foreign worker shortage in local plantations have contributed to the sharp drawdown in the CPO prices.

India is expected to increase palm oil imports as the country usually increases the import of vegetable oil to meet the high festive demand.

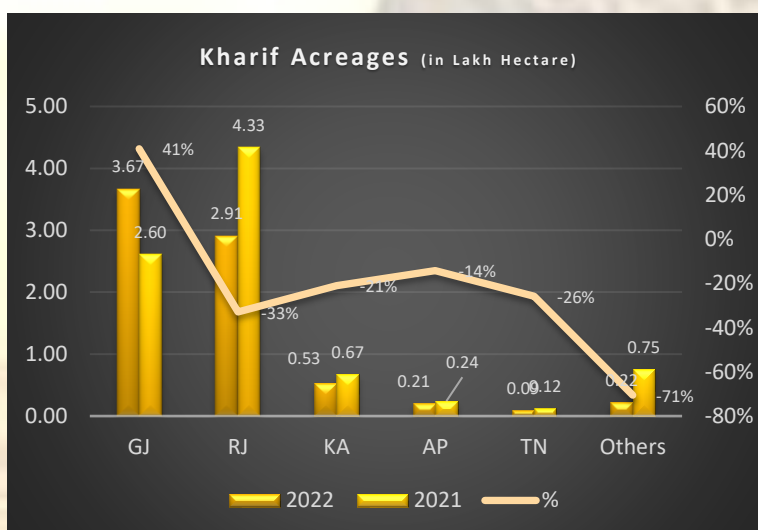
The shortage of sunflower oil, following the Russia-Ukraine war, where Russia and Ukraine contribute 80% of the world's sunflower oil supply, would cause consumers to shift their demand to other edible oils, including palm oil.

Groundnut:

Crop progress: Monsoon has arrived on the time in the Groundnut cultivating areas of Gujarat.

Farmers have started sowing for the Kharif season'22, covering 13.71 lakh hectares in June, a 25% per cent decline in sowing compared to the same period in 2021. Among the groundnut farmers, those in Saurashtra region have taken a lead by sowing 98,400 hectares.

However, rainfall dates of Saurashtra region, which one is the core region of groundnut cultivation of the state, is very scattered. Uniformity and good spell of rainfall is still missing across the state. It is expected that overall cultivation area may decline by 8-10% in Saurashtra region of Gujarat.



As far as groundnut sowing in other states is concerned not much of a progress have been seen. A massive reduction in acreages have been seen in other states due to rain deficits around 10% in India till dates. Sowing in Rajasthan has declined by 33%, in Karnataka by 21%, and in Andhra Pradesh by 14% against the same period of 2021.

Moreover, Farmers are giving preference to cotton and adding to its acreages in response to good price realisation during the last season.

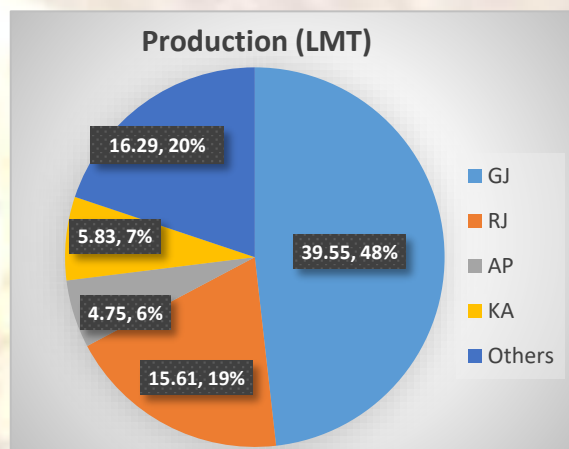
MSP factor had no major impact in cultivation of groundnut. Government has increased the MSP of Kharif crops for marketing season 2020-21, to ensure remunerative prices to the growers for their produce. Among the Kharif oilseeds the MSP for groundnut has been increased to Rs. 5500 per quintal for marketing season 2020-21 from Rs.5275 per quintal in 2019-20, marking an increase of Rs.275 a quintal.



As per experts, Groundnut acreage may reduce by 5-8% in current season to around 45 lakh hectares against 49.14 lakh hectares last year.

