

Feed & Feed Ingredients Conclave - 2017



Presented by:

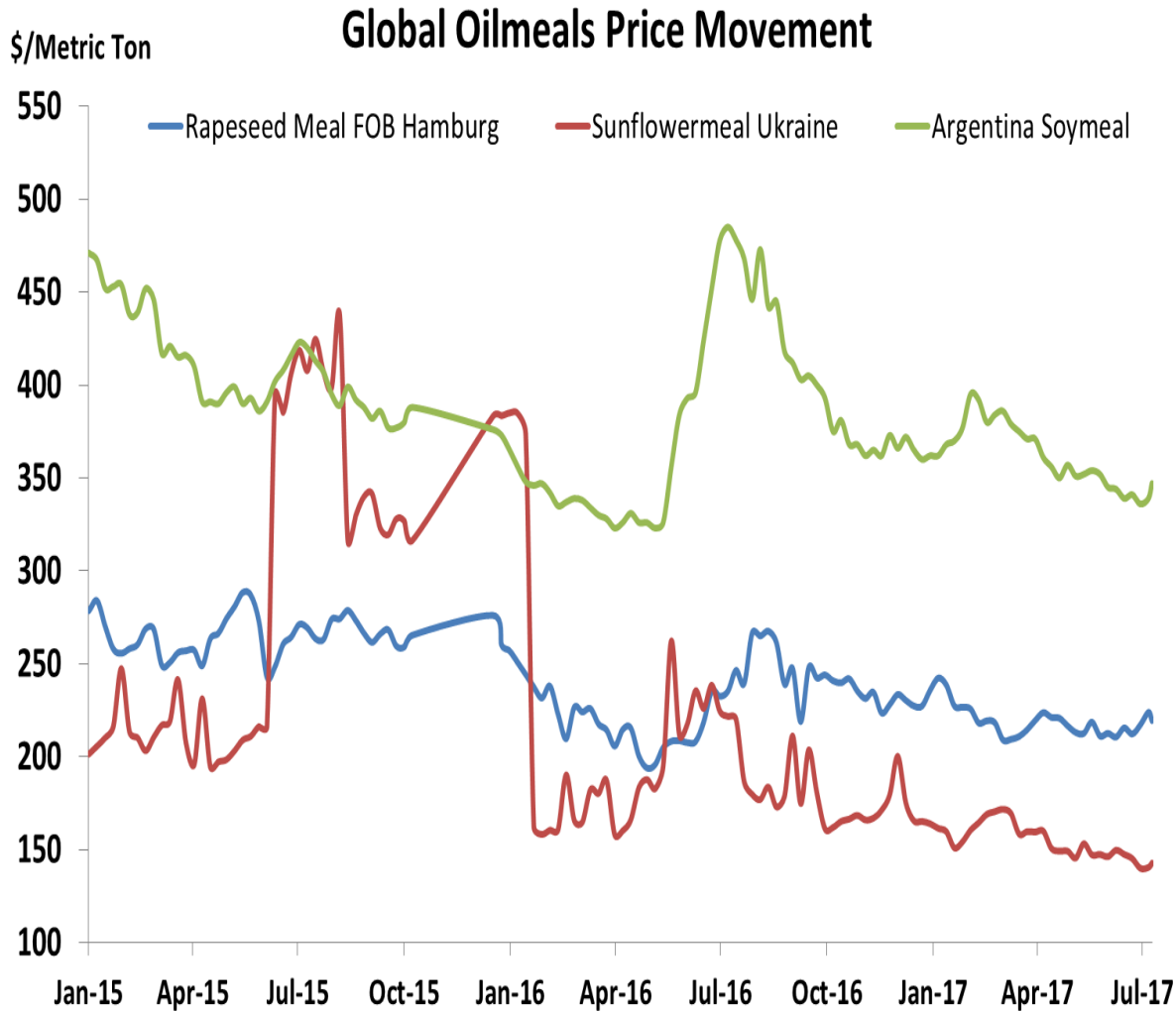
Aurobinda Prasad

Vice President

022-66528894/7506938641

- ✓ KCSPL is an ICRA A1+ rated commodity broking firm, offering high-end commodity products and services
- ✓ Promoted by the Kotak family, a family which has a lineage of over **seven decades in commodity markets**, there by garnering great insight about the physical commodity markets.
- ✓ Members of **NCDEX** (National Commodity and Derivatives Exchange Ltd) and **MCX** (Multi Commodity Exchange of India Ltd), the three leading national level commodity exchanges.
- ✓ Pan India presence with HQ in Mumbai (40 Branches and 300 Authorized Partners across India)
- ✓ 14 hour Dealing desk, manned by trained and experienced dealers, catering to all executioner requirements of the client.
- ✓ KCSPL provides a platform to trade both on domestic and international exchanges, domestic trades in commodity and currency markets can be placed with KCSPL team
- ✓ For International trades, we are associated with international brokers R.J. O'Brien, INTL FCStone and ED&F Man Capital
- ✓ A well appointed research team, comprising of Fundamental and Technical Research Analysts, covering a broad range of commodities.
- ✓ KCSPL also offers **Contract Research** under which we offer our research reports to clients on a stipulated fee

