



MONTHLY REPORT

Consolidated Balance Sheet

	Combined Oil Meal Feed B/S Yearly				
	2014/15	2015/16	2016/17E	2017/18F	% Change
CI	5.95	3.78	6.95	7.79	12.1%
Production	173.24	155.96	190.19	192.65	1.3%
Total Supplies	179.20	160.07	197.14	200.44	1.7%
Cattle Feed	104.18	94.82	101.41	112.17	10.6%
Poultry Demand	40.21	43.05	51.30	52.22	1.8%
Aqua Demand	5.14	5.40	5.99	6.28	4.9%
Others	2.57	3.38	5.77	5.13	-11.2%
EXPORTS	23.51	6.51	24.95	17.46	-30.0%
Total Demand	175.61	153.16	189.42	193.27	2.0%
CO	3.78	6.95	7.79	7.18	-7.8%
SUR	2.15%	4.54%	4.11%	3.71%	

- ✓ This season is expected to have highest ending stocks of oil meal in past 6 years. Prices of oil meals like Gnut cake and Soymeal are at around 5 years lowest level whereas meals like Cotton cake and Mustard meal are near its 2 years lowest level.
- ✓ SUR however, is getting tighter mainly due to Soymeal. Soy meal availability would be in surplus due to record soy bean stocks this season in the form of beans. The processor will hold bean equivalent of the meal. Crushing of beans will largely depend on the demand in domestic market and export commitments in days ahead



Supply and Demand of Various Feed Ingredients

Soy Meal Domestic Scenario

- Soy meal prices traded firm during the month of June mainly due to sharp fall in soy bean arrivals reducing the seed crush m/m. The rally in prices was further exaggerated due to impact of GST.
- With GST being implemented, the seed and oil attracts 5% GST while meal does not attract any tax this increases the tax liability on the processor which would have to be adjusted in the crush margins. Hence as the impact we see sharp increase in meal prices post imposition of GST.
- Owing to record soy bean production, for the season so far soy meal production is sharply up.
- Soy meal prices plunged to 5 year lows early during the season, with implementation of ban in illegal cattle slaughter has shifted the demand from cattle meat to broilers in northern states thus increasing the feed demand from poultry sector.
- Due to GST the demand from end users was hand to mouth in June.
- Sowing intentions for the season is not very optimistic considering the price realization throughout the season.

Mustard Cake

- For the season so far mustard cake production is higher year on year due to record mustard seed production this season.
- Regular trading activity is seen resuming post implementation of GST.
- Domestic demand for cake is expected to remain good especially from the cattle feed sector with attractive pricing and seasonal demand
- Export demand for mustard meal would also support the demand for cake

Cotton Seed Oil Cake

- CoC prices in June month continued to move lower and managed to trade near its 18 months lowest level
- The fall was primarily due to selling by stockiest who were clearing their material ahead of GST implementation. There was lot of confusion over tax rate on CoC. There is no tax on CoC for feed purpose
- Despite improved demand in June, ample availability kept pressure over prices
- Cotton crop acreage is expected to increase next year but there are concerns over crop condition in South India

Groundnut Cake

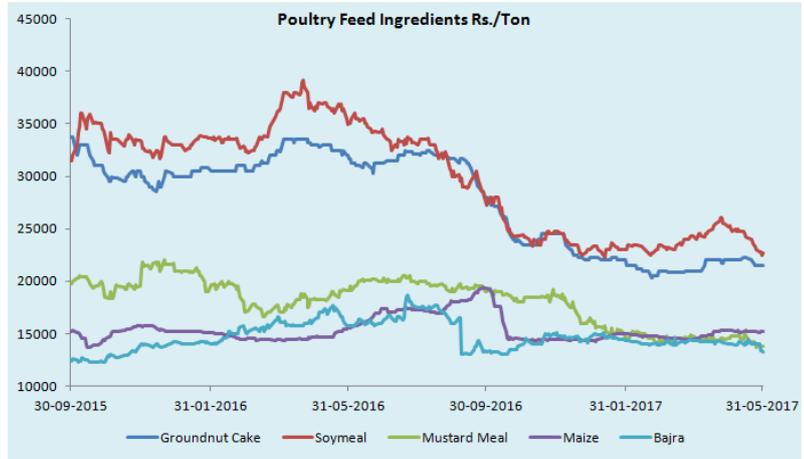
- Groundnut cake prices continued to decline last month to touch its lowest level in 5 years amid ample availability and weak demand
- Demand continued to fall sharply.
- Demand switch was seen to Soymeal from Gnut inspite of higher spread. Spread of Soymeal over Gnut cake increased due to rise in Soymeal prices and sharp fall in Gnut cake prices. Current spread is at 5,500/MT.
- In June Stockiest and crushers were away from the market over confusion on tax rates on feed ingredients. Gnut cake not taxed for feed purpose. Crushing activity was very low.



