

SEASONAL COMMODITY INSIGHT

12th October 2015

Soybean Domestic Scenario

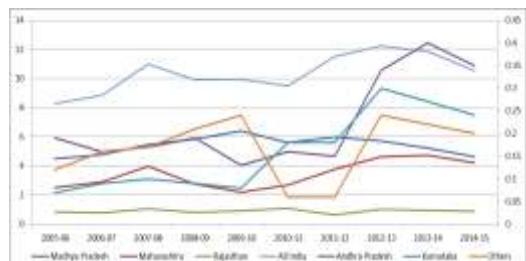
Soybean has been the major component of the oil seed crop for India. Of the total nine oilseed crops production it contributes to about 35.00 per cent. In recent times the stock management of soybean and enhanced demand is imposing serious challenge for the country owing to the prevalent economic crises in European Union and improving demand in the global markets. India's Soybean production in 2014-15 is estimated at around 105.30 lakh MT, which is marginally lower from around 118.60 lakh MT produced in 2013-14. India's support prices in 2015-16 are hiked by about 15 per cent from the levels in 2014-15 with MSP of Rs. 2500 per quintal for black soybean and Rs. 2600 per quintal for yellow soybean. About 93.92 per cent of the total production in the country was contributed by 3 states. The top soybean producing states of the country are Madhya Pradesh (44.15 per cent), Maharashtra (40.07 per cent) and Rajasthan (8.26 per cent). India holds second position in the major soybean oil consumer's list after China. The Indian government has imported 10.20 million MT of edible oil in the marketing year 2014-15 (November – July) out of which about 1.85 million MT was soybean oil.

State Wise Production of Soybean in India

(Million MT)

State	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Madhya Pradesh	4.50	4.78	5.48	5.85	6.41	5.60	6.00	5.70	5.24	4.65
Maharashtra	2.53	2.89	3.98	2.76	2.20	2.70	3.75	4.65	4.75	4.22
Rajasthan	0.86	0.77	1.07	0.81	0.91	1.10	0.65	1.01	0.97	0.87
Andhra Pradesh	0.19	0.16	0.17	0.19	0.13	0.16	0.15	0.34	0.40	0.35
Karnataka	0.07	0.09	0.10	0.09	0.08	0.18	0.18	0.30	0.27	0.24
Others	0.12	0.16	0.17	0.21	0.24	0.06	0.06	0.24	0.22	0.20
All India	8.27	8.85	10.97	9.91	9.96	9.50	11.50	12.24	11.86	10.53

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



From the above table it can be concluded that the production of soybean in major states has been increasing gradually in three major producing states namely Madhya Pradesh and Maharashtra. In the last nine years the national production has increased by over 77 per cent and the most significant growth was noticed in Maharashtra (66.80 per cent). The main reason behind this significant jump is the persistence demand of soybean meal from the Middle East, Europe and South East Asian Countries and increased oil consumption demand which in spite of increased domestic production is still heavily depended on imports. India's dependency on global edible oil supply is likely to continue. The total edible oil demand for the country is estimated to be about 160 – 170 lakh MT, whereas the domestic production accounts for 65-70 lakh MT, which leaves an inevitable gap of about 100 lakh tonnes which is met by imports. Over 95 per cent component of import are palm oil (65 per cent) and soybean oil (35 per cent).

International Scenario

The global soybean 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 soybean balance over the last decade.

Global soybean Balance sheet

(million MT)

Years	Beginning Stocks	Production	Imports	Exports	Tot. Dom. Consumption	Ending Stocks
2006-07	53.97	236.30	68.91	71.14	225.02	63.01
2007-08	63.01	219.01	78.40	78.32	229.48	52.62
2008-09	52.62	212.08	77.45	77.21	221.79	43.15
2009-10	43.15	260.56	86.86	91.44	238.48	60.65
2010-11	60.65	264.35	88.78	91.70	251.26	70.82
2011-12	70.82	240.43	93.47	92.19	258.63	53.91
2012-13	53.91	268.82	95.93	100.81	261.68	56.17
2013-14	56.17	283.15	111.28	112.64	275.25	62.70
2014-15	62.70	319.37	119.82	124.88	298.28	78.73
2015-16	78.73	319.61	123.22	126.48	310.10	84.98

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 34.26 per cent over the decade. Likewise the import, consumption and export grew by 78.82, 37.81 and 77.80 per cent respectively. The positive fact about the soybean trade is the growth in the consumption over the years and the consistent increase in the production. 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 recent turmoil in the Middle East & Ukraine, continued weather abnormalities in form of developing record level of El Nino and increased consumption is going to support the prices. There has been a significant increase in the global ending stock over the last year, which is the price limiting factor but I feel that the enhanced demand from China (soybean) & India (soybean oil) is going to comfortably absorb the increased ending stock and sustain the prices on the upper levels.