OIL MEALS - GLOBAL SCENARIO

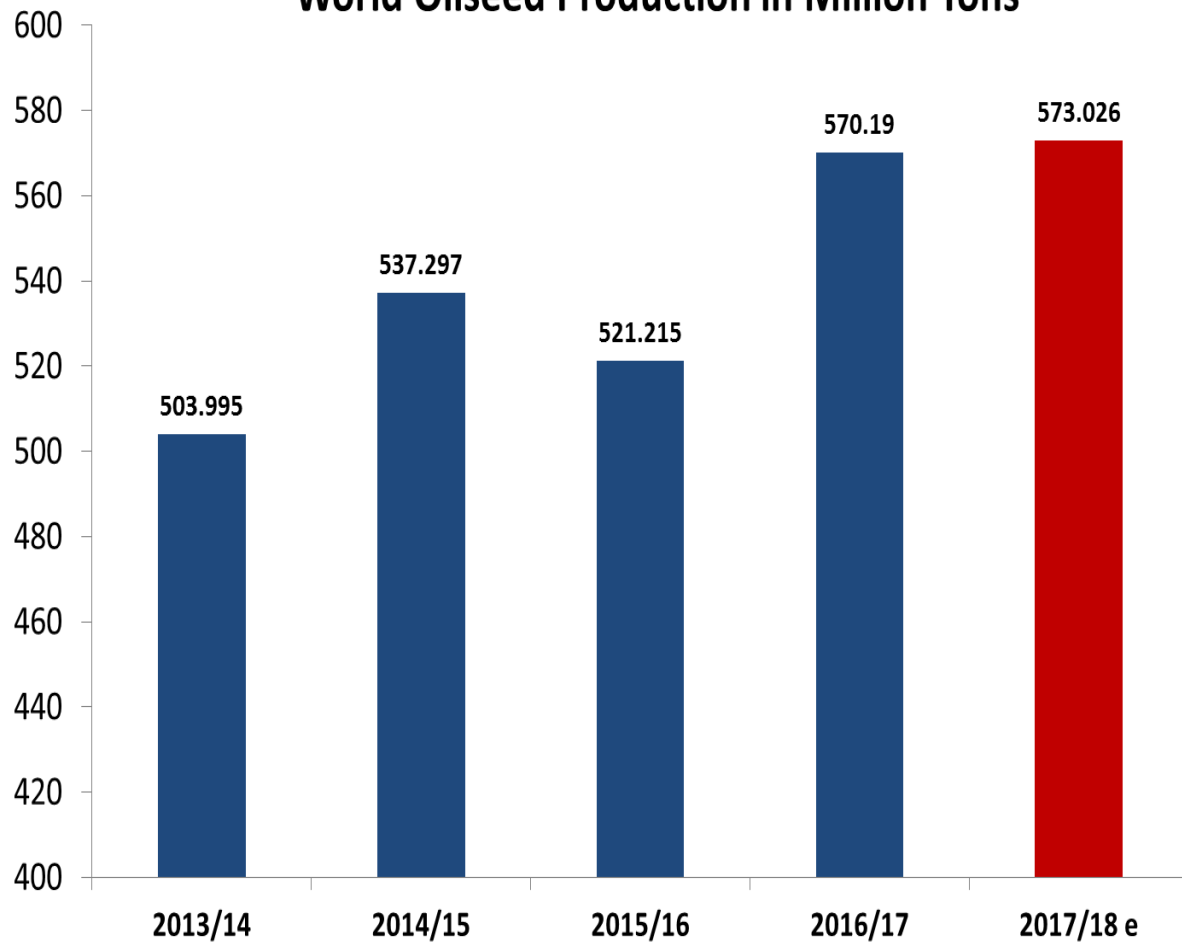


Source: Bloomberg

- ✓ Broadly, meal prices are down in last 30 months
- ✓ Since 2015, Soymeal price has declined by 26%
- ✓ Rape meal price has declined by 21%
- ✓ Sunflower meal has declined by 29%
- ✓ Lower sunflower has exert- Higher imports- India
- ✓ Rapeseed meal has witnessed the least decline in the oil meals pack

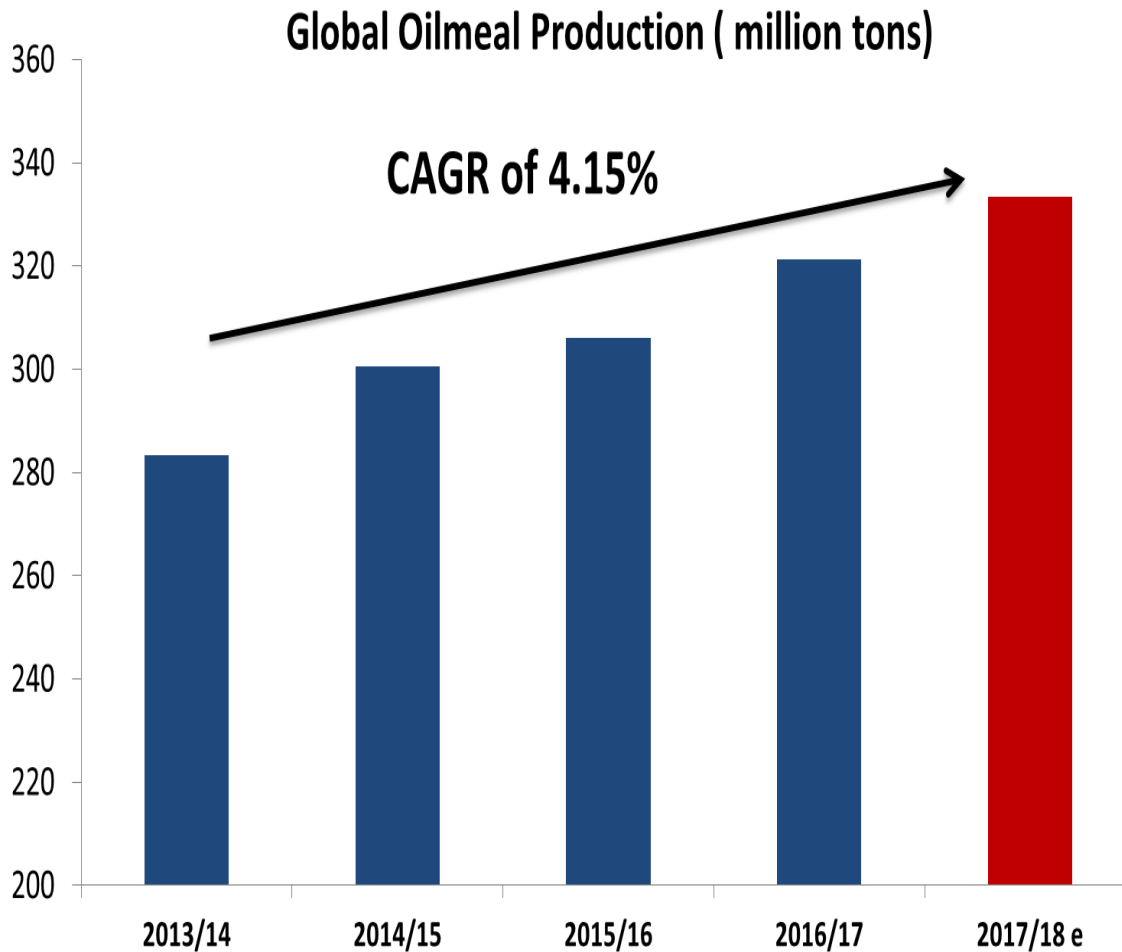
Higher Production – Major cause (World Oilseeds Production)