Demand Analysis of Various Industries

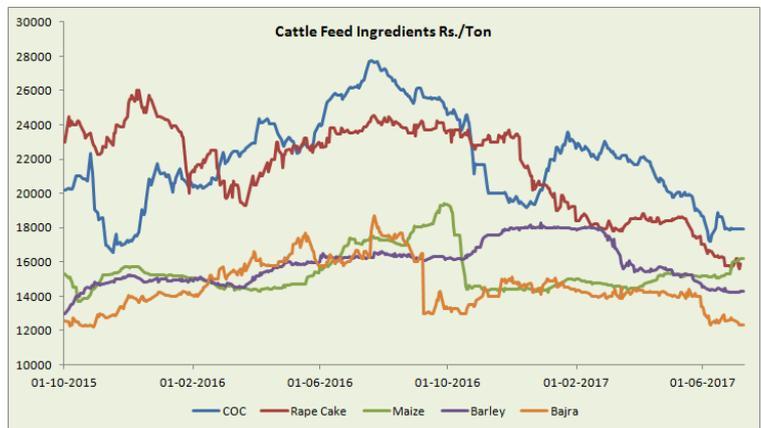
Poultry Industry

- In June prices Gnut cake and Mustard meal declined sharply but recovery was seen in Soymeal and Maize prices. Bajra prices were also in negative zone. The fall in Gnut meal was primarily due to higher supplies. Soymeal prices increased amid firm demand from poultry sector along with positive cues from soy beans
- Poultry feed demand fell sharper vis-à-vis its demand in June. However, stockiest selling coupled with hand to mouth buying by processors over confusion of GST led to pressure over prices
- Egg prices witnessed sharp recovery in June month amid fall in temperature and supplies. However, prices declined in the month of July across all markets
- However, broiler chicken prices witnessed sharp decline in North India but prices declined initially in South India before recovering.
- Bird placement was lower in the month of June amid GST implementation. Supply crunch prevailed in Kerala over fears that prices would drop after GST implementation. There is no tax on broiler chicken. Poultry owner there are protesting against government notification to sell chicken at INR 87/kg
- Poultry margins declined in North India sharply but marginal decline was seen in South India
- With 'Shravan' month commencing in North India and will start by 3rd week of July in Maharashtra, demand for poultry products is expected to decline
- India recently has declared itself free of Bird Flu which would resume its exports of poultry products to many countries. Indian poultry exports in its 1st 2 months of financial year was higher y/y
- 'Shravan' month would reduce demand for poultry products in North, Central and West India but demand from South India may not reduce much
- Also, supply crunch of poultry products could be seen in South India amid lack of rains which would lead to lower bird placement



Cattle feed Industry

- Except Maize, prices of most of the feed ingredients traded lower. CoC witnessed sharp decline of 4% over last month. Rape cake prices were lower by 7 percent and Bajra prices were down by 5 percent
- Cattle feed demand for the month of June increased on one hand the supply declined on other. However, stockiest selling coupled with hand to mouth buying by processors over confusion of GST led to pressure over prices
- Milk procurement by Rajasthan government, has fallen on daily basis. Milk procurement by





Maharashtra government also declined sharply in June. However, ending stocks of milk in Maharashtra is also sharply down

- Milk procurement prices were increased by Maharashtra government by INR 3/kg to support the farmers. However, sale prices were not increased
- Dairy products exports declined in the month of May with rise in SMP prices. International SMP prices increased by 5.4 percent in May month and declined by 3 percent in June month

Soy Meal Exports

Soy Meal

- Soy meal exports in June down m/m owing to increased supplies from South American nations and end of peak crushing season in India.
- As compared to last year same period exports are sharply up as demand from neighbouring countries like Bangladesh and Nepal continue to prevail due to freight advantage. **The quantity of soy meal exports to a large extent would decide the fate of the soy bean crush.**

Mustard Meal

- Mustard meal prices fell sharply in domestic markets in the month of June. Though domestic activity was dull overseas enquires were active in full swing especially from traditional buyers.
- Demand from neighbouring countries like Nepal and Bangladesh is good along with Korea thus supporting the demand

Global Scenario

Soy Meal

- In global markets prices of soy meal traded firm in the month of June mainly due to positive cues from soy beans amid increasing uncertainty in US soy bean production.
- Dry weather concerns prevailed in US. Further acreage concerns are seen emerging for the next season soy bean crop in Argentina with bean prices trading near multiyear lows.
- Hedge funds are holding net short positions in soy meals which increasing the upward momentum in prices due to short covering if weather conditions fails to improve.
- In June, global soy meal prices traded sharply higher across the major destinations mainly due to short covering fuelled by emerging weather concerns in US markets.
- As per USDA latest update world soy meal supplies and demand for the season 2017-18 are estimated higher y/y. The growth in supply is estimated to outpace the growth in demand thus loosening the balance m/m. World soy meal supply is forecasted to increase by 4.6% while consumption is expected to grow at 5.5% thus ending stocks are expected to decline by 4% to 13.3 million tons from 12.3 million tons.

World Soy Meal Balance Sheet (in million tons)				
	2015-16	2016-17	2017-18	% Change
Beginning Stocks	13.5	12.3	13.8	12.2%
Production	215.8	227.7	237.4	4.3%
Imports	61.9	62.9	65.7	4.5%
Total Supply	291.2	302.9	317.0	4.6%
Exports	65.4	66.5	68.9	3.6%
Consumption	213.5	222.6	234.9	5.5%
Ending Stocks	12.3	13.8	13.3	-4.0%
Stocks to Usage	8.3%	8.9%	8.0%	

Source: USDA

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Oil Meals



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