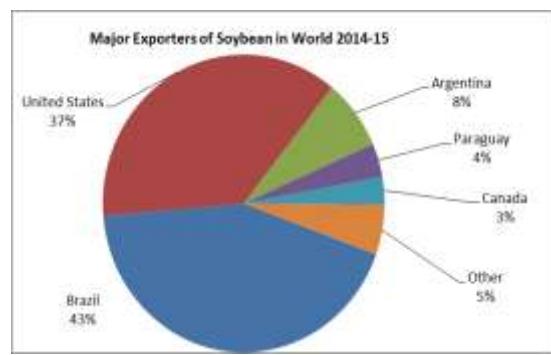
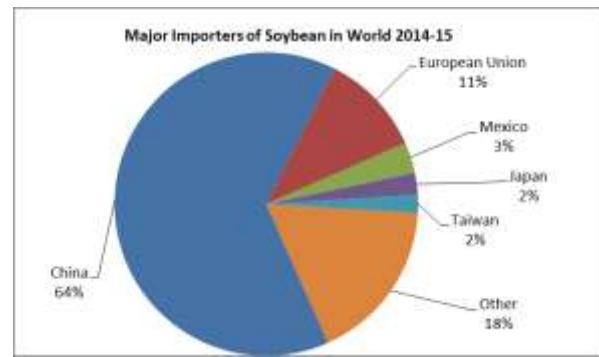
Country wise global Supply -n - Demand of Soybean

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Production									
United States	72.86	80.75	91.47	90.66	84.29	82.79	91.39	108.01	107.10
Brazil	61.00	57.80	69.00	75.30	66.50	82.00	86.70	94.50	97.00
Argentina	46.20	32.00	54.50	49.00	40.10	49.30	53.50	60.80	57.00
China	12.73	15.54	14.98	15.08	14.49	13.05	12.20	12.35	11.50
India	9.47	9.30	9.70	10.10	11.70	12.20	9.50	9.80	11.50
European Union	0.81	0.75	0.95	1.20	1.22	0.95	1.21	1.69	1.95
World	219.01	212.08	260.56	264.35	240.43	268.82	283.15	319.37	319.61
Total Dom. Cons.									
China	49.42	51.26	59.38	65.90	72.07	76.18	80.30	86.05	91.70
United States	51.63	48.11	50.72	48.35	48.79	48.55	50.09	55.76	54.43
Argentina	36.27	32.96	36.01	39.44	38.19	36.55	40.57	44.48	46.60
Brazil	34.92	34.67	36.55	39.23	40.98	38.19	39.86	42.55	42.77
European Union	16.21	14.18	13.49	13.30	13.26	13.89	14.20	14.72	15.33
India	9.53	8.83	9.17	10.72	11.30	11.75	9.85	9.35	11.18
World	229.48	221.79	238.48	251.26	258.63	261.68	275.25	298.28	310.10
Ending Stocks									
Argentina	20.95	15.63	21.04	21.40	15.95	20.96	26.05	32.78	33.43
Brazil	20.25	13.43	17.48	23.64	13.02	15.33	15.95	18.17	18.15
China	2.47	7.46	13.21	14.54	15.91	12.38	14.43	17.55	16.15
United States	5.58	3.76	4.11	5.85	4.61	3.83	2.50	5.71	12.26
India	0.15	0.56	1.08	0.44	0.80	1.14	0.61	0.81	0.83
European Union	0.71	0.45	0.54	0.82	0.80	0.30	0.25	0.54	0.56
World	52.62	43.15	60.65	70.82	53.91	56.17	62.70	78.73	84.98

Source: Foreign Agricultural Service, Official USDA Estimates

Global Trade Scenario for Soybean

From the analysis of the production and consumption figures, it is realised that India produces 11 million MT of soybean against the consumption requirement of about 20 million MT (11 million MT is the actual and about 6.06 million MT is the approximate seed equivalent of the total of 1.091 million MT of soybean oil – oil content 18 per cent) which is to be met by imports. The top six importing nations accounts for 85.09 per cent of the total global imports of which a whopping 65.66 per cent is done only by China. The second most important destination is EU contributing to 11.31 per cent of the total imports. The other countries worth mentioning are Mexico, Japan, Taiwan and Thailand. Thus, going by the share of the quantum of the imports done in the last year, one should be focused enough to track the prices and the sentiments of soybean trade in China and EU.



