

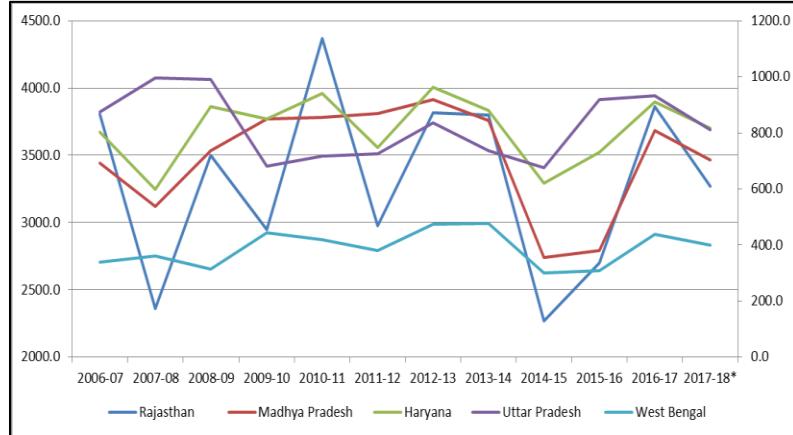
# SEASONAL COMMODITY INSIGHT

30<sup>th</sup> December 2017

## Mustard- A Promising Potential

### Domestic Scenario

Mustard Seed (*Brassica juncea*), brown Indian mustard, are a rich source of oil and protein. The seed has oil as high as 46-48%, and whole seed meal has 43.6% protein. India's Mustard seed production in 2017-18 is estimated at around 69.80 lakh MT, which is significantly lower from around 79.77 lakh MT produced in 2016-17. The MSP for Rapeseed/Mustard for the year 2016-17 has also increased by Rs. 300 i.e. by 8.01 per cent, to Rs. 4000 per quintal by Govt. of India. The major producers of rapeseed meal are Canada and India, as it is seen that bumper production has occurred in Canada of about 1 Million MT than previous year and also 2 units of Soybean oil crushing units are replaced by Mustard Crushing oil units, meal is expected to rise in future. About 85.14 per cent of the total production in the country was contributed by 5 states.



The top Mustard Seed producing states of the country are Rajasthan (45.61 per cent), Madhya Pradesh (6.42 per cent), Haryana (12.33 per cent) and Uttar Pradesh (15.54 per cent) respectively. As in 2017-18 the area under mustard seed in major growing states of Rajasthan and Madhya Pradesh which are hub for Mustard has decreased by approximately 7 per cent, this is mainly because the area under pulses has increased over there, it is expected that the production may decrease by 3-4 per cent than last year and bullish market is expected during the season which will be in February – March.

### State Wise Production of RM Seed in India

(Thousand MT)

States	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*
Rajasthan	3805.6	2362.2	3502.5	2948.2	4369.7	2976.3	3814.6	3797.1	2270.0	2700.0	3864.6	3268.1
Madhya Pradesh	693.4	536.8	736.6	848.9	855.1	869.6	919.2	844.3	355.0	380.0	808.2	702.7
Haryana	802.0	598.0	895.0	849.0	942.0	747.0	962.0	880.0	620.0	730.0	910.4	816.0
Uttar Pradesh	873.8	997.3	991.9	682.0	717.0	726.0	836.0	736.8	675.0	920.0	931.4	811.9
West Bengal	338.6	361.7	315.3	443.0	419.6	380.9	474.8	478.1	300.0	310.0	437.3	400.7
Gujarat	504.0	551.0	334.0	341.0	349.0	327.0	361.0	486.0	240.0	295.0	438.9	361.4
Assam	116.0	123.0	122.9	128.6	138.8	134.7	170.4	169.0	148.0	132.0	152.0	152.4
Others	304.4	303.6	302.5	367.4	387.6	442.2	490.9	485.3	472.0	453.0	434.3	467.4
All India	<b>7437.8</b>	<b>5833.6</b>	<b>7200.7</b>	<b>6608.1</b>	<b>8178.7</b>	<b>6603.7</b>	<b>8028.9</b>	<b>7876.7</b>	<b>5080.0</b>	<b>5920.0</b>	<b>7977.0</b>	<b>6980.6</b>

Source: Directorate of Economics and Statistics, Department of Agriculture and Cooperation \* NBHC Estimates (2017-18)

