

SEASONAL COMMODITY INSIGHT

23rd August 2016

Soybean

Domestic Scenario

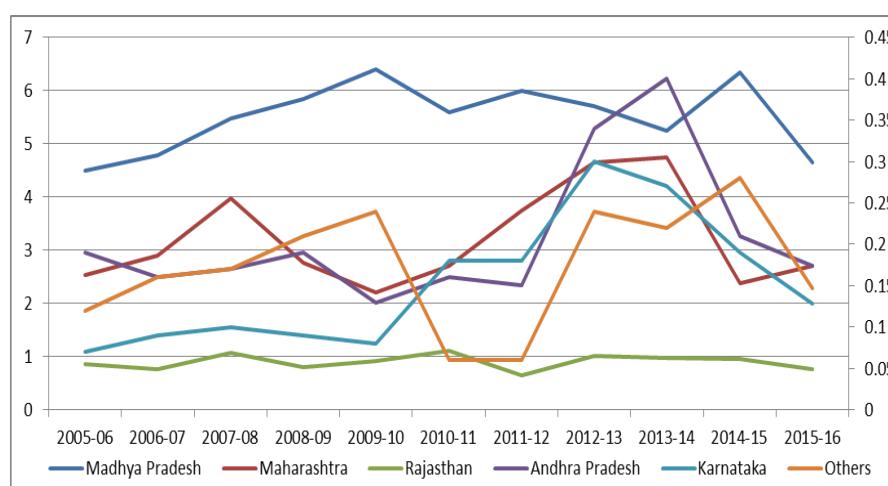
Soybean has been the major component of the oil seed crop for India. Of the total nine oilseed crops production it contributes to about 33.95 per cent. In recent times the stock management of soybean and enhanced demand is imposing serious challenge for the country owing to the prevalent economic crises in European Union and improving demand in the global markets. India's Soybean production in 2015-16 is estimated at around 85.9 lakh MT, which is lower from around 103.7 lakh MT produced in 2014-15. India's support prices in 2016-17 are hiked by about 6.7 per cent from the levels in 2015-16 to Rs. 2775 per quintal for both black and yellow soybean. About 94.37 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 (54.06 per cent), Maharashtra (31.51 per cent) and Rajasthan (8.81 per cent). India holds second position in the major soybean oil consumer's list after China. The Indian government has imported 9.66 million MT of edible oil in the marketing year 2015-16 (November – June) against import of about 8.72 million MT reported for the same period last year. The share of soybean oil import was about 2.80 million MT.

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	2015-16
Madhya Pradesh	4.5	4.78	5.48	5.85	6.41	5.6	6	5.7	5.24	6.35	4.64
Maharashtra	2.53	2.89	3.98	2.76	2.2	2.7	3.75	4.65	4.75	2.38	2.71
Rajasthan	0.86	0.77	1.07	0.81	0.91	1.1	0.65	1.01	0.97	0.96	0.76
Andhra Pradesh	0.19	0.16	0.17	0.19	0.13	0.16	0.15	0.34	0.4	0.21	0.17
Karnataka	0.07	0.09	0.1	0.09	0.08	0.18	0.18	0.3	0.27	0.19	0.13
Others	0.12	0.16	0.17	0.21	0.24	0.06	0.06	0.24	0.22	0.28	0.15
All India	8.27	8.85	10.97	9.91	9.96	9.5	11.5	12.24	11.86	10.37	8.59

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 about 3.62 per cent and the most significant growth was noticed in Karnataka (65.26 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 MT which is met by imports. Overall, the percentage component of import is 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	52.60	212.03	77.90	77.21	222.30	43.02
2009-10	43.02	260.48	87.52	91.44	239.23	60.35
2010-11	60.35	264.26	89.76	91.71	252.46	70.21
2011-12	70.21	240.56	94.55	92.19	260.12	53.01
2012-13	53.01	268.57	97.20	100.80	262.59	55.38
2013-14	55.38	282.46	113.07	112.70	276.25	61.96
2014-15	61.96	319.72	123.71	126.16	300.83	78.41
2015-16	78.41	312.36	130.37	131.64	317.34	72.17
2016-17	72.17	325.95	136.02	138.26	328.78	67.10

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 37.94 per cent over the decade. Likewise the import, consumption and export grew by 97.40, 46.41 and 94.35 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

