

# Commodity Buzz Agri

June 28, 2019

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Key points

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## Southwest monsoon 35% below normal till June 27

### Agricultural sector highlights:

- Government mulls new sugar export policy
- Government removes restrictions on import of pea seeds
- Maharashtra sugar millers seeks differential MSP mechanism (Source: Financial Express)
- Rice export prices rise on increase in demand
- Around 20-25 lakh hectares likely to come under HTBT cotton cultivation (Source: Financial Express)
- Government promises seed traceability software by next June

### Market Highlights

Daily Price Analysis						
Expiry	Open	High	Low	Close	Prev Cl	% Change
JULY	5,492	5,530	5,436	5,464	5,518	-0.98
AUG	5,580	5,592	5,510	5,534	5,588	-0.97
SEPT	5,638	5,638	5,576	5,598	5,660	-1.10
OCT	0	0	0	5,662	5,732	-1.22

### Spread Matrix

Spread Analysis					
	PRICE	JULY	AUG	SEPT	OCT
SPOT	5,514	-50	20	84	148
JULY	5,464	-	70	134	198
AUG	5,534	-	-	64	128
SEPT	5,598	-	-	-	64
OCT	5,662	-	-	-	-

### Stock position as on 27th June on NCCL Warehouses

Location	Valid Stock	In Process	Unit
Bhabhar	8802	0	MT
Deesa	24613	0	MT
Kadi	32983	0	MT
Patan	81584	0	MT
Total	147982	0	MT

### Castor seed

#### Overview

Castor seed July futures declined 0.98% on Thursday on weak demand from bulk consumers. Prices declined over the past few days and touched a new contract low of Rs. 5220 earlier this month on ample supplies and weak demand. Prices gained last month on good demand and concerns over crop yield due to poor rains in Gujarat. Good export demand for castor oil also supported prices.

NCDEX has revised lot size from 10 MT to 5MT and tick size from Re. 1 to Rs. 2 for contracts expiring October 2018 onwards. Exchanges have imposed 5% additional margins of 5% on long and short sides of castor wef October 30, 2018.

Sowing of castor seed in 2018-19 stood 5.19% higher at 8.59 lakh ha compared with 8.17 lakh ha during the corresponding period last year.

Gujarat Agriculture Department pegged 2018-19 castor seed output lower to 9.46 lakh tonnes, 36% lower compared to 14.84 lakh tonnes in the previous year.

According to SEA, India exported 7,733 tonnes castor seed meal in March'19 compared to 27,320 tonnes in February'19.

The Ministry of Agriculture released 2nd Advance Estimates for 2018-19, wherein it has estimated castor seed output at 11.77 lakh tonnes compared to 15.68 lakh tonnes in 2017-18.

Total stocks on NCCL accredited warehouses stand at 147,982 mt out of which 147,982 mt are valid stocks while the remaining 0 mt are in process.

### Outlook

Castor seed may trade on a negative note. Weak demand from bulk consumers overall ample stocks may pressurize prices. However, concerns over poor monsoon forecast may support prices at lower levels. Expectations of lower yield and good castor meal exports may support prices. Value buying may be seen at lower levels.

**Market Highlights**

Daily Price Analysis						
Expiry	Open	High	Low	Close	Prev Cl	% Change
JUNE	22,340	22,390	22,010	22,150	22,320	-0.76
JULY	21,720	21,740	21,430	21,500	21,720	-1.01
AUG	21,450	21,450	21,150	21,180	21,450	-1.26
OCT	20,660	20,680	20,450	20,450	20,720	-1.30

**Spread Matrix**

Spread Analysis					
	PRICE	JUNE	JULY	AUG	OCT
SPOT	21,820	330	-320	-640	-1,370
JUNE	22,150	-	-650	-970	-1,700
JULY	21,500	-	-	-320	-1,050
AUG	21,180	-	-	-	-730
OCT	20,450	-	-	-	-

**Stock position as on 26th June on MCXCCL Warehouses**

Location	Valid Stock	In Process	Unit
Rajkot	32100	3500	Bales
Kadi	27100	0	Bales
Mundra	1000	2200	Bales
Jalna	11300	0	Bales
Yavatmal	52700	100	Bales
Adilabad	1500	0	Bales
Warangal	14600	0	Bales
<b>Total</b>	<b>140300</b>	<b>5800</b>	<b>Bales</b>

**Cotton****Overview**

Cotton July futures declined 1.01% on Thursday on strong rupee, weak overseas markets and sufficient stocks. However, lower sowing supported prices at lower levels. Prices gained over the past few days on tight supplies, lower output, and good export demand. Prices touched a new contract low of Rs. 19,950 last month on weak overseas markets.

Cotton Advisory Board has projected 2018-19 output 2.4% down at 36.1mn bales. Cotton Association of India slashed 2018-19 output to 31.5 mn bales compared to 32.1 mn bales earlier.

Sowing of cotton stood 0.89% lower at 120.64 lakh ha v/s 121.72 lakh ha during the corresponding period last year.

ICE cotton futures declined 0.53% on Thursday ahead of USDA acreage report and US-China meet at G-20. Prices gained this week on delay in planting due to heavy rains. Prices declined earlier on weak export

sales data and US-China trade tensions. US and China raised tariffs on each other. USDA planting intention report supported prices earlier. The report estimated planting at 13.8 million acres compared to estimates of 14.49 million acres. Prices declined earlier on slowdown worries in China and trade war. WASDE report forecast 2018/19 global output lower at 118.45 mn bales v/s 118.74 mn bales earlier. It pegged global end stocks higher at 75.50 mn bales v/s 73.19 mn bales. The report cut US output to 18.39 mn bales v/s 18.59 mn bales while end stocks are estimated lower at 4.3 mn bales v/s 4.4 mn bales.