## 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

Years	Production	Imports	Exports	Total Dom. Cons	(Million MT) Ending Stocks
<b>2008-09</b>	58.01	12.15	12.20	54.86	6.80
<b>2009-10</b>	61.06	10.81	10.90	59.77	8.00
<b>2010-11</b>	60.94	10.18	10.93	60.09	8.10
<b>2011-12</b>	61.64	13.24	12.99	63.79	6.21
<b>2012-13</b>	64.06	12.83	12.56	65.69	4.85
<b>2013-14</b>	71.68	15.55	15.10	69.48	7.50
<b>2014-15</b>	71.45	14.32	15.10	70.63	7.54
<b>2015-16</b>	69.96	14.52	14.37	70.86	6.80
<b>2016-17</b>	70.27	16.38	16.01	71.42	6.03
<b>2017-18*</b>	72.06	16.12	16.19	73.07	4.94

Source: Foreign Agricultural Service, Official USDA Estimates

Overall the global production scenario is observed to be increasing for the past decade. The production for 2017-18, which was at 72.06 million MT has increased by 24.21 per cent from 2008-09. . Likewise, the import grew by 32.67 per cent, consumption grew by 33.19 per cent and export grew 32.70 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 over 80 per cent (Exports – 92.91 per cent & Imports – 80.20 per cent). Similarly, the oil trade has also expanded significantly by over 85 per cent (Exports – 109.59 per cent & Imports – 88.85 per cent).

The major contributors in production of Rapeseed and mustard are European Union, China, Canada, India and Japan. Globally it is expected that the market will remain stable in 2017-18 as compared with last year as production, Import, Export and the total domestic consumption is expected to increase on one hand but at the same time ending stock may decrease to 4.94 Million MT in 2017-18, from 6.03 MT in 2016-17.

Although in India, it is seen that the domestic prices of Oilseeds are plunged below MSP and oilseed crushing industry too facing competition from cheaper imports hence India increases import duties on edible oils, that bumper production has occurred in Canada than previous year and also 2 units of Soybean oil crushing units are replaced by Mustard Crushing oil units, so meal is expected to rise in future. Decision of hike in import duty has been taken, to protect the interest of farmers and encourage domestic crushing industry. However, this decision falls short of industry demand for differential between crude and refined edible oils. The rapeseed-mustard prices are driven by India's edible oil imports and Malaysian palm oil. India's edible oil imports are expected to increase.


**Country wise global Supply –n – Demand of RM Seed Oil** (Million MT)

Country	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*
<b>Production(Million MT)</b>										
European Union	8.53	9.43	8.88	9.05	9.51	10.01	10.60	10.16	10.20	10.45
China	5.10	5.68	5.53	6.28	6.63	7.22	7.14	7.10	6.67	6.75
Canada	1.84	2.11	2.77	3.07	2.95	3.05	3.23	3.63	4.02	4.02
India	2.07	2.09	2.20	2.16	2.24	2.28	1.60	1.90	2.20	2.10
Japan	0.93	0.99	1.02	1.05	1.06	1.05	1.07	1.05	1.06	1.08
World	21.23	23.28	23.53	24.90	25.68	27.27	27.61	27.70	27.99	28.45
<b>Domestic Consumption(Million MT)</b>										
European Union	8.87	9.72	9.29	9.34	9.32	9.82	10.40	10.05	10.15	10.30
China	5.30	5.90	6.20	6.45	6.70	7.40	7.75	8.40	8.40	8.10
United States	1.28	1.29	1.66	1.74	1.64	2.07	2.27	2.42	2.66	2.79
India	2.05	2.10	2.19	2.12	2.31	2.37	2.08	2.28	2.52	2.56
Japan	0.99	0.99	1.05	1.08	1.07	1.07	1.09	1.07	1.08	1.08
World	21.11	22.81	23.46	23.92	24.29	26.17	27.29	28.19	29.00	29.22
<b>Ending Stocks(Million MT)</b>										
China	0.43	0.99	0.96	1.82	3.34	4.05	4.16	3.63	2.68	2.07
Canada	0.12	0.14	0.10	0.04	0.07	0.21	0.38	0.50	0.49	0.37
European Union	0.28	0.32	0.19	0.28	0.22	0.41	0.51	0.48	0.34	0.34
India	0.15	0.16	0.17	0.32	0.26	0.33	0.22	0.22	0.22	0.19
United States	0.08	0.09	0.14	0.09	0.06	0.13	0.12	0.12	0.13	0.09
World	1.27	1.95	1.96	3.04	4.42	5.52	5.74	5.28	4.14	3.34