World Oilseed Production in Million Tons



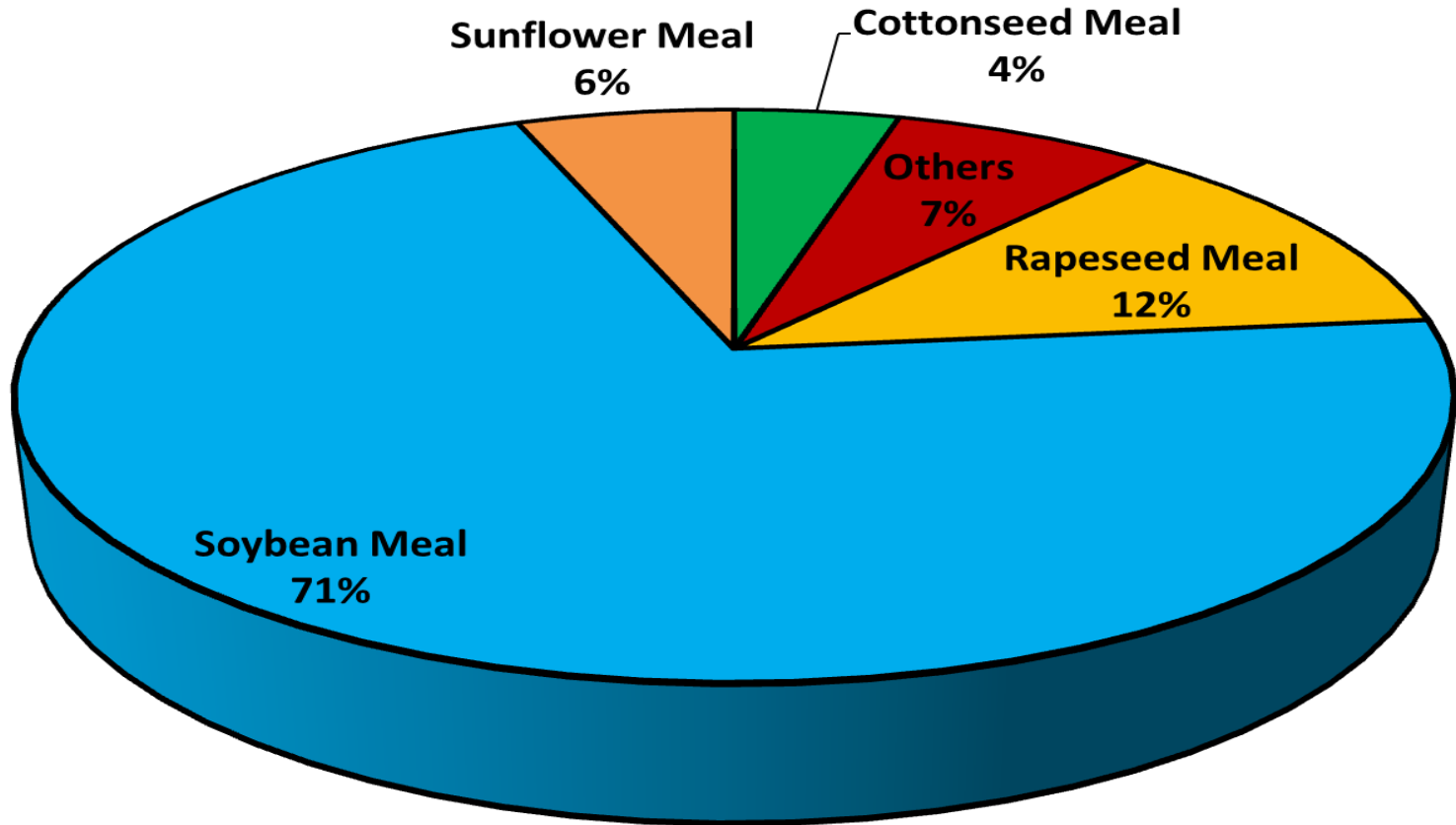
Source: USDA

- ✓ The Oilseed production for the year 2016-17 showcases 570 MMT, a rise of 49MMT compared to 2015-16
- ✓ The global oilseeds production witnessed a rise of 9.40% in 2016-17
- ✓ World Production for the 2017-18 is forecasted at 573MMT a marginal rise of 0.50%
- ✓ The production has witnessed a CAGR of 3.26% since 2013-14



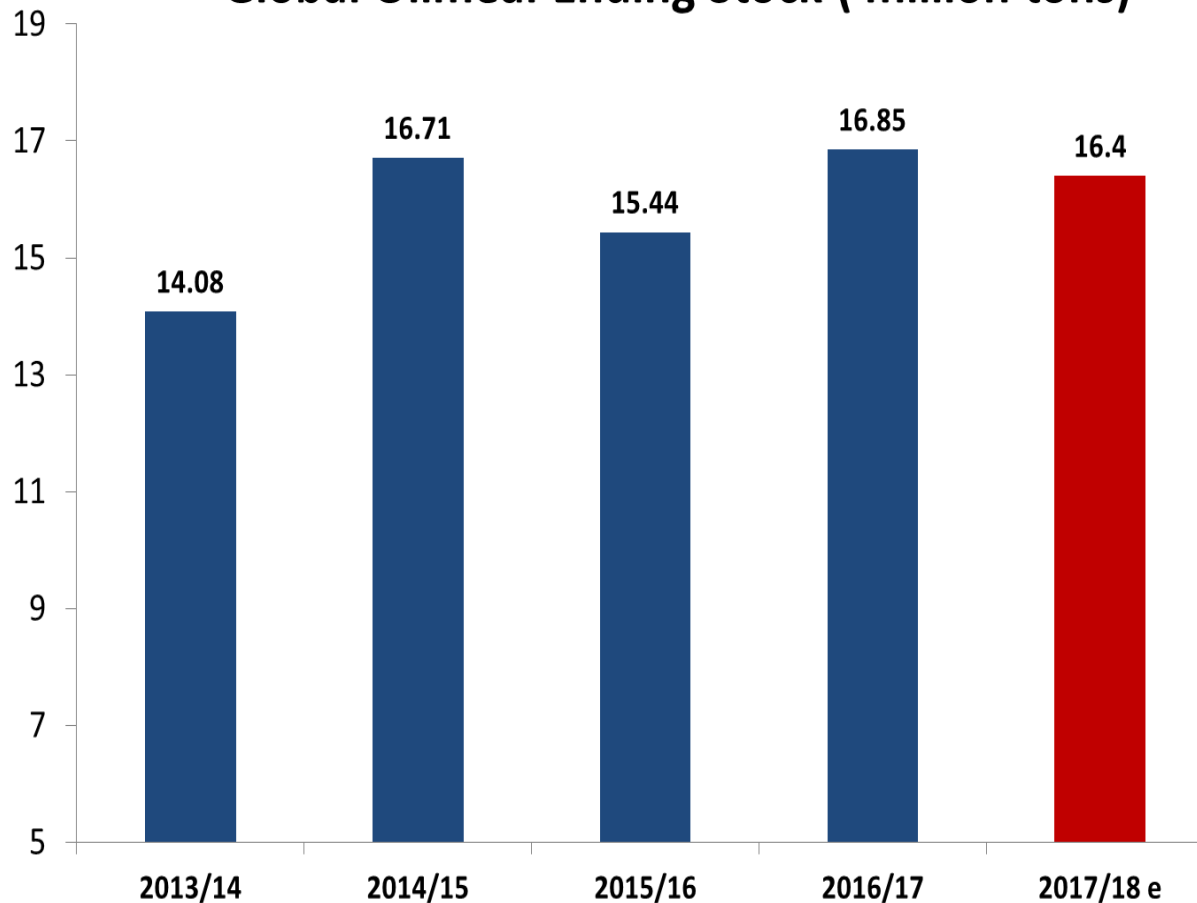
- ✓ Global Oil meals production is on a rising trend
- ✓ CAGR since 2013/14 is 4.15%
- ✓ Declining price of oil meals led to rise in crushing
- ✓ Higher consumption of oil meals, CAGR of 4.37% since 2013-14 also led to rise in oil meals production

