Rape Seed / Mustard Seed (RM Seed)

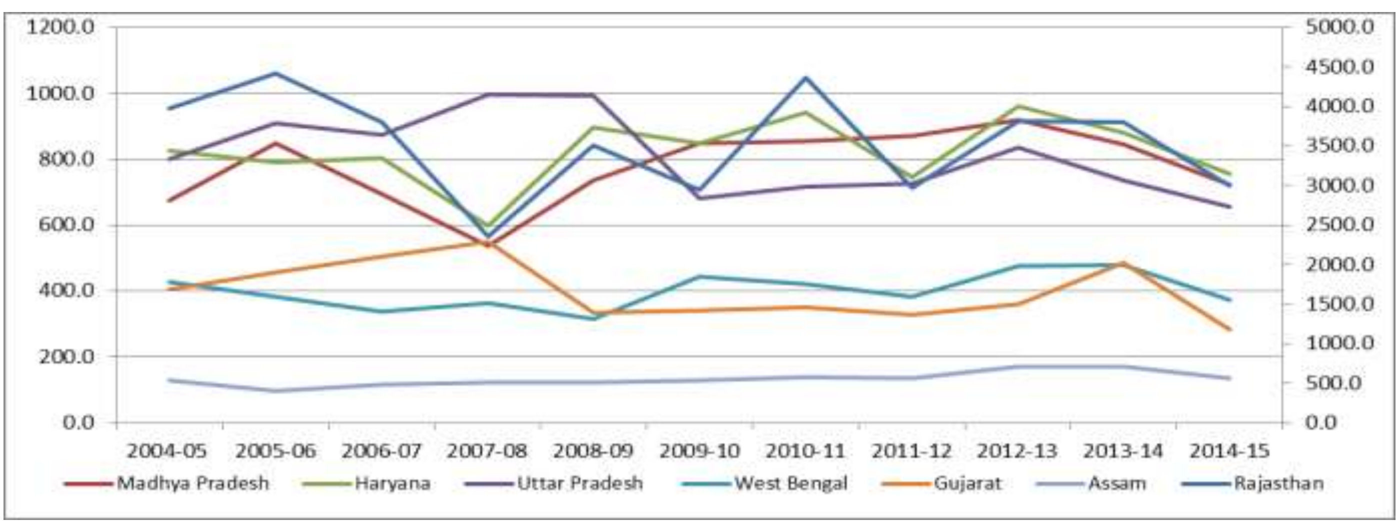
Domestic Scenario

India's Mustard seed production in 2014-15 is estimate at around 63.09 lakh MT, which is marginally lower from around 78.76 lakh MT produced in 2013-14. The MSP for RM seed for the year 2015-16 was increased marginally by 1.66 per cent, but since the market is prevailing well above the MSP levels, the farmers are finding ample support to continue growing RM Seed owing to increased seasonal demand of rapeseed oil and export demand for rapeseed meal. There was a significant increase of 16.44 per cent in rape meal demand in the year 2013-14 over 2012-13. About 81.35 per cent of the total production in the country was contributed by 4 states. The top Mustard Seed producing states of the country are Rajasthan (47.51 per cent), Madhya Pradesh (11.45 per cent), Haryana (11.98 per cent) and Uttar Pradesh (10.41 per cent). India holds forth position in the major Mustard Seed consumer's list.

State Wise Production of RM Seed in India (Thousand MT)

States	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Rajasthan	3970.7	4416.9	3805.6	2362.2	3502.5	2948.2	4369.7	2976.3	3814.6	3797.1	2997.46
Madhya Pradesh	673.6	847.5	693.4	536.8	736.6	848.9	855.1	869.6	919.2	844.3	722.29
Haryana	826.0	792.0	802.0	598.0	895.0	849.0	942.0	747.0	962	880.0	755.93
Uttar Pradesh	801.4	907.8	873.8	997.3	991.9	682.0	717.0	726.0	836	736.8	656.92
West Bengal	427.0	383.0	338.6	361.7	315.3	443.0	419.6	380.9	474.8	478.1	373.09
Gujarat	404.9	456.0	504.0	551.0	334.0	341.0	349.0	327.0	361	486.0	283.67
Assam	129.4	97.0	116.0	123.0	122.9	128.6	138.8	134.7	170.4	169.0	133.90
Others	360.1	231.0	304.4	303.6	302.5	367.4	387.6	442.2	490.9	485.3	385.74
All India	7593.1	8131.2	7437.8	5833.6	7200.7	6608.1	8178.7	6603.7	8028.9	7876.7	6309.00

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation



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From the above table it can be conclude that the production of Mustard Seed in major states has been almost stagnant on the country level.