Source: Foreign Agricultural Service, Official USDA Estimate

**Country wise global Supply –n – Demand of RM Seed Meal** (Million MT)

Countries	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*
<b>Production(Million MT)</b>										
European Union	11.628	12.853	12.113	12.341	12.968	13.651	14.45	13.851	14.136	14.25
China	7.878	8.666	8.431	9.58	10.115	11.01	10.89	11.009	9.938	10.414
Canada	2.44	2.68	3.54	3.945	3.785	3.966	4.155	4.698	5.2	5.2
India	3.254	3.284	3.463	3.397	3.522	3.582	2.507	2.985	3.46	3.55
Japan	1.214	1.26	1.289	1.298	1.37	1.332	1.375	1.343	1.34	1.36
Others	3.948	4.293	4.494	4.702	4.731	5.236	5.711	5.508	5.472	5.738
World	30.362	33.036	33.33	35.263	36.491	38.777	39.088	39.394	39.546	40.512
<b>Domestic Consumption(Million MT)</b>										
European Union	11.634	12.789	12	12.2	13.2	13.7	14.3	13.9	14	14.05
China	7.87	9.532	9.839	10.195	10.12	11.287	11.032	11.254	10.801	11.064
Canada	0.575	0.575	0.575	0.594	0.55	0.558	0.533	0.62	0.545	0.65
India	2.08	2.15	2.3	2.295	2.23	2.115	1.6	2.6	2.935	3.285
Japan	1.285	1.316	1.301	1.336	1.437	1.364	1.381	1.325	1.36	1.37
Others	6.725	6.45	7.531	8.617	8.994	9.895	10.236	9.705	9.824	10.158
World	30.169	32.812	33.546	35.237	36.531	38.919	39.082	39.404	39.465	40.577
<b>Ending Stocks(Million MT)</b>										
India	0.518	0.74	0.423	0.343	0.427	0.3	0.148	0.245	0.405	0.295
European Union	0.095	0.075	0.17	0.271	0.182	0.229	0.418	0.309	0.153	0.203
Canada	0.029	0.207	0.207	0.256	0.097	0.091	0.099	0.092	0.1	0.125
Japan	0.05	0.052	0.065	0.034	0.042	0.084	0.036	0.061	0.041	0.031
Bangladesh	0.026	0.042	0.032	0.015	0.06	0.011	0.012	0.035	0.033	0.031
Others	0.086	0.167	0.222	0.22	0.177	0.234	0.167	0.14	0.151	0.127
World	0.804	1.283	1.119	1.139	0.985	0.949	0.88	0.882	0.883	0.812

Source: Foreign Agricultural Service, Official USDA Estimates

## Country wise global Import &amp; Export Direction of RM Seed Meal &amp; Oil

('000 MT)

Country	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*
<b>Rape seed meal Import('000 MT)</b>										
United States	1,694	1,159	2,043	2,792	3,122	3,385	3,500	3,634	3,531	3,685
China	260	993	1,413	666	106	314	142	359	875	700
Thailand	327	288	276	339	327	376	401	250	228	250
European Union	167	127	230	244	415	457	453	409	219	300
Korea, South	370	321	303	450	421	555	499	223	212	235
Others	956	996	1,065	1,063	1,193	1,369	997	825	888	984
World	3,774	3,884	5,330	5,554	5,584	6,456	5,992	5,700	5,953	6,154
<b>Rape seed meal Export('000 MT)</b>										
Canada	1,861	1,927	2,998	3,310	3,405	3,425	3,637	4,100	4,670	4,550
European Union	161	211	248	284	272	361	414	469	511	450
India	915	912	1,480	1,182	1,208	1,594	1,059	291	365	375
Russia	99	100	151	237	284	265	299	185	135	280
United Arab Emirates	224	142	207	229	148	139	264	126	130	130
Others	493	337	194	318	381	566	394	517	222	375
World	3,753	3,629	5,278	5,560	5,698	6,350	6,067	5,688	6,033	6,160
<b>Rape seed Oil Imports('000 MT)</b>										
United States	1,050	1,067	1,421	1,492	1,252	1,536	1,675	1,797	1,999	2,070
China	453	785	647	1,036	1,598	902	732	768	802	750
Norway	134	192	265	315	317	383	373	432	450	470
India	37	16	5	109	10	155	383	383	345	430
European Union	459	443	491	607	210	303	261	207	153	150
Other	342	454	552	517	556	549	540	580	621	659
World	2,475	2,957	3,381	4,076	3,943	3,828	3,964	4,167	4,370	4,529
<b>Rape seed Oil Export('000 MT)</b>										
Canada	1,527	1,805	2,420	2,676	2,516	2,348	2,409	2,770	3,150	3,120
European Union	141	110	213	230	461	311	357	350	344	300
United Arab Emirates	245	248	289	318	272	289	356	280	313	325
Russia	89	88	94	226	204	328	346	240	241	290
Australia	63	98	117	112	128	149	171	146	165	165
Other	404	402	300	418	371	403	426	354	278	290
World	2,469	2,751	3,433	3,980	3,952	3,828	4,065	4,140	4,491	4,490