World Oil meals Production



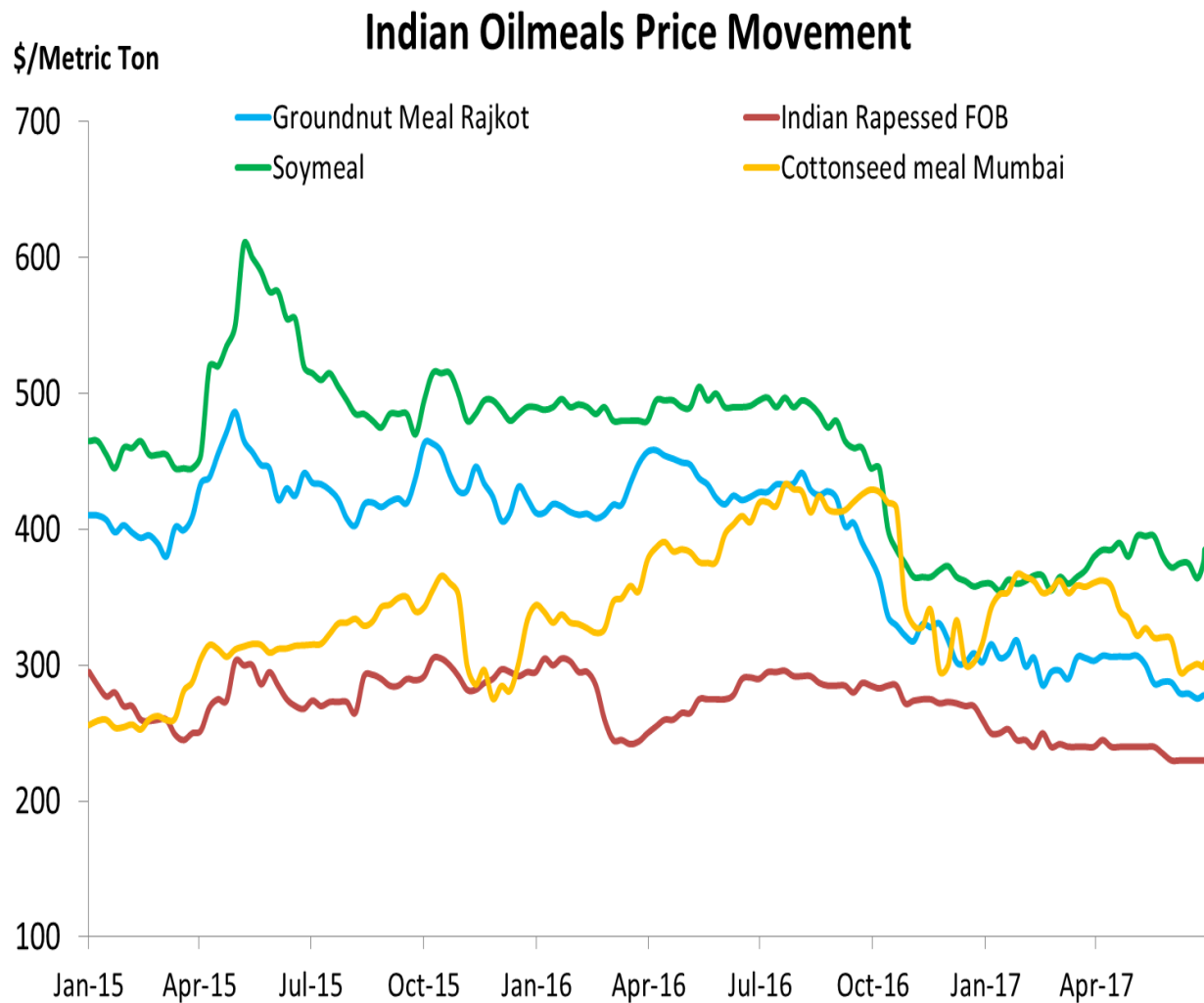
Source: USDA

Global Oilmeal Ending Stock (million tons)



- ✓ Year 2016-17 witnessed a higher ending stock in line with higher oilseeds production
- ✓ Higher consumption growth rate (4.37%) compared to oilseeds production growth rate (3.26%) led to a decline in 2017-18 ending stocks

OIL MEALS - INDIAN SCENARIO



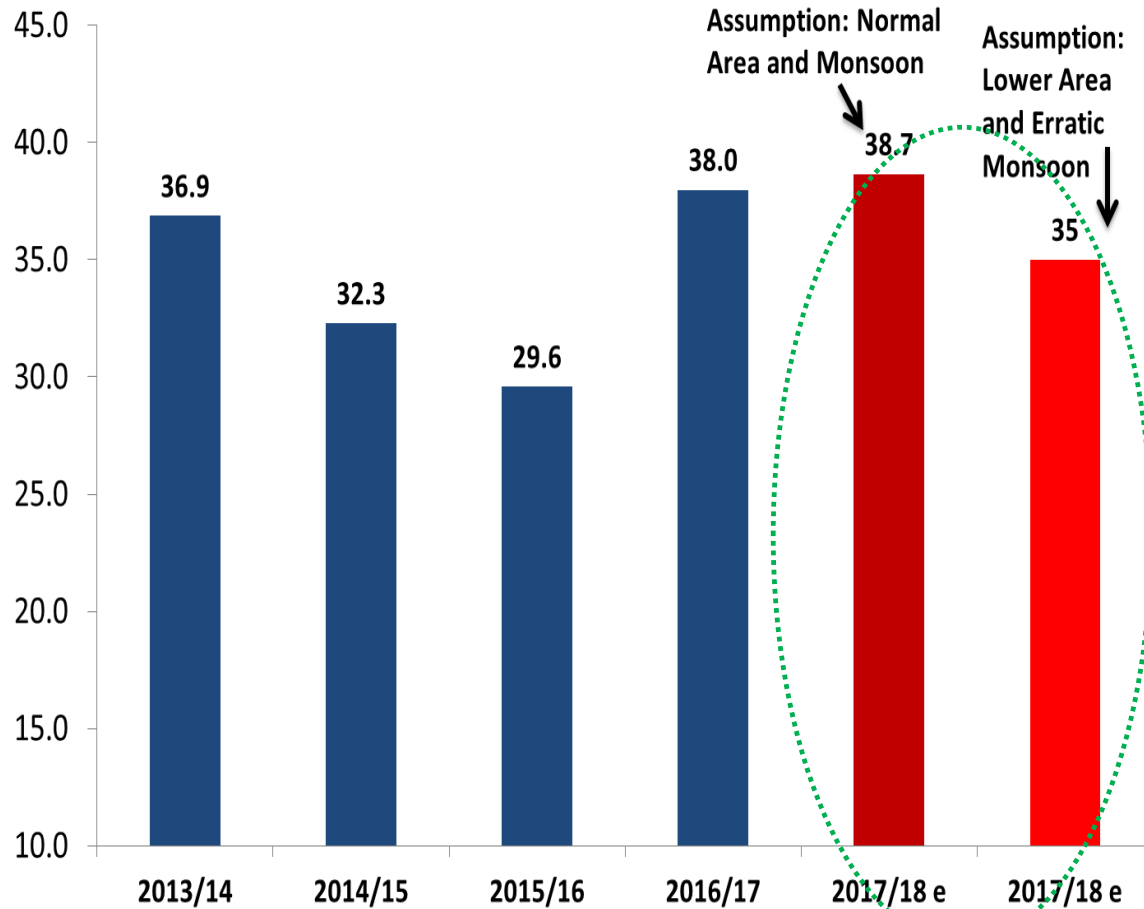
Source: Bloomberg & SEA of India

- ✓ Domestic oil meals price trend is in line with **Global Trend**
- ✓ Soy meal has declined by 17% since 2015
- ✓ Rape meal has declined by 22% since 2015
- ✓ Groundnut meal has declined by 32% since 2015
- ✓ Cotton Seed meal exception: gained by **17.57%**- Asymmetric trend