International Scenario

The global RM seed scenario also expected to affect the prices in a big way. To measure the exact impetus of the global factors, we can have a close watch at the global RM seed balance over the last decade.

Global Rapeseed Balance sheet **('000 MT)**

Years	Production	Imports	Exports	Total Dom. Cons.	Ending Stocks
2001-02	36,034	4,947	4,896	35,928	2,848
2002-03	33,291	4,016	4,129	33,825	2,201
2003-04	39,476	5,141	5,530	38,911	2,377
2004-05	46,164	5,000	4,905	43,346	5,290
2005-06	48,598	6,657	6,976	47,779	5,790
2006-07	45,039	6,987	6,629	46,124	5,063
2007-08	48,644	7,535	8,163	49,128	3,951
2008-09	57,891	12,114	12,126	54,533	7,297
2009-10	61,029	10,744	10,842	59,328	8,900
2010-11	60,606	10,099	10,867	60,382	8,356
2011-12	61,608	13,181	12,915	63,655	6,575
2012-13	63,746	12,659	12,453	65,495	5,032
2013-14	72,088	15,225	14,963	69,683	7,699
2014-15	71,909	14,136	14,566	71,632	7,546
2015-16	64,692	12,447	12,280	68,264	4,141

Source: Foreign Agricultural Service, Official USDA Estimates

From the above table we can see that the global production over the years have shown gradual improvement. It showed an increase of about 79.53 per cent over the decade. Likewise, the import, consumption and export grew by 151.60, 90.00 and 150.81 per cent respectively. The positive fact about the RM seed trade is the growth in the consumption over the years and the consistent increase in the production. The production of RM seed has always maintained an upper hand over consumption. If this pattern of consumption (rate of growth) continues in the coming years, the prices are bound to maintain a steady uptrend as the supply is always going to lag behind the demand. The main pulling factor for the RM seed prices in the global market is the emerging trend in the oil and meal markets. The meal market has expanded significantly with its trade expanding by about 60 per cent (Exports – 57 per cent & Imports – 62 per cent). Similarly, the oil trade has also expanded significantly by over 95 per cent (Exports – 102 per cent & Imports – 88 per cent).

The country wise major situation of production consumption and ending stocks for RM Seed, RM Seed Oil and RM Seed Meal are given in the tables below.

Country wise global Supply –n – Demand of RM Seed

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Production									
European Union	18,397	19,062	21,633	20,782	19,240	19,560	21,304	24,394	21,300
China	10,573	12,102	13,657	13,082	13,426	14,007	14,458	14,600	14,100
Canada	9,611	12,644	12,898	12,789	14,608	13,869	18,551	16,410	13,300
India	5,450	6,700	6,400	7,100	6,200	6,800	7,300	6,310	7,150
Australia	1,214	1,844	1,907	2,359	3,427	4,142	3,832	3,413	3,300
Other	3,399	5,539	4,534	4,494	4,707	5,368	6,643	6,782	5,542
World	48,644	57,891	61,029	60,606	61,608	63,746	72,088	71,909	64,692
Total Dom. Cons.									
European Union	19,155	21,409	23,573	22,243	22,496	23,447	24,936	25,960	24,250
China	11,378	13,742	15,114	14,720	16,650	17,600	19,100	18,900	18,000
Canada	4,303	4,385	5,010	6,396	7,495	7,008	7,024	7,954	7,312
India	5,893	6,155	6,227	7,150	6,600	6,960	7,300	6,450	7,050
Japan	2,228	2,185	2,282	2,346	2,372	2,444	2,405	2,455	2,455
Other	6,171	6,657	7,122	7,527	8,042	8,036	8,918	9,913	9,197
World	49,128	54,533	59,328	60,382	63,655	65,495	69,683	71,632	68,264
Ending Stocks									
European Union	959	1,843	1,809	2,758	3,105	2,502	2,075	2,275	1,225
Canada	1,462	1,944	2,788	2,198	713	588	3,008	2,322	1,010
China	0	1,394	2,114	1,406	804	632	1,036	1,336	736
India	463	1,007	1,180	1,129	729	569	568	428	528
Australia	366	451	415	430	572	244	530	634	195
Other	701	658	594	435	652	497	482	551	447
World	3951	7,297	8,900	8,356	6,575	5,032	7,699	7,546	4,141

