

Highlights:

- Agri markets kept trading with high volatility with no strong directions, even as prices seem to find some support at these lower levels after the recent fall. Expected recovery in Festive season demand in coming weeks amidst slowdown in arrivals could support prices in medium term. All eyes would be on the weather factor also as any heavy rains could damage the standing crops too.
- There has been no strong movement in the International markets but moderate firmness in crude oil prices and some firmness in Dollar vs Rupee could ensure some recovery in export demand for the new crop at these lower levels in coming weeks.

Jeera

- Moderate recovery was noted for Jeera as the initial bearishness was followed by recovery by end of the day on account of short covering. Expected strong rains in Gujarat and Rajasthan could lead to adverse impact on the standing crop—thus supporting prices further. Delayed arrivals of the new crop due to delayed sowing from less rains last year could support prices. Production, that was expected to fall earlier due to weak Monsoon, started gathering pace as Gujarat Govt initiated efforts to increase water supply in fields. Cooler weather and rains in Gujarat and Rajasthan during Dec-Jan too were good for the crop. The recent weather disturbance in North-West India could support prices in case crop is damaged.
- Lowering inventories, rising demand prospects, and expected fall in sowing from lower rains amidst delayed sowing reports in Gujarat/Rajasthan are supporting factors. Massive rainfall deficit in Saurashtra and Kutch in Gujarat and in West and South Rajasthan have been reported though Govt took efforts to rectify the problem. However exporters are reportedly waiting for the new crops before initiating fresh demand in mandis.
- Traders estimate last year crop to be between 65-75 lakh bags (of 55 kg each). Canal irrigation in parts of Rajasthan may keep production from falling too much. As per Gujarat agriculture department, Jeera acreage as on 21st Jan fell 9% at 3.47 lakh ha vs 3.82 lakh ha same period last year. Production is estimated at 2.23 lakh tonnes for 2018-19 as against 2.97 lakh tonnes in 2017-18
- As per Spices Board data, India's output for the year 2017-18 was estimated at about 5 lakh tonnes, including 2.91 lakh tonnes from Gujarat and 2.06 lakh tonnes from Rajasthan. Trade estimates suggest about 10% carry-over stock. Government has reported exports during FY 2017-18 (Apr-Mar) at 143,670 tonnes, up 21% in quantity and 23% in value vs earlier year. Exports from China, Europe and US have shown improvement. Demand from Gulf countries too has shifted to India as geopolitical tensions in Turkey and Syria adversely affected the production and the exports from there. As per trade sources, India is likely to have exported ~120,000 tons in Apr-Dec up over 13% on year. Syrian production was reportedly damaged and stated lower at ~25,000 tons while Turkey production expected at ~8000 tons and are expensive.



NCDEX Jeera March

| | |
|-------|-------|
| Close | 15440 |
| S1 | 15330 |
| S2 | 15200 |
| R1 | 15540 |
| R2 | 16650 |



Chana

- Moderate weak trend persisted for Chana even as traders expect the domestic demand to rise ahead of the Festive season. As new crop harvesting starts, that could pressurize prices in near term. High stocks and regular release of stocks in the markets by Govt agencies kept uptrend limited.
- Nafed reportedly is having ~20.59 lakh MT stocks as on Feb 7. Lower acreage could support prices with 1st Feb Rabi sowing reportedly down 10% at 107.08 lakh ha. However, improved productivity from recent rains in MP and Maharashtra is keeping upside limited for the prices. Any heavy rains could however damage the crop. Traders also expect the overall production to be less than the 10.50 million tons Govt expects. Lower sowing area and any report of hailstorm could lead to moderate firmness in prices.
- On the International front, Australian chickpea production too is down a massive ~70% at 3.51 lakh MT due to lower acreage, low rains and lower productivity there.
- Canadian production is however expected to be on the higher side at 3.11 lakh tons vs last year estimates of 1.02 lakh tons.
- With the Indian Government taking steps to raise farmers' incomes, with import and export duties being changed to promote exports and discourage imports, rising demand on the export and Festive season domestic front may well support prices in the medium to long term. A lot would also depend on the production figures too. For other Pulses, Urad production in 2018-19 is projected to be lower than the previous year's 3.56 mt. The tur-producing states, including Gujarat, Maharashtra, Karnataka, Bihar, Andhra Pradesh, Madhya Pradesh and Uttar Pradesh, had a dry spell. Tur production has reportedly come down to 30 lakh tonne from 47 lakh tonne in the previous season



NCDEX Chana March

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|-------|------|
| Close | 4100 |
| S1 | 4070 |
| S2 | 4020 |
| R1 | 4130 |
| R2 | 4170 |