SUPPLY SIDE

Indian oil seeds production

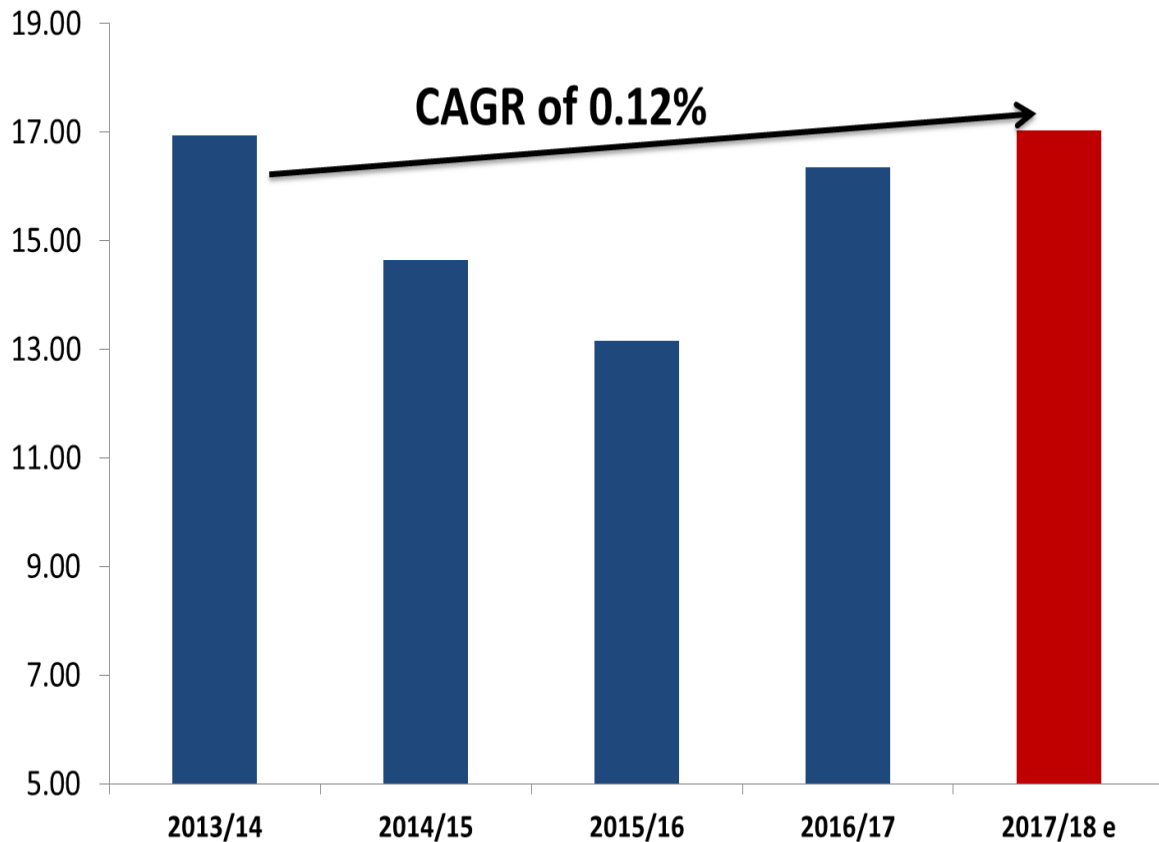
Indian Oilseed Production in Million Tons



Source: USDA

- ✓ Good weather with no major disruption led to higher yields in 2016-17
- ✓ Higher yield in 2016-17 led to a production of 38 MMT of oilseeds
- ✓ In 2017-18, normal area and monsoon may lead to a production estimate of 38.7 MMT
- ✓ A decline in area and erratic monsoon may downsize the production estimate to 35 MMT- A point of contention

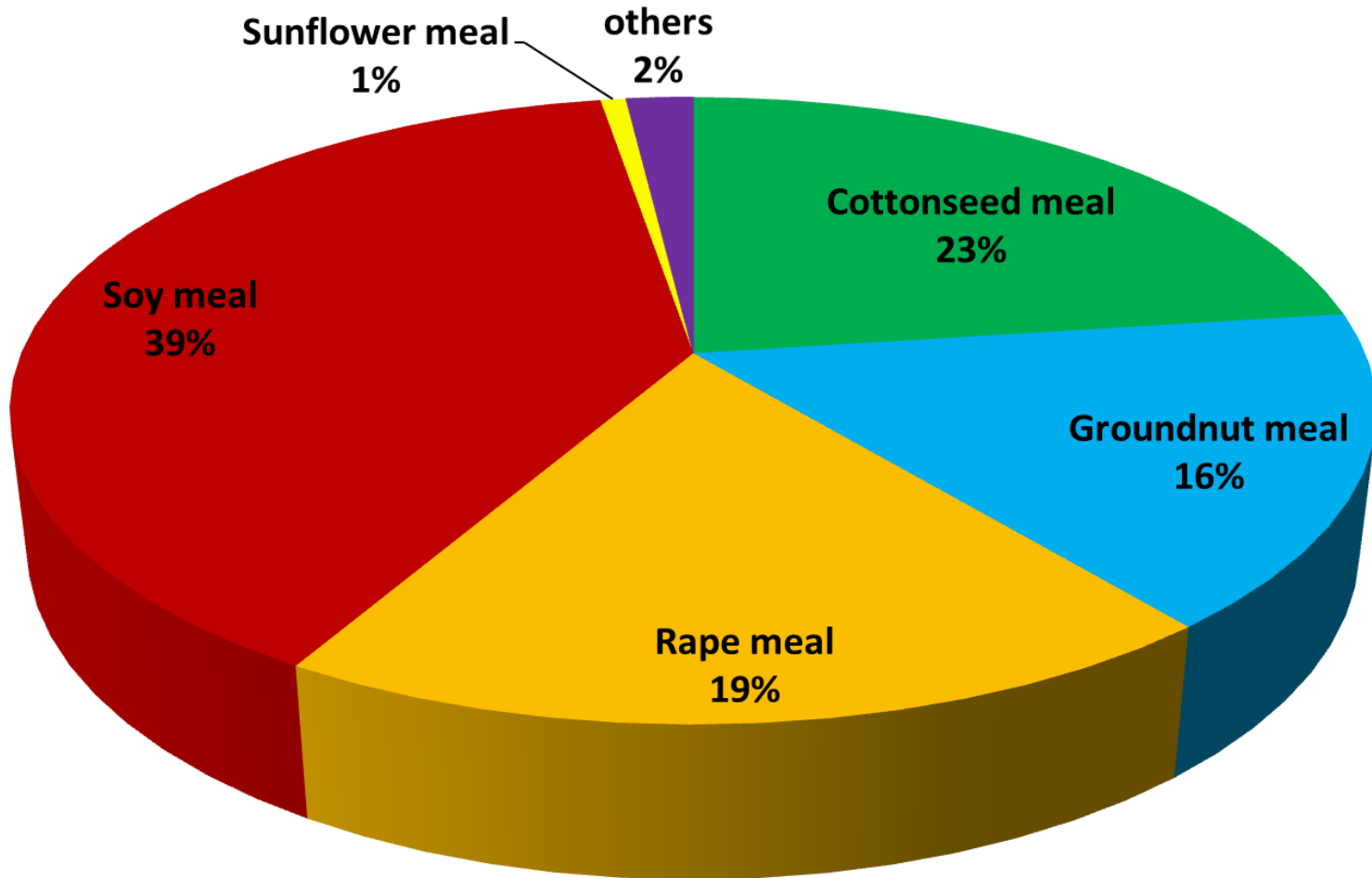
Indian Oilmeals Production in Million Tons