Source: Foreign Agricultural Service, Official USDA Estimates

Country wise global Supply –n – Demand of RM Seed Oil

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Production									
European Union	7,575	8,472	9,370	8,864	8,973	9,335	9,946	10,371	9,670
China	3,870	4,700	5,170	5,057	5,725	6,045	6,579	6,500	6,195
Canada	1,739	1,839	2,107	2,768	3,070	2,950	3,050	3,230	3,070
India	1,968	2,058	2,080	2,425	2,200	2,300	2,400	2,100	2,320
Japan	946	932	980	996	1,000	1,055	1,054	1,075	1,075
Other	2,429	2,591	2,807	2,935	3,154	3,172	3,479	3,837	3,641
World	18,527	20,592	22,514	23,045	24,122	24,857	26,508	27,113	25,971
Total Dom. Cons.									
European Union	7,631	8,795	9,438	9,516	9,361	9,231	9,765	10,200	9,775
China	4,139	4,853	5,641	5,965	6,255	6,316	7,025	7,564	7,700
India	1,967	2,097	2,096	2,243	2,323	2,350	2,505	2,405	2,510
United States	1,326	1,284	1,293	1,657	1,741	1,636	2,067	2,314	2,202
Japan	960	990	975	1,015	1,015	1,020	1,030	1,045	1,060
Other	2,333	2,435	2,635	2,891	2,986	3,124	3,256	3,524	3,569
World	18,356	20,454	22,078	23,287	23,681	23,677	25,648	27,052	26,816
Ending Stocks									
China	0	291	600	336	836	2,157	2,607	2,283	1,568
Canada	129	118	139	98	39	71	211	401	335
Japan	71	30	43	49	63	118	150	191	217
European Union	304	299	564	190	179	32	203	279	144
India	0	0	0	185	158	113	165	132	139
Other	328	233	243	399	464	357	325	229	252
World	832	971	1589	1257	1739	2,848	3,661	3,515	2,655

Source: Foreign Agricultural Service, Official USDA Estimates

Country wise global Supply –n – Demand of RM Seed Meal

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Production									
European Union	10,500	11,744	12,982	12,282	12,433	12,935	13,780	14,370	13,398
China	6,856	8,325	9,156	8,909	10,122	10,690	11,631	11,505	10,975
Canada	2,400	2,440	2,680	3,540	3,945	3,785	3,925	4,150	3,945
India	3,120	3,260	3,287	3,800	3,363	3,540	3,720	3,250	3,600
Japan	1,251	1,214	1,261	1,289	1,296	1,365	1,353	1,360	1,360
Other	3,497	3,713	4,048	4,231	4,557	4,602	5,026	5,586	5,198
World	27,624	30,696	33,414	34,051	35,716	36,917	39,435	40,221	38,476
Total Dom. Cons.									
European Union	10,416	11,750	12,918	12,224	12,375	13,122	13,750	14,400	13,600
China	7,069	8,317	10,022	10,317	10,737	10,695	11,908	11,575	11,080
United States	2,343	2,289	1,800	2,694	3,406	3,864	4,310	4,536	4,378
India	1,970	2,475	2,390	2,396	2,295	2,477	2,403	2,350	2,500
Japan	1,283	1,319	1,320	1,319	1,310	1,425	1,430	1,420	1,420
Other	4,396	4,593	4,779	4,775	5,222	5,235	5,447	5,854	5,587
World	27,477	30,743	33,229	33,725	35,345	36,818	39,248	40,135	38,565
Ending Stocks									
European Union	95	95	75	115	133	89	215	222	170
Canada	20	29	207	207	230	101	98	158	80
Korea, South	44	40	10	3	40	50	45	45	45
Japan	12	16	15	10	3	18	15	28	43
India	10	21	22	26	21	30	20	20	20
Other	121	44	122	164	137	103	36	69	63
World	302	245	451	525	564	391	429	542	421

Source: Foreign Agricultural Service, Official USDA Estimates

The global trend in export of rapeseed meal and oil continues to have a major impact on direction of RM seed trade. The details of the trend in the global market could be seen the following tables.