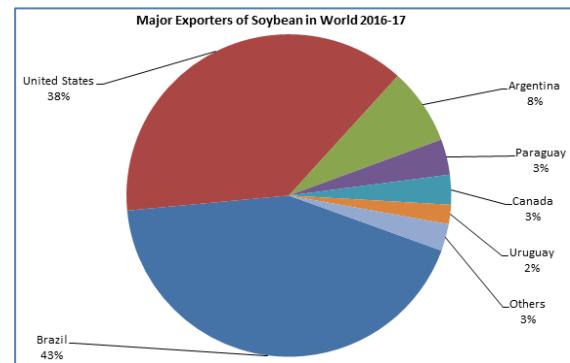
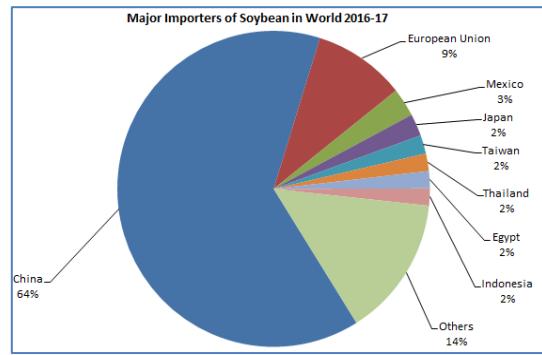
(Million MT)

Country	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Production										
United States	72.86	80.75	91.47	90.66	84.29	82.79	91.39	108.01	106.93	105.60
Brazil	61.00	57.80	69.00	75.30	66.50	82.00	86.70	94.50	96.50	103.00
Argentina	46.20	32.00	54.50	49.00	40.10	49.30	53.50	60.80	56.50	57.00
China	12.73	15.54	14.98	15.08	14.49	13.05	12.20	12.35	11.60	12.20
India	9.47	9.30	9.70	10.10	11.70	12.20	9.50	9.80	7.00	11.70
European Union	0.81	0.75	0.95	1.20	1.22	0.95	1.21	1.83	2.20	2.45
World	219.01	212.08	260.56	264.35	240.43	268.82	283.15	319.72	312.36	325.95
Total Dom. Cons.										
China	49.42	51.26	59.38	65.90	72.07	76.18	80.60	87.20	95.25	100.80
United States	51.63	48.11	50.72	48.35	48.79	48.55	50.09	54.93	54.42	55.79
Argentina	36.27	32.96	36.01	39.44	38.19	36.81	39.76	44.18	50.05	48.75
Brazil	34.92	34.67	36.55	39.23	40.98	38.16	39.81	43.41	43.70	43.60
European Union	16.21	14.18	13.49	13.30	13.26	13.58	14.56	15.07	15.32	14.87
India	9.53	8.83	9.17	10.72	11.30	11.80	9.82	8.48	7.56	10.85
World	229.48	221.79	238.48	251.26	258.63	261.68	276.25	300.83	317.34	328.78
Ending Stocks										
Argentina	20.95	15.63	21.04	21.40	15.95	19.47	25.27	31.92	27.02	24.67
Brazil	20.25	13.43	17.48	23.64	13.02	15.36	16.02	19.50	15.45	15.45
China	2.47	7.46	13.21	14.54	15.91	12.38	13.88	17.03	16.23	14.48
United States	5.58	3.76	4.11	5.85	4.61	3.83	2.50	5.19	9.54	7.90
India	0.15	0.56	1.08	0.44	0.80	1.31	0.79	0.80	0.11	0.73
European Union	0.71	0.45	0.54	0.82	0.80	0.74	0.62	0.66	0.59	0.62
World	52.62	43.15	60.65	70.82	53.91	55.38	61.96	78.41	72.17	67.10

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 around 8 - 10 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 eight importing nations accounts for 85.60 per cent of the total global imports of which a whopping 63.68 per cent is done only by China. The second most important destination is EU contributing to 9.52 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. Currently going by the global estimates China is expected to import about 100 million MT (a record for all times) and this very fact is expected to provide positive support to the soybean prices.

The major countries involved in the export of Soybean are explained by the following chart. As per the details, Brazil has overtaken US as the leading exporter of soybean with global share of over 42.96 per cent followed US with the share of 38.19 per cent. The other major exporting countries competing with US & Brazil in exporting soybean in the world are Argentina and Paraguay with the global share of 7.66 per cent and 3.56 per cent respectively. The other exporting nations worth mentioning are Uruguay and Canada.