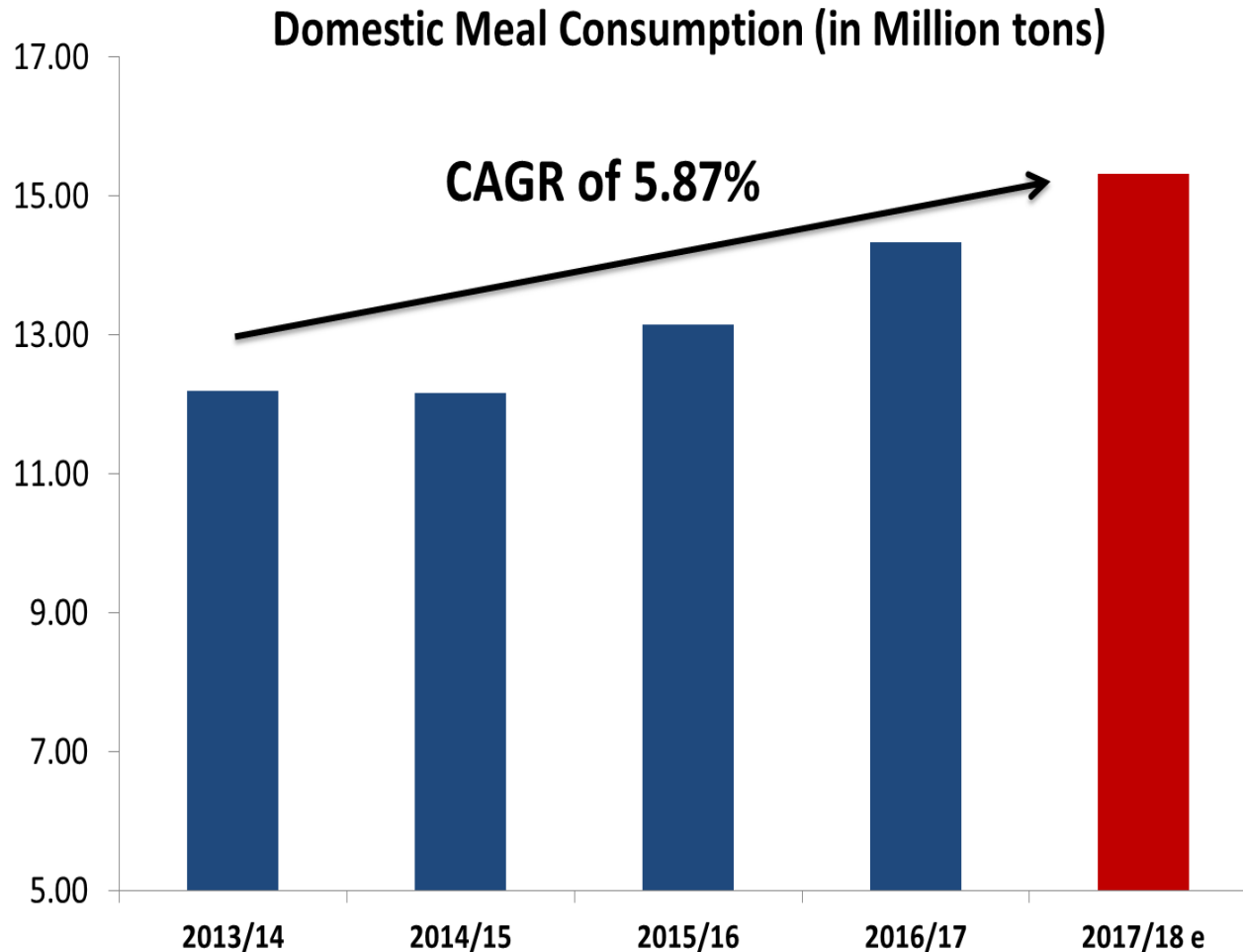


Source: USDA

- ✓ Growth in oil meals production is low, CAGR 0.12%
- ✓ Soy meal, Cotton seed meal and Rape seed meal- major contributor
- ✓ Price of underlying commodities in last 12 months was down due to higher availability
- ✓ Lower exports of oil meals was the trend in last 4 years