Country wise global Import Direction of RM Seed Meal & Oil **(‘000 MT)**

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Seed									
China	805	3,034	2,177	930	2,622	3,421	5,046	4,600	3,300
Japan	2,257	2,123	2,275	2,321	2,350	2,495	2,378	2,450	2,450
European Union	685	3,353	2,082	2,624	3,752	3,378	3,495	2,356	2,200
Mexico	1,267	1,164	1,377	1,521	1,513	1,382	1,487	1,540	1,500
United Arab Emirates	466	516	687	836	826	631	671	825	825
Other	2,055	1,924	2,146	1,867	2,118	1,352	2,148	2,365	2,172
World	7535	12,114	10,744	10099	13,181	12,659	15,225	14,136	12,447
Oil									
United States	1,016	1,050	1,067	1,421	1,492	1,252	1,538	1,633	1,633
China	277	453	785	647	1,036	1,598	902	750	800
Norway	158	134	192	265	315	317	383	380	385
European Union	298	459	443	491	607	210	296	261	270
India	0	42	18	5	98	8	160	275	200
Other	276	304	418	504	463	487	490	474	527
World	2,025	2,442	2,923	3,333	4,011	3,872	3,769	3,773	3,815
Meal									
United States	1,814	1,694	1,159	2,043	2,792	3,122	3,385	3,583	3,432
Korea, South	482	370	321	303	450	421	555	525	535
European Union	105	167	127	230	244	415	457	451	450
Thailand	294	341	288	276	339	327	376	401	410
Bangladesh	28	72	111	89	71	129	169	175	175
Other	829	933	1,619	1,980	1,247	769	981	707	734
World	3,552	3,577	3,625	4,921	5,143	5,183	5,923	5,842	5,736

Source: Foreign Agricultural Service, Official USDA Estimates

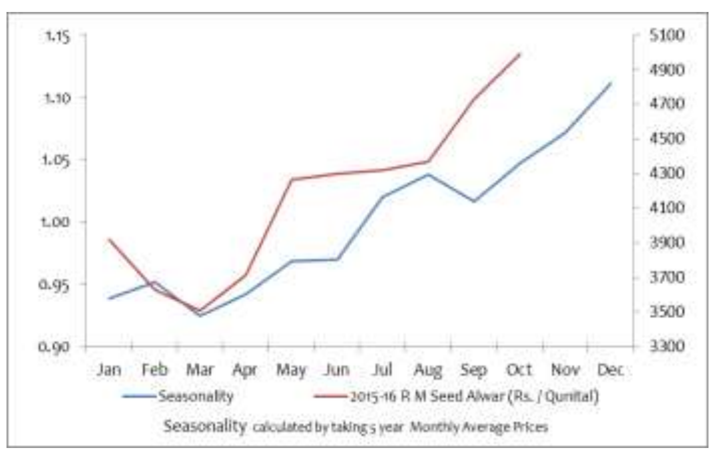
Country wise global Export Direction of RM Seed Meal & Oil (‘000 MT)

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
				Seed					
Canada	5,808	7,898	7,172	7,207	8,695	7,114	9,173	9,207	7,400
Australia	472	1,094	1,214	1,615	2,536	3,721	2,737	2,400	2,800
Ukraine	906	2,637	1,789	1,416	1,208	1,269	2,243	1,970	1,400
European Union	409	122	176	214	149	94	290	590	300
United States	423	191	177	294	153	177	159	156	154
Other	145	184	314	121	174	78	361	243	226
World	8,163	12,126	10,842	10,867	12,915	12,453	14,963	14,566	12,280
				Oil					
Canada	1,307	1,527	1,805	2,420	2,676	2,516	2,348	2,389	2,500
United Arab Emirates	140	245	248	289	318	272	289	325	323
European Union	139	141	110	213	230	461	306	356	300
Russia	18	89	88	94	226	203	328	335	250
Australia	76	63	98	117	112	128	149	150	150
Other	220	376	392	290	408	363	396	425	307
World	1,900	2,441	2,741	3,423	3,970	3,943	3,816	3,980	3,830
				Meal					
Canada	1,857	1,861	1,927	2,998	3,336	3,345	3,424	3,593	3,520
India	1,177	774	896	1,400	1,073	1,054	1,327	900	1,100
Russia	72	99	100	151	237	284	263	300	300
European Union	181	161	211	248	284	272	361	414	300
United Arab Emirates	116	224	153	193	238	140	148	215	205
Other	282	468	317	183	307	360	549	393	343
World	3,685	3,587	3,604	5,173	5,475	5,455	6,072	5,815	5,768