The major countries involved in the export of Soybean are explained by the following chart. As per the details US exports 40.51 per cent of the total global exports of soybean. The other exporting country closely competing with US in exporting soybean in the world is Brazil with the global share of 40.42 per cent. The other exporting nations worth mentioning are Argentina, Paraguay and Canada.

Major Importers of Soybean in World

(Million MT)

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
China	37.82	41.10	50.34	52.34	59.23	59.87	70.36	77.00	79.00
European Union	15.14	13.21	12.68	12.47	12.07	12.54	12.99	13.45	13.50
Mexico	3.61	3.33	3.52	3.50	3.61	3.41	3.84	4.03	4.05
Japan	4.01	3.40	3.40	2.92	2.76	2.83	2.89	2.90	2.85
Taiwan	2.15	2.22	2.47	2.45	2.29	2.29	2.34	2.35	2.38
Other	15.66	14.20	14.45	15.10	13.52	15.00	18.86	20.10	21.44
World	78.40	77.45	86.86	88.78	93.47	95.93	111.28	119.82	123.22

Source: Foreign Agricultural Service, Official USDA Estimates

Major Exporters of Soybean in World

(Million MT)

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Brazil	25.36	29.99	28.58	29.95	36.26	41.90	46.83	50.00	54.50
United States	31.54	34.82	40.80	40.96	37.19	36.13	44.57	49.94	46.95
Argentina	13.84	5.59	13.09	9.21	7.37	7.74	7.84	9.60	9.75
Paraguay	4.10	2.62	4.07	5.23	3.57	5.52	4.80	4.60	4.60
Canada	1.75	2.02	2.25	2.94	2.93	3.47	3.47	3.78	3.83
Other	1.73	2.18	2.66	3.42	4.87	6.05	5.12	6.97	6.86
World	78.32	77.21	91.44	91.70	92.19	100.81	112.64	124.88	126.48

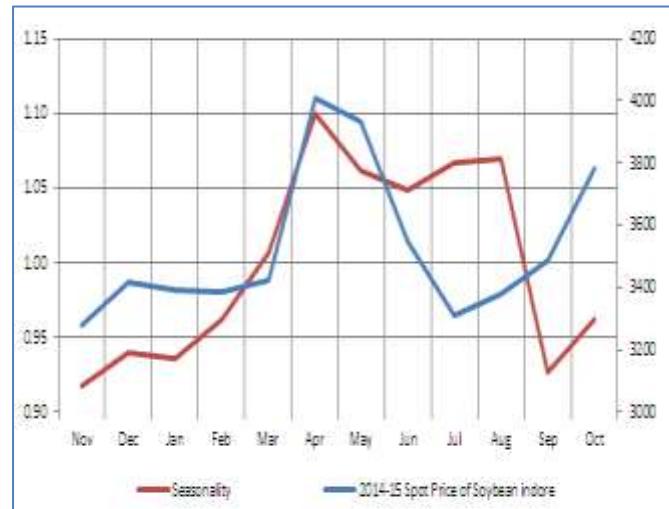
Source: Foreign Agricultural Service, Official USDA Estimates

Price Trend Analysis



The price trend for soybean futures at NCDEX has always been in tandem with CBOT with correlation of 83.51 per cent. Looking at the price trends of the past years, the prices tend decline during the June-Sep on increased hopes of higher oilseed sowings in Kharif and across northern hemisphere oilseed growing countries. The surge in demand starts towards end October and reaches peak by May. The year 2014-15 was no exception with the price making a high of 4855 in the month of April and since then the price has been on the down side.

The adjacent picture depicts the price seasonality and prices of soybean at Indore. The analysis reveals that the prices tend to peak in the month of September primarily due to increased festive demand from India & China. Soybean prices have followed seasonal downtrend between June & July 2015 as the prospects of significant surge in edible oil imports into India. The major factor which is likely to support the prices is the development of El Nino and the moisture stress situations developed in major growing states which is likely to lower the production significantly (NBHC 1st Estimate: 9.89 Million MT) there by favouring the bullishness in prices.