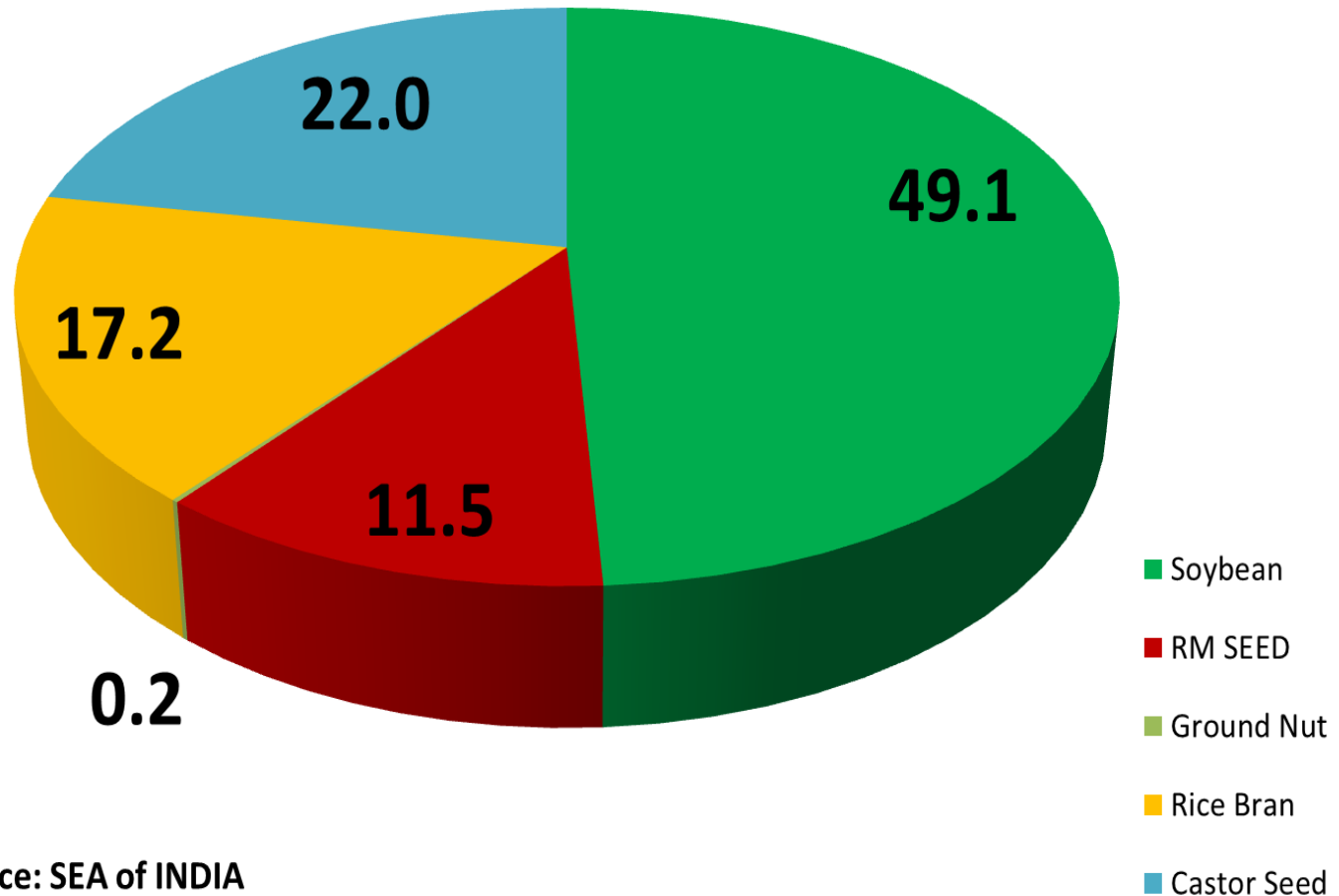
Indian Oil Meal Production for 2017-18



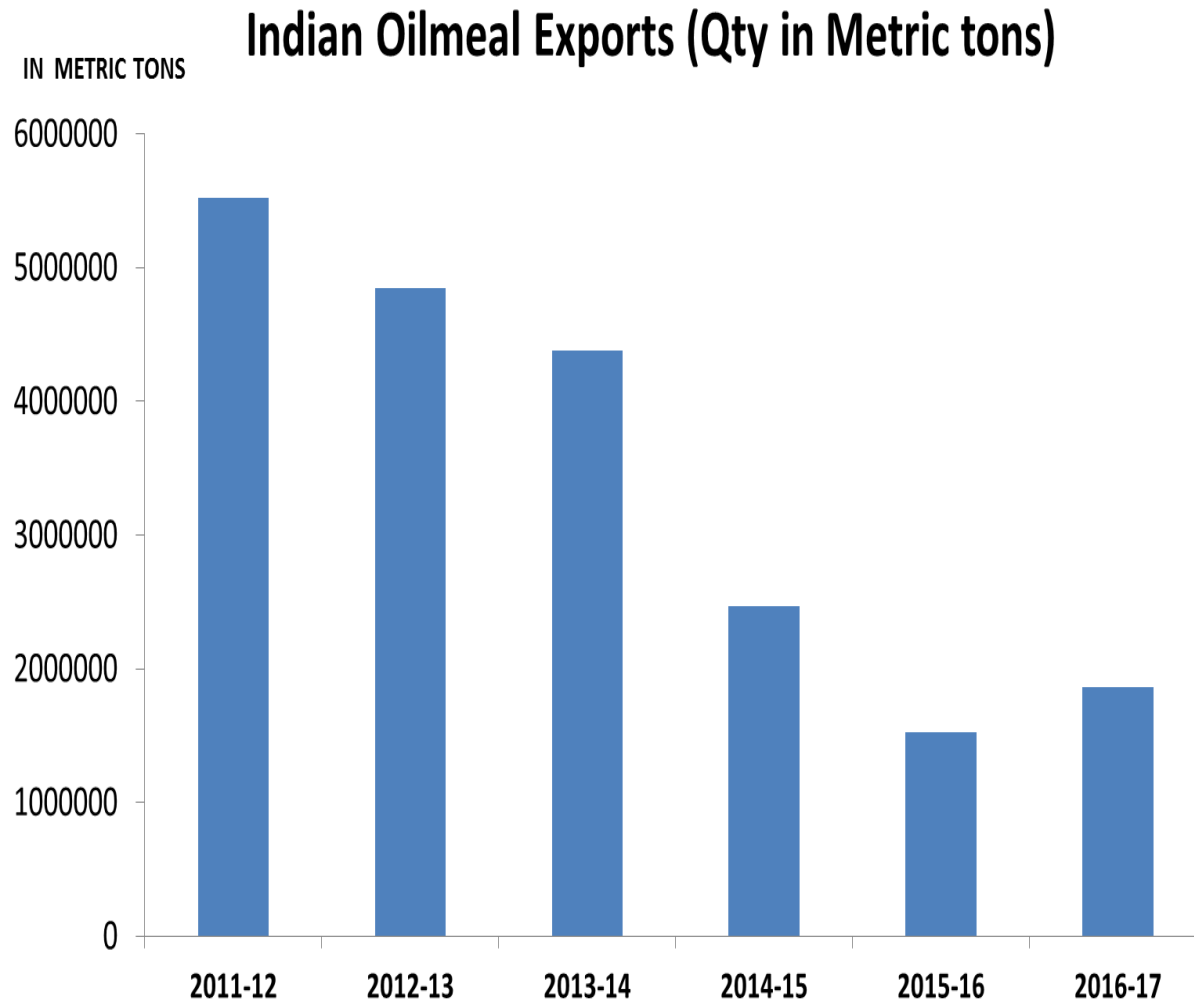


- ✓ Consumption is on an UP TREND since 2013
- ✓ CAGR of 5.87% since 2013
- ✓ Consumption has outpaced the production growth rate of oil meals
- ✓ Key sectors: Poultry and cattle feed-
“Demand attributes”

Percentage of Exports of Oilmeals (2016-17)



Source: SEA of INDIA

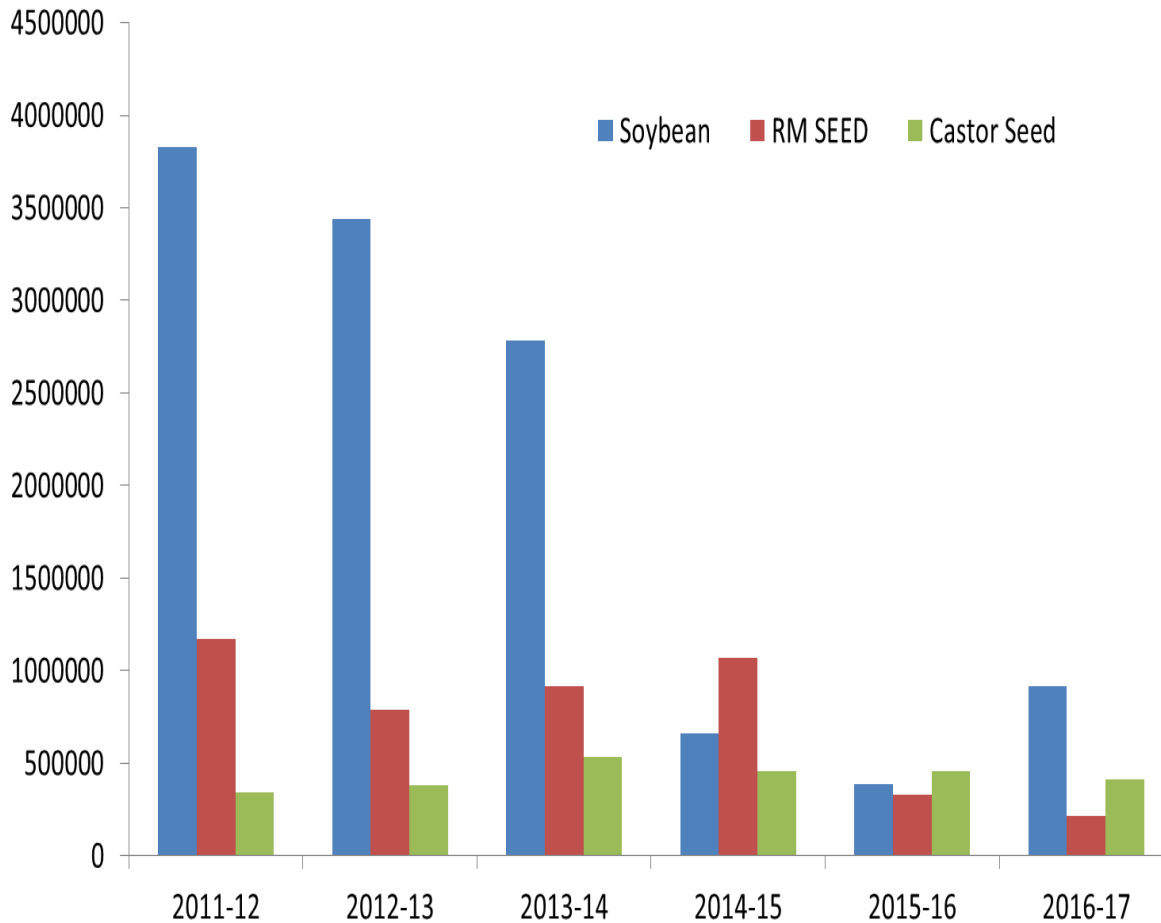


Source: SEA of INDIA

- ✓ Indian oil meals exports declined due to its un-competitiveness in the global market
- ✓ Most of the Indian Oil meals are out priced
- ✓ China rape meal export declined from India since 2012
- ✓ China has turned from oil meals importer to oilseeds importer
- ✓ China had imposed a ban on the import of Indian rapeseed meal in January 2012