Source: Foreign Agricultural Service, Official USDA Estimates

Price Trend Analysis

The rapeseed market price variation study indicates that the price volatility is on the rise since December 2010 owing to reports of higher seasonal demand. Looking at the seasonal trend Rapeseed prices tend to remain strong during the months of August through December amid the strong crush demand for seed during the festive season and slackening crop arrivals. European Union continues to be the major importer of RM seed and RM seed oil with marginal decline of 31.33 per cent and 15.54 per cent respectively. Country wise, China contiues to dominate the Global import market of RM Seed and RM seed Oil with 45.18 per cent and 33.71 per cent respectively. Thus, with reports of shrinkage in production in India and enhancement of demand from China, Japan & EU, the global prices of rapeseed will find support from the current levels.



The adjacent picture depicts the price seasonality and prices of RM Seed at Jaipur. The analysis reveals that the prices tend to peak in the month of January primarily due to increased festive demand from India

& China. RM Seed prices have followed seasonal downtrend between March & July 2015, but since then have been on the downside with subdued movement, as the prospects of significant surge in edible oil imports into India has put pressure on the prices. The major factor which is likely to support the prices is the development in the retreating monsoon for the current season in 2015 and lower sowing. Rajasthan alone contributes to over 47 per cent of the RM Seed production. In Rajasthan, as the monsoon winds have been abated in the state for the last one week, the number of districts getting deficit rain has increased. Now, 12 out of 33 districts are in the category of receiving deficit rain. Farmers, in these districts, are crying for fodder and are apprehending damage of crops due to scanty rain. Only three districts have been blessed with excess rain and rest 18 belong to normal rainfall category. This year, owing to early withdrawal, it is expected that the rabi season might face a moisture shortfall of about 20 per cent.

Recent Developments in RM Seed

- According to SEA RM Seed Oil meal export for the month of Sep'15 is at 60,211 MT compared to 49,788 MT in August 2015.
- The RM Seed is likely trade positively in near to midterm on gradual decline in arrivals and good demand of mustard oil during the festive season. Deficit monsoon rainfall this year is likely to affect Rabi sowing on less moisture content in the land.
- According to latest USDA report, global rapeseed production forecast to decline to 64.7 million MT in 2015-16 from 71.9 million MT last year on lower crop estimates from Canada, the EU, Australia, and Ukraine.
- As per IGC, EU's 2016 rapeseed area 'unlikely' to rise and EU rapeseed sowings have already fallen four times in the past five seasons, shrinking by 5 lakh hectares from the 2010-11 high of 7.0 m hectares. China rapeseed imports for 2015/16 are seen declining to 3.3 million MT from 4.6 million MT.
- Canadian canola production is expected to decline 12.9% from 2014 to 14.3 million MT due to an expected 8.3% decline in the average yield to 32.2 bu per acre.

Price Forecast: Technical Outlook (NCDEX)

Explanation:

The Parabolic SAR refers to a price and time based trading system. SAR stands for "stop and reverse." SAR trails price as the trend extends over time. In the case of soybean, the SAR is below the price for the past 8 weeks is indicating at the underlying strength in the prices.

Technical Recommendation:

The market is expected to find strong support at the levels of 3290 and 3080 on the downside and has good potential of testing 4800 and 5450 on the higher side by March 2016. Thus, as per my analysis of RM Seed fundamentals, the prices would experience a bull run from levels between 3300 -3350.

Price Expectation

Commodity	Units	Current Market (08.01.2015)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
R M Seed	Rs. / Qtl	4649	3050	↑	3290	4800	5450

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