The Ministry of Agriculture released 2nd Advance Estimates for 2018-19, wherein it has estimated cotton output 300.87 lk bales compared to 348.88 lk bales in 2017-18.

Total stocks on MCXCCL accredited warehouses stand at 146,100 bales out of which 140,300 bales are valid stocks while 5,800 bales are in process.

**Outlook**

*Cotton may trade negative. Weak overseas markets, strong rupee, selling by CCI and sufficient stocks may pressurize prices. However, good export demand, tight supplies and lower output may support prices at lower levels.*

**Market Highlights**

Daily Price Analysis						
Expiry	Open	High	Low	Close	Prev Cl	% Change
JULY	17,250	17,250	17,020	17,075	17,190	-0.67
AUG	17,275	17,285	17,100	17,170	17,285	-0.67
SEPT	0	0	0	17,265	17,380	-0.66
OCT	0	0	0	17,360	17,475	-0.66

**Spread Matrix**

Spread Analysis					
	PRICE	JULY	AUG	SEPT	OCT
SPOT	17,405	-330	-235	-140	-45
JULY	17,075	-	95	190	285
AUG	17,170	-	-	95	190
SEPT	17,265	-	-	-	95
OCT	17,360	-	-	-	-

**Stock position as on 27th June on NCCL Warehouses**

Location	Valid Stock	In Process	Unit
Jodhpur	18	0	MT
Unjha	1576	33	MT
Total	1594	33	MT

**Jeera****Overview**

Jeera July futures declined 0.67% on Tuesday on long liquidation and good arrivals. Prices gained last month on good export demand for the new crop. Prices declined earlier on expectations of higher yield this year while lower sowing supported prices.

Jeera acreage in Gujarat declined 9.18 percent at 347,539 ha vs 382,677 ha last year. The geopolitical tensions in Syria and Turkey have hit supplies from the exporting nations.

Prices gained sharply earlier this year on lower acreage, lower domestic supplies due to record exports and lower carryover stocks.

According to the Spices Board of India, exports of Jeera from India between April-December 2018 stood at 137,000 MT, 31.4 percent higher compared to 104,260 MT last year. In value terms, exports jumped 24 percent to Rs 2192.35 crores.

Total stocks on NCCL accredited warehouses stand at 1,627 mt out of which 1,594 mt are valid stocks while 33 mt are in process.

**Outlook**

*Jeera may trade on a negative note. Long liquidation may be seen at higher levels. Pick up in arrivals, weak demand, ample stocks and higher output expectations this year may also pressurize prices. However, good demand, good export demand may support prices. Slow pace of deposits on NCCL accredited warehouse may also support prices. Short coverings may be seen at lower levels towards the end of the week.*

**Market Highlights**

Daily Price Analysis						
Expiry	Open	High	Low	Close	Prev Cl	% Change
JULY	3,685	3,692	3,664	3,682	3,680	0.05
AUG	3,635	3,650	3,631	3,647	3,646	0.03
SEPT	3,583	3,600	3,577	3,591	3,574	0.48
OCT	3,450	3,488	3,450	3,476	3,454	0.64

**Spread Matrix**

Spread Analysis					
	PRICE	JULY	AUG	SEPT	OCT
SPOT	3,737	-55	-90	-146	-261
JULY	3,682	-	-35	-91	-206
AUG	3,647	-	-	-56	-171
SEPT	3,591	-	-	-	-115
OCT	3,476	-	-	-	-

**Stock position as on 27th June on NCCL Warehouses**

Location	Valid Stock	In Process	Unit
Akola	16974	31	MT
Indore	3598	0	MT
Kota	784	0	MT
Latur	392	0	MT
Mandsaur	260	0	MT
Nagpur	20	0	MT
Sagar	513	0	MT
Shujalpur	1938	0	MT
Vidisha	5209	0	MT
<b>Total</b>	<b>29688</b>	<b>31</b>	<b>MT</b>

**Soybean****Overview**

Soybean July futures gained 0.05% Thursday on lower arrivals and delayed planting. Prices declined on ample supplies and weak soy meal export demand. Higher edible oil prices also supported prices.

NCDEX has modified delivery logic from Seller's Option to Compulsory Delivery for contracts expiring March 2019 onwards.

Soybean on CBOT declined 0.64% on Thursday improving climatic conditions for planting and weak export sales data. Trade aid package may fuel more planting. Prices fell to a 10 year low on higher global supplies, higher Argentina output and weak export demand from China due to African swine fever. USDA's planting intention report estimated acreage at 84.617 mn acres. WASDE report cut 2018-19 US end stocks estimate to 895 mn bsh v/s 900 mn bsh in while it US output remained unchanged at 4.544 bn bsh. It raised global output to 360.58 mn tn v/s 360.08 mn tn and raised global end stocks to 107.36 mn tn v/s 107.17 mn tn.

Sowing of soybean stood 6.32% higher at 112.61 lakh ha compared to 105.92 lakh ha last year. According to SEA, Soymeal exports in March 2019 jumped to 193,920 tonne compared to 70,478 tonne in March 2018.

The Ministry of Agriculture released 2nd Advance Estimates for 2018-19, wherein it has estimated soybean output 136.89 lk tonnes compared with 109.81 lk tonnes in 2017-18.

Total stocks on NCCL accredited warehouses stand at 29,719 of which 29,688 mt are valid stocks while 31 mt are in process.

**Outlook**

*Soybean may trade mixed. Delay in sowing, hopes of pickup in meal export demand and lower arrivals may support prices. However, higher output and ample stocks may cap gains. Pick up in monsoon may lead to pick up in sowing activities.*

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