Major Developments in Soybean Market

India

- According to the Soybean Processors Association of India's latest estimates, production this kharif season is likely to stand at 8,642,600 MT, compared with last year's revised estimate of 9,000,000 MT. This year, the carryover stock is likely to be 900,000 MT.
- Sowing - Rajasthan - Lower by 5-10 per cent over last year
- Sowing - Madhya Pradesh - at par with last year. Replanting reported in 15 – 20 % area
- Sowing - Maharashtra - down by 20 – 25 % over last year
- Moisture stress situation severe in Maharashtra & Rajasthan
- Overall yield in soybean likely to decline by 10-12 %
- Soymeal exports down by over 60 % since last year
- Edible oil imports on record high leading to pressure on domestic refining units

- Recent (18th September 2015) imposition of 5 % additional import duty on crude edible oil (increased from 7.5 % to 12.5 %) is likely to support crushing in the coming season as the production is likely to be below 10 million MT.
- As per The Solvents Extractors Association of India has India's oil meal exports rose four per cent to 113,913 MT in September compared to the year-ago period. Though, for April-September, overall oil meal exports stood at 723,661 MT, compared with 1,024,370 MT during the corresponding period last year, down 29 per cent.
- As per Solvents Extractors Association of India, the export of soybean meal is at a historical low during the current year and reduced month by month and reported at 42,743 MT compared to 1,11,027 MT in the first six months of the 2015-16 financial year.
- As per the latest report of USDA, India soybean oil imports are raised 300,000 MT to 2.80 million MT in 2015-16 due to lower domestic crush of soybeans and the domestic consumption of soybean oil in India is likely to be at around 4.45 million MT in 2015-16 against 3.9 million MT last year.
- According to latest SEA data release, the import of soy oil hit a new high of 4.5 lakh MT in August compared to 3.5 lakh MT in July, increase of 28.6 per cent M-O-M.

World

- Global oilseed production for 2015-16 is projected at 527.2 million MT, down 1.9 million MT from last month. Soybean production is reduced for Ukraine, where dry conditions in August lowered yield expectations. Soybean production is also reduced for Canada with lower yields more than offsetting increased harvested area as reported by Statistics Canada.
- The 2015-16 global soybean production is reduced this month to 319.61 million MT as lower production in Canada and Ukraine is only partially offset by a higher U.S. production forecast.
- Global exports remain at a record level of 126.48 million MT. Global stocks are reduced, reflecting a lower production and carry-over from last year forecast.
- USDA reports that 85 per cent of the U.S. soybean crop was dropping leaves on October 4, up 11 points on the week and up 2 points from the five-year average for the week. Most states were above the normal pace for the week, while Missouri at 51 per cent lagged the five-year average pace by 13 points.
- U.S. oilseed production for 2015-16 is projected at 116.1 million MT, up 0.7 million from last month on increased soybean, cottonseed, and peanut production. Soybean production is forecast at 3,935 million bushels, up 19 million due to a higher yield forecast. Soybean crush is raised 10 million bushels to 1,870 million on increased domestic disappearance of soybean meal, which is raised in line with an increase for 2014-15. With lower beginning stocks and higher use, soybean ending stocks are projected at 450 million bushels, down 20 million.
- Chinese importer in US has announced purchase of 13.18 million MT of soybean in 2015-16. Moreover, USDA reported that private exporters had booked sales of 18.17 lakh MT of soybean for delivery to China during the 2015-16 crop year.
- According to Malaysian Palm Oil Board (MPOB), Malaysia's palm oil stocks at the end of August rose 10 per cent to 2.49 million MT from a revised 2.27 million MT at the end of July.

Price Forecast: Technical Outlook (NCDEX)



Explanation:

Marginal divergence is seen in the (Moving Average Convergence - Divergence) MACD curves for the duration of 21 weeks and 50 weeks. The lower 21 week moving average has intersected the 50 week moving average from the lower side (about 8 weeks ago) and is still maintaining the move on the upper side, which is denoting the underlying strength of soybean prices. 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 4200 and 4800 on the downside and has good potential of testing 4200 and 4800 on the higher side in the coming 5-6 months. Thus, as per my analysis of soybean fundamentals, the prices would experience a bull run from levels of 3100 or even from levels before it.

Price Expectation

Commodity	Units	Current Market (07.10.2014)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
Soybean	Rs. / Qtl	3789	2560	↑	2800	4200	4800

Disclaimer:

This report has been prepared by National Bulk Handling Corporation (NBHC) for the sole benefit of the addressee. Neither the report nor any part of the report shall be provided to third parties without the written consent of NBHC. Any third party in possession of the report may not rely on its conclusions without the written consent of NBHC.

NBHC has exercised reasonable care and skill in preparation of this advisory report but has not independently verified information provided by various primary & secondary sources. No other warranty, express or implied, is made in relation to this report. Therefore NBHC assumes no liability for any loss resulting from errors, omissions or misrepresentations made by others.

Any recommendations, opinions and findings stated in this report are based on circumstances and facts as they existed at the time of preparation of this report. Any change in circumstances and facts on which this report is based may adversely affect any recommendations, opinions or findings contained in this report.

© National Bulk Handling Corporation (NBHC) 2014