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Mentha Oil



MCX Mentha Oil March

| | |
|-------|--------|
| Close | 1629.1 |
| S1 | 1612 |
| S2 | 1600 |
| R1 | 1644 |
| R2 | 1655 |

- Trend remained moderately firm for Mentha with profit booking at the higher levels limiting the uptrend. Rains in UP could have adverse impact on the crop sowing. Heavy rains could well slow down the sowing process and support market sentiments.
- With sowing commencing and production prospects improving, the uptrend had been limited. The output has not risen in past few years with India producing ~80% of global production and exporting ~75% of its output. Traders estimated a 20-25% rise in sowing in 2018 versus last year. It is likely to touch ~3 lakh ha—as per Central Institute of Medicinal and Aromatic Plants (CIMAP).
- Drop in availability of synthetic menthol oil, used mainly for non-food applications have supported prices in recent past—thus ensuring higher sowing of the crop this year.
- It should be noted that this year's production expectation of 38500-39000 MT stood slightly above the average production of 36,968 MT productions seen in between 2013 and 2018. Therefore expectations of a significant jump in production over last year due to is ruled out.
- Rains in growing regions of UP have reportedly adversely affected the oil production process—thus supporting futures prices. Due to improving exports prospects, estimates for ending stocks has been reduced even lower than previous year.
- In long run traders expect demand to pick up at lower rates and a firm trend can be expected. High prices seen last year have ensured better sowing this year. But fall in carry forward stocks, over last year could support prices in medium term. We had seen historical low carry-over stocks of Mentha oil in domestic markets two years back, and in 2018 also stocks to use ratio is tightened, eventually making the commodity vulnerable to any supply disruptions.



Cotton / Kapas



MCX Cotton March

| | |
|-------|-------|
| Close | 20480 |
| S1 | 20420 |
| S2 | 20350 |
| R1 | 20540 |
| R2 | 20640 |

- Markets stabilized at these lower levels after the recent dips. Low demand from mills and on the export front amidst high arrivals have kept trend down for cotton. Low exports noted amidst trade war between US and China. Ginners are already facing costly inputs due to the increased MSP. CAB has lowered 2018-19 crop at 361 lakh bales from 370 lakh bales. CAI has reduced crop size for 2018-19 at 343 lakh bales (each of 170kg) from 365 lakh bales in 2017-18—attributed to adverse impact of drought-like situation in growing regions of Gujarat, Maharashtra and Karnataka. Demand is expected to rise from China, Pakistan, Vietnam and Bangladesh. The ICAC says, production may be 25.89m tons, down from 25.94m estimated earlier, while consumption may rise to a record 27.46m tons from 26.38m year on year. A year earlier, output was 26.87m tons and inventories were 19.29m. Global production is currently projected at 25.9 million tonnes—a 4% fall. Global consumption is projected to rise 4% to 27.5 million tons. Demand is strong, with consumption projected to rise 4% to 27.5 million tons in 2018/19. Stocks in China are projected to fall for 5th consecutive year to 7.5 million tons, while stocks outside are expected to remain stable at 10.1 million tons. Cotton area is projected to fall in major producing countries including India (11.9 million ha, down 3%) and USA (4.25 million ha, down 5%), although it should remain stable in China at 3.3 million ha. Traders expect production in 2018 to fall 4.7% from the previous season to 34.8 million bales due to lower rainfall in key cotton growing states and attack of pink bollworms. The CCI has already been making purchases at MSP—as per market reports.
- Latest US cotton forecasts include U.S. slightly lower production, mill use, and ending stocks. Production is reduced 200,000 bales. Ending stocks and mill use are reduced 100,000 bales each, while exports are unchanged. The world 2018/19 estimates include lower production and mill use but higher trade and stocks. Production is reduced nearly 300,000 bales, as smaller crops in Turkey, India, Burkina Faso and the US offset increases in China, Brazil, Pakistan, and Australia. World trade is increased 600,000 bales as higher imports by China, Turkey, and Pakistan more than offset declines in Vietnam and Bangladesh. Exports rose for Brazil, Benin, and India, but fell for Turkey and Burkina Faso. Lower 2017/18 India mill use is largely responsible for a 600,000-bale increase in world 2018/19 beginning stocks. Projected 2018/19 consumption in India is reduced 500,000 bales since December, and is reduced 1 million bales for China. Global use is reduced 2 million bales, with smaller declines in Vietnam, Turkey, and US. World 2018/19 ending stocks are now 2.3 million bales above their previous estimate, with a 2.0-million-bale increase for China.