Major Importers of Soybean in World

(Million MT)

Country	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
China	28.73	37.82	41.10	50.34	52.34	59.23	59.87	70.36	78.35	83.00	87.00
European Union	15.18	15.14	13.21	12.68	12.47	12.07	12.54	13.29	13.42	13.60	13.00
Mexico	3.84	3.61	3.33	3.52	3.50	3.61	3.41	3.84	3.82	3.95	4.00
Japan	4.09	4.01	3.40	3.40	2.92	2.76	2.83	2.89	3.00	3.25	3.10
Taiwan	2.44	2.15	2.22	2.47	2.45	2.29	2.29	2.34	2.52	2.55	2.60
Thailand	1.53	1.75	1.51	1.66	2.14	1.91	1.87	1.80	2.41	2.60	2.45
Egypt	1.33	1.06	1.58	1.64	1.64	1.66	1.73	1.69	1.95	1.80	2.40
Indonesia	1.31	1.15	1.39	1.62	1.90	1.92	1.80	2.24	2.01	2.30	2.40
Others	10.60	11.99	10.18	10.19	10.40	9.11	10.88	14.61	16.26	18.83	19.67
World	69.05	78.68	77.90	87.52	89.76	94.55	97.20	113.07	123.74	131.88	136.62

Source: Foreign Agricultural Service, Official USDA Estimates

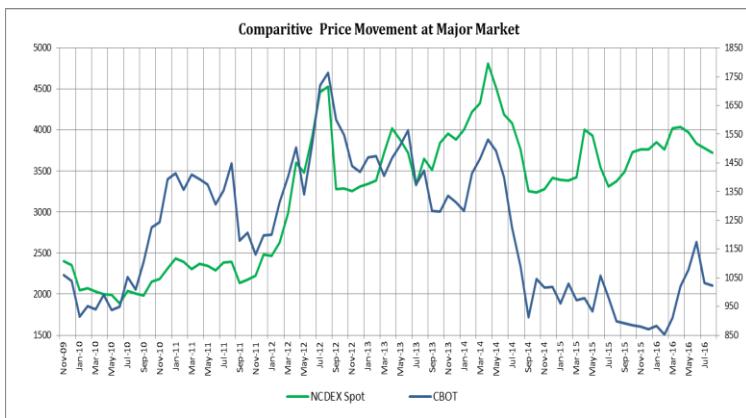
Major Exporters of Soybean in World

(Million MT)

Country	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Brazil	23.49	25.36	29.99	28.58	29.95	36.26	41.90	46.83	50.61	56.60	59.70
United States	30.39	31.54	34.82	40.80	40.96	37.19	36.13	44.59	50.14	51.17	53.07
Argentina	9.56	13.84	5.59	13.09	9.21	7.37	7.74	7.84	10.57	10.50	10.65
Paraguay	4.14	4.10	2.62	4.07	5.23	3.57	5.52	4.80	4.49	4.80	4.95
Canada	1.68	1.75	2.02	2.25	2.94	2.93	3.47	3.47	3.85	4.28	4.15
Uruguay	0.81	0.82	1.10	1.94	1.82	2.61	3.53	3.20	3.03	1.70	2.69
Others	1.07	0.91	1.08	0.72	1.60	2.26	2.51	1.99	3.43	3.76	3.77
World	71.14	78.32	77.21	91.44	91.71	92.19	100.80	112.72	126.13	132.80	138.97

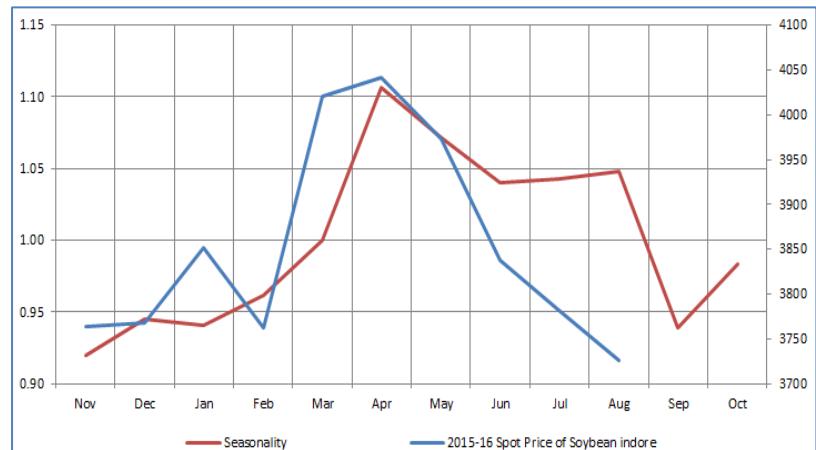
Source: Foreign Agricultural Service, Official USDA Estimates