Source: Foreign Agricultural Service, Official USDA Estimates

The trade volume of both Rapeseed oil and meal in the year 2016-17 has increased globally over the years. United States is the largest importer of both Rapeseed oil and meal contributing to 45.70 and 59.87 per cent of global import volume respectively. Canada on the other hand is a major exporter of both Rapeseed oil and meal contributing to 69.48 and 73.86 per cent of global export volume respectively.

## Status of Indian Rapeseed and its Derivatives

(Million MT)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Rapeseed</b>										
<b>Production</b>	6.03	7.10	6.03	6.85	6.65	5.08	5.92	7.09	7.20	6.50
<b>Domestic Consumption</b>	6.27	6.55	6.46	6.70	6.78	5.04	5.93	6.90	7.17	6.67
<b>Ending Stocks</b>	0.30	0.85	0.42	0.57	0.44	0.48	0.47	0.66	0.69	0.49
<b>Rapeseed Meal</b>										
<b>Production</b>	3.28	3.46	3.40	3.52	3.58	2.51	2.99	3.46	3.55	3.35
<b>Domestic Consumption</b>	2.15	2.30	2.30	2.23	2.12	1.60	2.60	2.94	3.29	3.19
<b>Ending Stocks</b>	0.74	0.42	0.34	0.43	0.30	0.15	0.25	0.41	0.30	0.30
<b>Rapeseed Oil</b>										
<b>Production</b>	2.09	2.20	2.16	2.24	2.28	1.60	1.90	2.20	2.25	2.10
<b>Domestic Consumption</b>	2.10	2.19	2.12	2.31	2.37	2.08	2.28	2.55	2.71	2.56
<b>Ending Stocks</b>	0.16	0.17	0.32	0.26	0.33	0.22	0.22	0.22	0.19	0.19

Source: Foreign Agricultural Service, Official USDA Estimates

**Recent Developments****Domestic**

The MSP of Rapeseed/Mustard is raised (8.1 per cent) by Rs.300 per quintal to Rs.4000 per quintal from Rs.3700 per quintal earlier by the Govt. of India.

The domestic rapeseed-mustard featured positive tone during the week amid good demand for mustard oil during winter season and firm tone of palm oil at BMD. Rabi sowing is lagging behind till date, compared to same corresponding period previous year.

According to Government of India figures, rapeseed and mustard seed has been sown in 63.58 lakh hectares as on 29 December 2017 compared to 68.94 lakh hectares during the same corresponding period previous year.

Import duty on crude rapeseed oil was hiked from 12.5 per cent to 25 per cent while refined rapeseed oil will be charged import duty of 35 per cent from 20 per cent earlier by Govt. of India to control the import volume of edible oils and to protect the interests of domestic crushing industry.

**International**

Canadian farmers harvested larger crops than expected this autumn, reaping record-large rapeseed output as sowing area raised above wheat, a Statistics Canada report showed on Wednesday. Canola production topped 21.3 million MT, eight percent higher than September estimate, and more than 1 million MT larger than the average trade estimate in a Reuter's survey.

Agriculture Canada's monthly supply and demand spreadsheet for December raised its forecast for year-end stocks to two million MT, compared to one million in the November forecast. Last year's stocks were 1.35 million MT.