Production:

As per Indian Oilseed and Produce Export Promotion Council (IOPEPC) estimates released last month, the domestic groundnut production is estimated to be 82.03 lakh tonnes with an average yield of 1669 kg/ha. The highest groundnut producing states are Gujarat, where the production is estimated at 39.55 lakh tonnes with an average yield of 2071 kg/ha. IOPEPC's groundnut Kharif-2021 crop estimates are in close conformity with the government's First Advance estimate of 82.54 lakh tonnes.



As per 3rd Advance Estimates, released by the Department of Agriculture and Farmers Welfare, the estimated production of kharif and rabi groundnut during 2021-22 is 100.87 lakh tons vs 102.44 lakh tons last year.

Solvent Extractor Association of India (SEA) has estimated Gujarat's Kharif Groundnut crop production up by 8.74% at 38.55 lakh tons from an acreage of 19.10 lakh ha as compared to 35.45 lakh tonnes previous year. Gujarat's present year's average yield for groundnut stands at 2020 kg/ha against the average yield of 1715 kg/ha last year, which is nearly up by 18% compared to last year.

According to Saurashtra Oil Mills Association (SOMA) estimate, groundnut production in Gujarat is pegged at 34.4 lakh tonnes during the current kharif season.

NAFED had procured 2.86 lakh metric tons groundnut pod in MY 2020-21 as compared to the previous year's 7.21 lakh metric tonnes.

Groundnut Export:

The top three export destination of Indian Groundnuts are Indonesia, Vietnam and Philippines. Total exports stood at value of Rs.4697 crores during financial Year -21-22 as it is decline by 13% year on year in term of value and by 19% in volume.

However, Export to Indonesia has increased by 23% year on year to 2.61 lakh metric tonnes(LMT) against 2.12 LMT last year, which equates to a value of Rs. 2393 crores against the Rs. 1774 Crs last year.

This year the top trading partners which imported Groundnut from India are Iran, Taiwan and Kuwait. They have recorded the fastest growth in their import shipments from India with 100% rise in their shipment values. The least amount of Groundnut was imported by Turkey.

Demand of groundnut kernel has remained weak in current year from the Indonesian, Malaysia, Philippines and Vietnam due to higher price of groundnut in domestic market against prices of groundnut in African countries amid higher prices of edible oil globally.



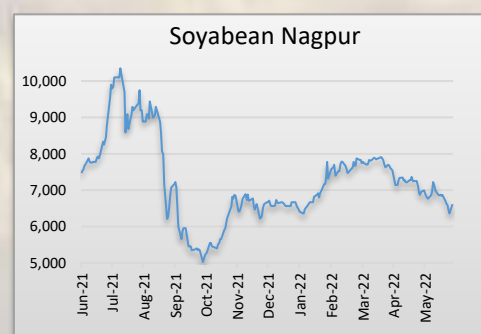
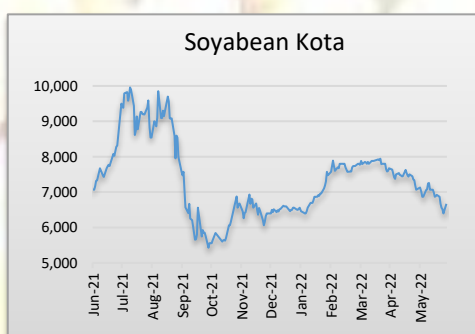
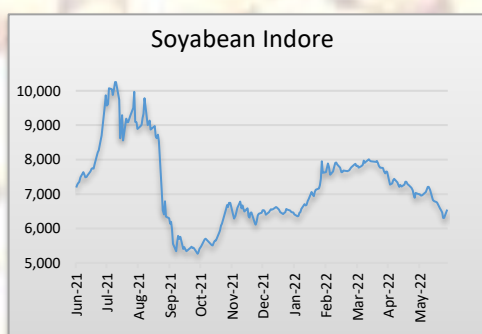
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In Oct-April'22, India's Groundnut oil export went down by 95% to 9,701 tonnes as compared to 2.11 Lakh tonnes previous year same period. Last year China imported groundnut oil heavily from India on account of local crop damage.