Price Trend Analysis



The price trend for soybean futures at NCDEX has always been in tandem with CBOT, but the trend seems to have changed and the prices in the Indian markets have diverged from the US market and at present the correlation between them stand at merely 22.80 per cent, indicating least correlation. 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 2016 was no exception with the price making a high of 4295 in the month of April and since then the price has been on the down side. This downside movement in the price is likely to continue for couple of months before showing any signs of recovery.

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 & August 2016 as the prospects of significant surge in edible oil imports into India. The major factor which is likely to support the prices is the diminishing of El Nino and starting of La Nino which results in heavy downpour situations which have already developed in major growing states which is likely to lower the production and subsequently trigger bullishness in prices.



Major Developments in Soybean Market

India

- Indore based Soybean Processors Association of India (SOPA) said that so far the standing soybean crop is in good conditions but it will be too early to project the output at this stage.
- The sowing of Soybean in Madhya Pradesh stood at 53.610 lac hectare, in Maharashtra at 38.247 and in Rajasthan at 10.052 lac hectare as on 04.08.2016, which was 58.070, 33.553 and 10.914 lakh hectare respectively on same date last year, SOPA.
- The total sown area of soybean as on 12th August, 2016 as per reports received from States, stands at 112.35 lakh hectare as compared to 111.96 lakh hectare at this time last year. The sowing of Soybean in Madhya Pradesh stood at 53.61 lakh hectare, in Maharashtra at 38.68 and in Rajasthan at 10.91 lakh hectare, which were 58.34, 34.47 and 10.91 lakh hectare respectively on same date last year (Ministry of Agriculture, GoI).
- SOPA has requested the government that instead of reduction, the duty should be increased to 37.5% on crude and 45% on refined soybean oil, which is the World Trade Organization (WTO) bound rate.

- Import of vegetable oils during June, 2016 is reported at 1,169,456 MT compared to 1,016,297 MT in June, 2015, consisting of 1,158,902 MT of edible oils and 10,554 MT of non-edible oils i.e. up by 15%.
- Palm Oil import has decreased to 5,605,473 MT from 5,850,719 MT during the same period of last year, while, soft oils import sharply increased to 4,064,343 MT from 2,871,555 MT last year. The share of soft oils import increased to 42% from 33% last year while, share of palm oil products down to 58% from 67%.
- The export of soybean meal and its other value added products during July 2016 is just 12,272 MT compared to 30,688 MT in July 2015 showing a decrease of 60% over the same period of last year, according to Soybean Processors Association of India (SOPA).

World

- According to United States Department of Agriculture's (USDA) weekly crop progress report around 72% of there are in good to excellent conditions which was 71% last year.
- The USDA hiked US, the world's biggest bean grower; production estimates to 110.5 million MT in August compared to 105.6 million MT in previous month and 106.9 million MT a year ago.
- USDA also raised its forecast for 2015-16 US soybean ending stockpiles to 330 million bushels in August compared to 290 million bushels in the previous month and 255 million bushels a year ago.
- According to USDA weekly export sales report, for 2016-17 around 1.074 million MT is likely to be exported which is up by 49% on weekly and noticeably up from prior 4-week average.
- The USDA said on Tuesday that private exporters reported the sale of 119,000 tonnes of soybeans to China for delivery in the 2016-17 marketing year.
- According to cargo surveyor SGS, strong buying was witnessed from India and China, the two major consumers for palm oil, following reports of low stocks at ports outpacing demand ahead of festive demand.
- NOPA said that its members crushed 143.715 million bushels of soybeans in July, down from 145.050 million during June.
- Estimation for Argentina, world's third biggest soybean producer, 2015-16 crop output maintained at 57 million MT on month while higher than 56.5 million MT in previous year.
- Forecast for Brazil, the world's second biggest soybean producer, 2015-16 August output raised to 103 million MT unchanged from previous month and 96.5 million MT a year ago.

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