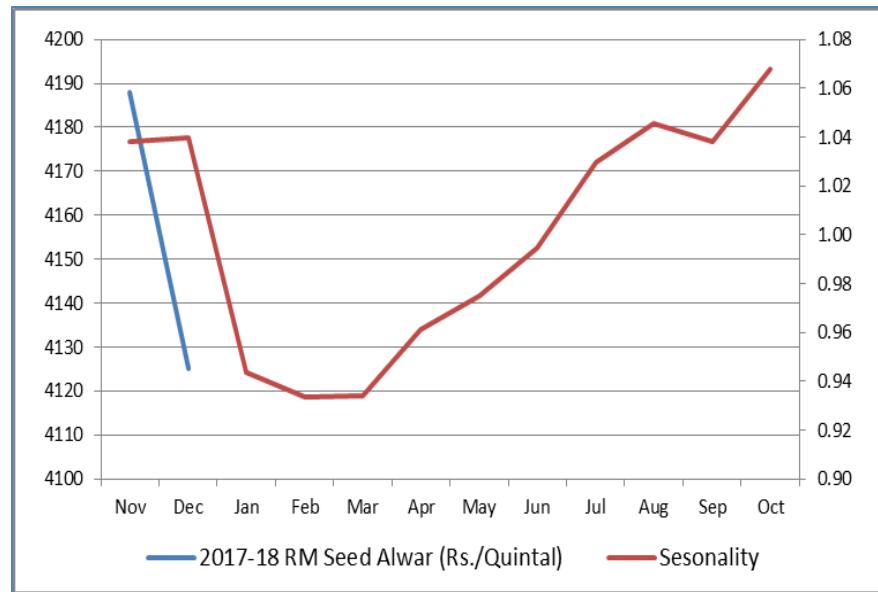
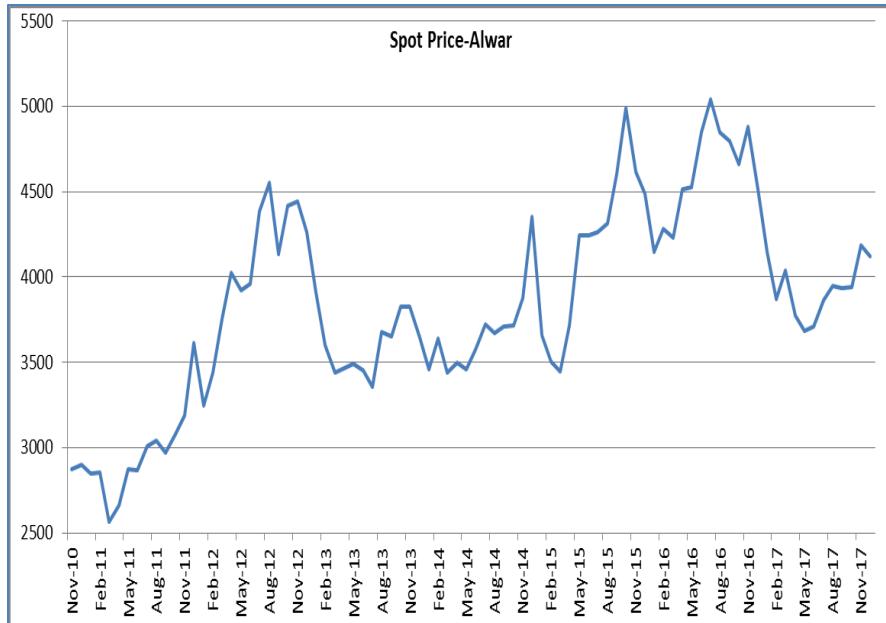
According to statistics Canada around 7.60 million MT of rapeseeds have been crushed by November this year and the oil produced was 3.34 million MT. The month of October 2017 saw 7.70 per cent increase in crushing of rapeseed and 10.26 per cent increase in production of rapeseed oil as compared to October 2016.

Chinese imports are expect to slow down due to a build-up awaiting GMO safety certificates at ports, was also noted as bearish.

### Price Trend Analysis

The rapeseed market price variation study indicates that the price volatility is on the rise since December 2016 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.. Country wise, US has pushed China to second place to dominate the global import market of RM seed Oil with 45.70 per cent. While China Still remains the largest importer of Rapeseed contributing to 28.28 percent of global imports. 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 graph below depicts the price seasonality and prices of RM Seed at Alwar. 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 2017, 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 2017 and lower sowing. Rajasthan alone contributes to over 48.43 per cent of the RM Seed production. In Rajasthan, the sowing area has gone down by 7.12 per cent (as on 14<sup>th</sup> December 2017) and retreating monsoon has increased significantly the number of districts with good moisture retention for Rabi season and it has been accordingly reflected in the estimated production figures. As per the price movement is concerned, the slight dip in the current couple of months has been in accordance with the seasonality. Overall, we can expect a bullish price movement to commence from mid-March and continue till the end of the oil year.



### Price Expectation

The market is expected to find strong support at the levels of 3650 and 3500 on the downside and has good potential of testing 4420 and 4630 on the higher side in the coming 3-4 months. Thus, as per my analysis of RM Seed fundamentals, the prices have already entered the bullish territory.



Commodity	Units	Current Market (29.02.2017)	Minimum Support Price (MSP)	Market View	Technical Projections		
					Support	T1	T2
R M Seed	Rs. / Qtl	3939 (NCDEX)	4000	↑	3500	4420	4630

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