Price Outlook

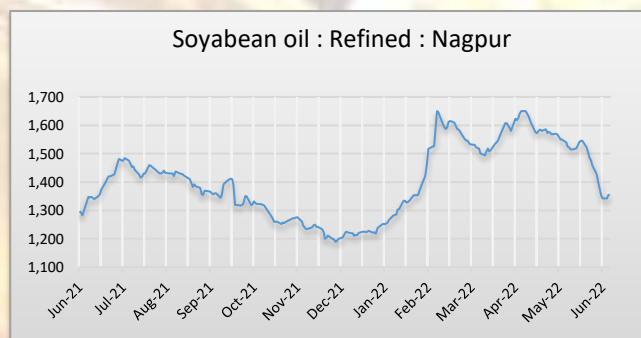
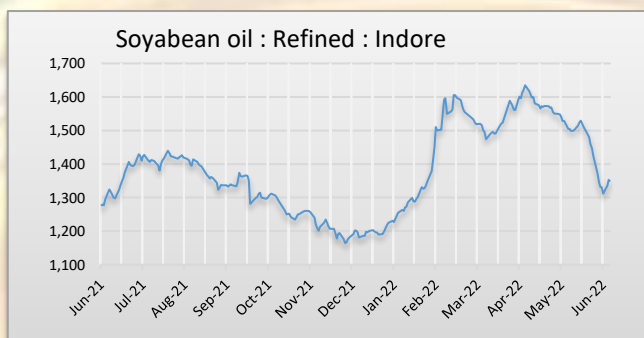
Soybean:

Although the Soybean prices are witnessing some recovery but the undertone and fundamental factors are pointing towards a continuation of the recent bearish streak. In Indore Mandi the prices have recovered to Rs 6565/Qtl after a recent low of Around 6300. In the near future a clearance of Rs 6300 will result in a fresh bearish momentum with a probable meltdown towards Rs6110/Qtl and then Rs 5870/Qtl.



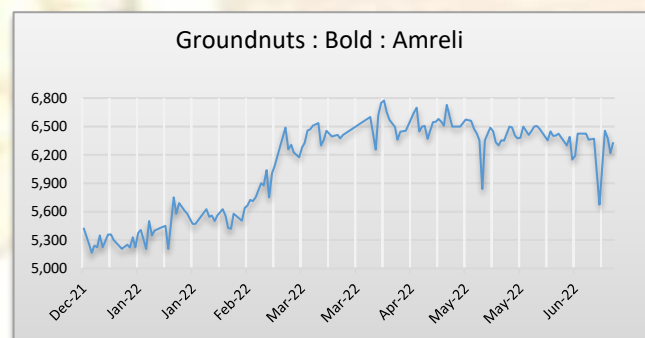
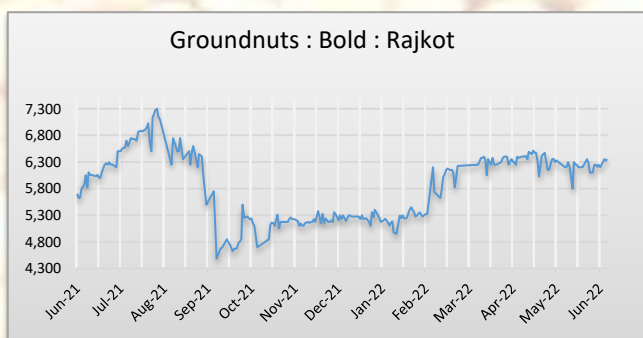
Refined Soyoil:

Refined prices in Indore have also witnessed sharp declines over the past quarter. Some support has been seen in the prices over the last few days but it is more of a temporary pullback than a trend reversal. In the coming weeks the prices which are currently trading around Rs 1350/10 Kg in the Indore market can stretch its relief rally towards Rs1380-90/10 Kg. However, ultimately the bears will take over once again and pull prices towards the support of Rs1290/10 Kg in the coming days.



Groundnut:

Currently Groundnut prices at Rajkot mandi are trading at Rs. 6350/Quintal, around 13% above the minimum support price (MSP) following good demand in domestic market from the processors. Prices of ground are expected to remain firm despite weak export demand due to high oilseed complex prices globally. In the near term, the prices are expected to witness some range bound momentum and will continue to hover between the range of Rs 600-6500. Any further fundamental development will result in the breach of this range of either side accordingly.



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