Guar gum



NCDEX Guar gum March

| | |
|-------|------|
| Close | 8260 |
| S1 | 8200 |
| S2 | 8140 |
| R1 | 8300 |
| R2 | 8350 |

- Overall sentiments continued to weaken for Guar even as it found some good support at these lower levels. Low trading activities limited the gains. With crude oil prices remaining firm and Dollar trading firm vs Rupee, traders expect that could support export demand. Reports of speculative selling amidst lack of strong demand and high stocks had kept pressure on prices. Low demand noted from stockists who had reportedly purchased at higher levels.
- Reports of improved production for Guar—up 7.42% had pressurized prices. Low rains in West Rajasthan and excess rains in East Rajasthan last year, had been factors damaging for the crop. Long term trend likely to remain firm but short term trend looks very volatile. Latest export figures at 3,30,978 till Oct end has been reported. Industry expects Guar gum export during financial year 2018-19 to reach nearly 4 lakh tonnes on expectations of strong demand from U.S as it is increasing crude oil production. As per latest Advance Estimates of Department of Agriculture Rajasthan, seed production for 2017-18 is estimated at 12.44 lakh tons vs 14.04 lakh tons in 2016-17. In Gujarat, seed production for 2018-19 is estimated to fall by 12% at 1.23 lakh tons vs 1.40 lakh tons for 2017-18. Firmness in crude oil prices, continuously falling Rupee amidst falling stocks and rising export demand—all these are factors that could lead to long term Bullish impact on prices. Water in canals of Sri Ganganagar and Hanumangarh are reportedly low. Rise in Moong MSP by 25% shifted crop there. Better returns in other crops like cotton and Bajra too are reducing area for Guar—as per sources.
- Earlier, cheaper substitute of slick water and friction reducer from China had limited exports. As per data released by Baker Hughes the number of oil rigs in USA has increased to 1075, which is 151 more than the previous year. Rising export demand from shale gas industry of N America due to rising crude oil prices have now been noted. As per global organizations, USA will lead in oil production in 2018 hence usage of guar gum might remain higher this year. Guar gum is used as drilling chemical and gelling agent in fracturing process. Consumption of drilling chemicals is rising with rising crude prices. Guar gum price direction in near term shall take cues from fresh reports on export demand and crude oil. Demand for Indian churi korma are also reportedly on the higher side from China, due to its trade war with the US.



Ref Soy Oil



NCDEX Soy Oil March

| | |
|-------|--|
| Close | |
| S1 | |
| S2 | |
| R1 | |
| R2 | |

- Weakness in International markets and domestic oilseeds maintained pressure over soya oil. Palm oil maintained bearish tone and it seems that prevalent weak tone in palm oil can continue for few more sessions thereby affecting soya oil prices as well.
- It may be noted that the USDA report released couple of months back, did not make any changes over previous month for US exports/Local use/ production or season end stock yet tone was positive as fund houses anticipated higher usage of edible oils in Bio-Diesel - a bullish factor for edible oils. The USDA report had furnished bearish data for global and Indian ending stocks. As per the Feb USDA report, global ending stock estimate for global soya oil is 3.77

MMT(Vs 3.59 MMT last year) and Indian soya oil is 0.24 MMT (Vs 0.17 MMT last year). For today's session expect moderate upside in March soya oil in case fails to trade below 760.

- Latest report indicating brighter chances of trade war tensions to ease between US and China soon shall be capping the downside movement of edible oils moving forward.
- The near term trend for palm oil looks slightly down on anticipation of addition to falling export prospects for Malaysian palm oil. This in turn, shall influence soya oil as both have strong positive correlation with each other. Therefore for next few weeks we expect upside to be restricted for soya oil. Approaching South American

harvest season shall be another negative factor, moving forward. On the other hand rupee outlook seems downwards hence there can be moderate up-corrections this week.

- As viewed on charts, March soya oil shall tend to move with bearish undertone today unless breaks above 762. Weekly support for the March derivative will be 745-750.



Soybean



NCDEX Soybean March

| | |
|-------|--|
| Close | |
| S1 | |
| S2 | |
| R1 | |
| R2 | |

- Weak tone in Rabi oilseeds and lack of demand in domestic market continues weighing over futures prices. In present term, soybean seems to find resistance in moving higher ahead of South American harvest season, and easing buying interest in mandis. At the same time no specific announcement in the Union Budget session with respect to edible oilseeds continues putting pressure over prices. But the cheapening offers will be limiting downside movement in coming sessions.
- Still there is lack of clarity with production estimates. While one segment expects this year's crop between 90 to 95 lakh tons, another group of industry persons are estimating the production between 110 to 120 lakh tons. Most traders, overall expect the production estimates between 95 and 105 lakh tons. However, the near term fundamentals are not bearish, amid perception of growing optimism over improving export prospects of

soymeal, lower arrivals, compared year on year, at this point of time, coupled with lower estimates of Indian soybean against last year. Therefore downside was capped. From a month's perspective no significant price fall is expected from current levels.

