

Mustard Seed

Supply:

With area under mustard being similar to last year, Government of India (GoI) has estimated production to be 91.13 lakh tons as compared to 77 lakhs estimated by both USDA and All Indian Convention of Oilseed and Oil Trade. The opening stock as per USDA is 4.6 lakh tons while that from traders' sources is 3.5 lakh tons. The total supply is expected to be 80.5 lakh tons as compared to 82.4 lakh tons last year.

Demand

The demand is expected to be similar to last year of 77-78 lakh tons amid COVID-19 outbreak. The exports have reduced to 8.7 lakh tons as against 10 lakh tons last year (April-Feb). The exports for the current year may be lesser than the prevailing 8.7 lakh tons.

MSP of Mustard seed is Rs 4425/Qtl. Currently prices prevailing in market are Rs 4050/Qtl, lesser than MSP.

| Scenario 1 | Scenario 2 |
|---|---|
| With supply and demand both being similar to last year, we expect prices to be range bound or decrease with coming arrival season. | Due to hailstorm in Jan and March this year crop in Uttar Pradesh and parts of Rajasthan, there is an expected damage in the crop, however the quantum is not ascertained. The expected crop damage and increase in MSP may result in price increase . |

Price Comparison

| Particulars | Location | Unit | Prices | | | | Change | | |
|----------------------|----------|---------|------------|------------|------------|------------|----------|---------|---------|
| | | | 13-04-2020 | 06-04-2020 | 13-03-2020 | 14-01-2020 | 1st week | 1 month | 3months |
| Mustard Seed | Jaipur | Quintal | 4050 | 4050 | 4015 | 4605 | 0% | 1% | -14% |
| Mustard seed Cake | Jaipur | MT | 19000 | 19000 | 19500 | 20000 | 0% | -3% | -5% |
| Mustard Seed Oil | Jaipur | MT | 78000 | 78000 | 85000 | 88000 | 0% | -9% | -13% |
| Mustard Seed Futures | NCDEX | Quintal | 4160 | 4087 | 3904 | 4354 | 2% | 6% | -5% |

**The spot markets are closed in view of national lockdown, hence spot after 20th March are same*

The table is created to understand prices across past 3 month for the Mustard seed and its variants. The above table indicates that prices have declined from Jan to April 2020.

Conclusion: Scenario 1 has a higher probability as compared to Scenario 2 hence we see a hedging opportunity for decrease in prices.

Wheat

Supply:

The GoI expects record production of wheat at 106.21 million tons as against 103.60 million tons last year, however USDA and trade estimates the production at around 103 million tons. Since the Government has imposed an import duty of 40%, imports are expected to be negligible. The major concern remains the opening stock with Government which is close to 27 million tons, which makes the supply side 130 million tons as compared to 119 million tons last year.

Demand:

The exports of wheat will be negligible at 0.02 million tons as the Indian prices are not viable in the international market. The domestic demand is expected to increase from 97 million tons last year to 99 million tons.

MSP of Wheat declared for the year is Rs 1925/Qtl Due to lock down on outbreak of COVID-19, the Government has delayed the procurement and advised State to give an additional bonus.

Price Comparison

| Particulars | Location | Unit | Prices | | | | Change | | |
|---------------|----------|---------|------------|------------|------------|------------|----------|---------|---------|
| | | | 13-04-2020 | 06-04-2020 | 13-03-2020 | 14-01-2020 | 1st week | 1 month | 3months |
| Wheat | Indore | Quintal | 1850 | 1850 | 1875 | 2300 | 0% | -1% | -24% |
| Wheat | Delhi | Quintal | 2158.4 | 2158.4 | 2230 | 2340 | 0% | -3% | -8% |
| Wheat Futures | CBOT | USD/ton | 555 | 558.18 | 503.49 | 573.68 | -1% | 9% | -3% |

**The spot markets are closed in view of national lockdown, hence spot after 20th March are same*

Conclusion: Prices may trade range bound to stronger on increased MSP and onset of Government procurement. Prices may reduce when Government will start releasing the stocks in open market. There are no active contracts on NCDEX and hence there is no possibility of a hedge.

Chana

Supply:

The production of Chana has been estimated by GoI at 11.22 million tons higher than 9.94 million tons last year. However, All India Dal Millers Association has projected production at 10 million tons. The opening stock is estimated at 1.6 million tons. The imports are expected to be 0.02 million tons on 60% import duty imposed by Government. There may be crop damage due to Hailstorm in Madhya Pradesh which is the highest producing state of Chana in country, however the extent is not known.

Demand:

The consumption is expected to 9.6 million tons. Consumption may increase due to increased prices of Yellow Pea on 60% import duty and quota of 0.15 million tons imposed by Government. Exports of Kabuli Chana will be as low as 0.01 million tons.

MSP of Chana for this rabi is Rs 4875/Qtl. Amid lockdown situation Government has given orders to 13 states for initiation of procurement

Price Comparison

| Particulars | Location | Unit | Prices | | | | Change | | |
|----------------------|----------|---------|------------|------------|------------|------------|----------|---------|---------|
| | | | 13-04-2020 | 06-04-2020 | 13-03-2020 | 14-01-2020 | 1st week | 1 month | 3months |
| Chana | Bikaner | Quintal | 4070 | 4070 | 3850 | 4375 | 0% | 5% | -7% |
| Chana Dal | Bikaner | Quintal | 5900 | 5900 | 4700 | 5150 | 0% | 20% | 13% |
| Chana Besan | Delhi | Quintal | 6071 | 6071 | 5000 | 5743 | 0% | 18% | 5% |
| Yellow Pea (Canada) | Mumbai | Quintal | 5650 | 5650 | 5500 | 5850 | 0% | 3% | -4% |
| Chana Futures | NCDEX | Quintal | 4183 | 4095 | 3893 | 4453 | 2% | 7% | -6% |

**The spot markets are closed in view of national lockdown, hence spot after 20th March are same*

Conclusion: Chana may trade range bound to firm on higher import duty, increased consumption and lower imports.