- The USDA report showed the estimate for US soybean ending stocks for the 2018-19 crop year declined 45 million bushels since December to 910 million bushels. Globally, ending stocks for the year saw a 8.61 million mt decline to 106.72 million mt, according to the USDA data. These factors will be supportive for the commodity as long as monsoon reports are not being heard. On the whole, the USDA has downgraded domestic ending stock estimate in its recent demand-supply report and chances of possible damage in Maharashtra region remains high. This will be bullish for soybean. But the approaching South American harvest

season might limit the uptrend, after one or two months but as for now, lean season of India and US shall continue lending support. It may be noted that South American arrivals are unlikely before the middle of this month.

- As per trade sources, current export offers for domestic soymeal are quite lower now hence turning competitive for prevailing export rates of South American Soymeal therefore, traders now expect soybean to stabilize soon. Therefore from current levels, limited downside is expected. Technically the March contract is now oversold hence few upside corrections expected soon.



RM Seed



NCDEX RM Seed April

| | |
|-------|--|
| Close | |
| S1 | |
| S2 | |
| R1 | |
| R2 | |

- Reports of new season arrivals, although in limited numbers, had been keeping trend down. Weakness in Rabi oilseeds added to the negative tone. In coming weeks, reports sufficient amount of old crop inventory, approaching harvest season and light demand for the processed product of RM seed, i.e. RM DOC (Rape De-Oiled cake), will be weighing over futures market, in addition to Government data indicating a possible rise in acreage year on year.
- The recent reports of hailstorm and rains across producing regions of Rajasthan generated fears of adverse impact on stand-

ing crop. This factor will check the possibility of any significant fall but prices will find it tough to hold above resistances on reports of NAFED having sufficient stocks, in addition the approaching harvest season.

- There is higher possibility for slight jump in carry forward inventory over previous year, therefore chances of sharp upside rallies seem quite low in near term. But any significant fall is still unlikely on fresh reports of rains effecting crop yield, especially in Rajasthan are expected to offer support on apprehensions of falling yields. With respect to the crop situation sowing is completed in key growing states, and crops are in seed develop-

ment to grain filling/ maturity stage. Incidence of disease and insect has not been observed in field till date.

- As per reports, rainfall received 2nd fortnight of January is beneficial to the crop health and yield. Overall normal growth condition is reported so far. Here it will be crucial to assess how much actual impact will be on the crop size from the rains seen during this month, since this is expected to lower the yield, thereby reducing the production prospect. Till now, the Government reports have indicated a rise in acreage year on year - a bearish factor.

| Commodity | Exchange | Contract | Close | S1 | S2 | R1 | R2 | Expected Intraday Trend |
|----------------|----------|----------|--------|-------|-------|-------|-------|--|
| Soybean | NCDEX | Mar | 3637 | 3620 | 3600 | 3660 | 3684 | Sideways firm opening, may fall later |
| RM seed | NCDEX | Apr | 3840 | 3823 | 3805 | 3857 | 3872 | Sideways opening, may fall later |
| Castor seed | NCDEX | Mar | 5282 | 5254 | 5210 | 5310 | 5340 | Sideways firm opening, may fall later |
| Ref Soy Oil | NCDEX | Mar | 756.9 | 754 | 752 | 759 | 761 | Sideways firm opening, may fall later |
| CPO | MCX | Mar | 551.3 | 548 | 545 | 553.4 | 556 | Sideways firm opening, may recover later |
| Jeera | NCDEX | Mar | 15440 | 15330 | 15200 | 15540 | 15650 | Sideways weak opening, may recover later |
| Turmeric | NCDEX | April | 6238 | 6200 | 6160 | 6290 | 6350 | Bullish opening, may fall later |
| Dhaniya | NCDEX | April | 6268 | 6240 | 6200 | 6310 | 6360 | Sideways firm opening, may fall later |
| Cotton | MCX | Mar | 20480 | 20420 | 20350 | 20540 | 20640 | Sideways weak opening, may recover later |
| Cocudakl | NCDEX | Mar | 1936 | 1915 | 1900 | 1955 | 1980 | Sideways opening, may recover later |
| Kapas | NCDEX | April | 1111 | 1105 | 1100 | 1118 | 1125 | Sideways weak opening, may recover later |
| Mentha Oil | MCX | Mar | 1629.1 | 1612 | 1600 | 1644 | 1655 | Sideways opening, may recover later |
| Chana | NCDEX | Mar | 4100 | 4070 | 4020 | 4130 | 4170 | Bearish opening, may recover later |
| Guargum5 | NCDEX | Mar | 8260 | 8200 | 8140 | 8300 | 8350 | Bullish opening, may fall later |
| Guar seed 10MT | NCDEX | Mar | 4146.5 | 4120 | 4101 | 4171 | 4210 | Sideways firm opening, may fall later |