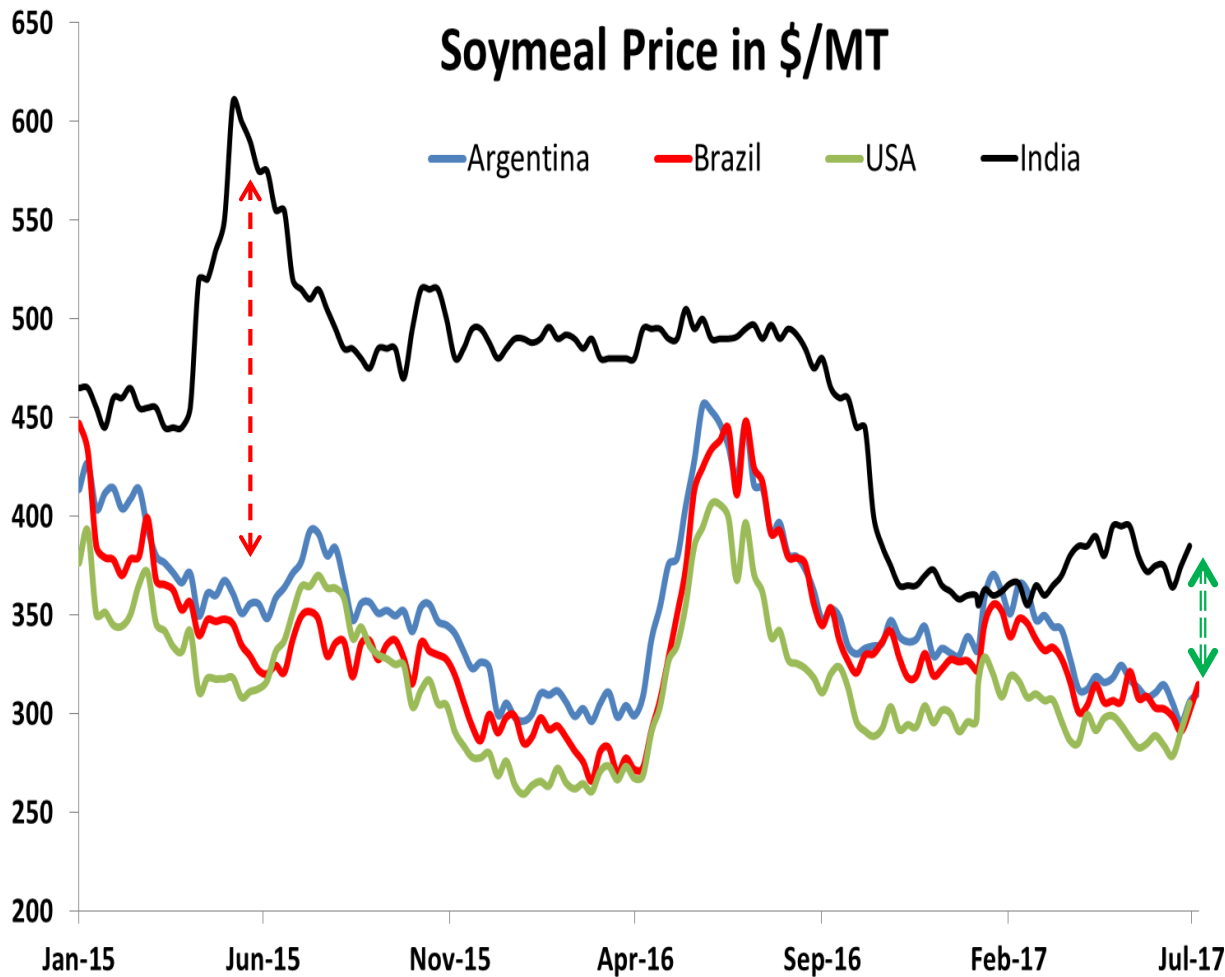
Top 3 Oil Meal Exports

IN METRIC TONS



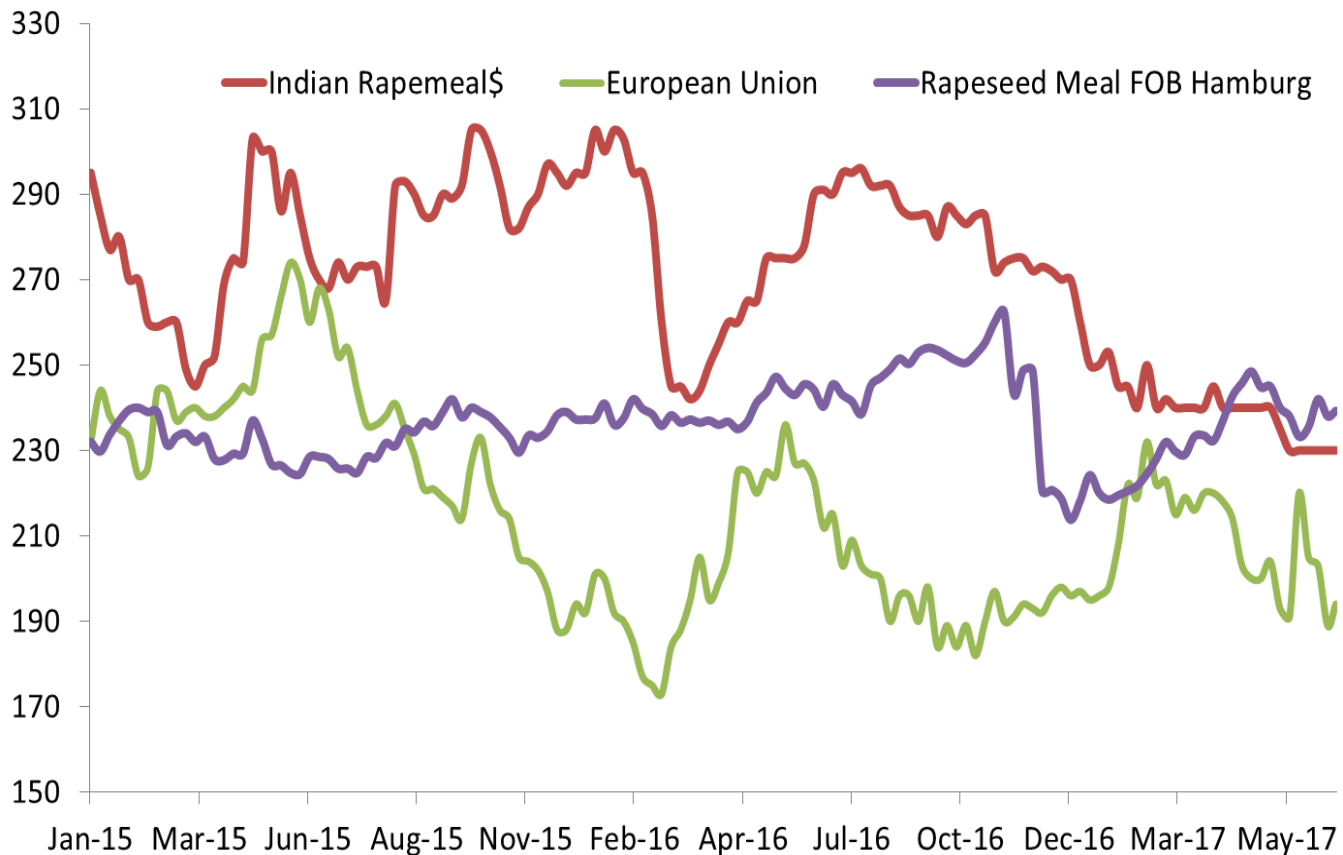
- ✓ It is very much evident that soy meal is the major exported oil meal from India- **So is in declining Trend?**
- ✓ Rape meal is followed by soy meal
- ✓ Castor oil meal exports are stagnant in last 3-4 years (4 lakh ton)

Source: SEA of INDIA



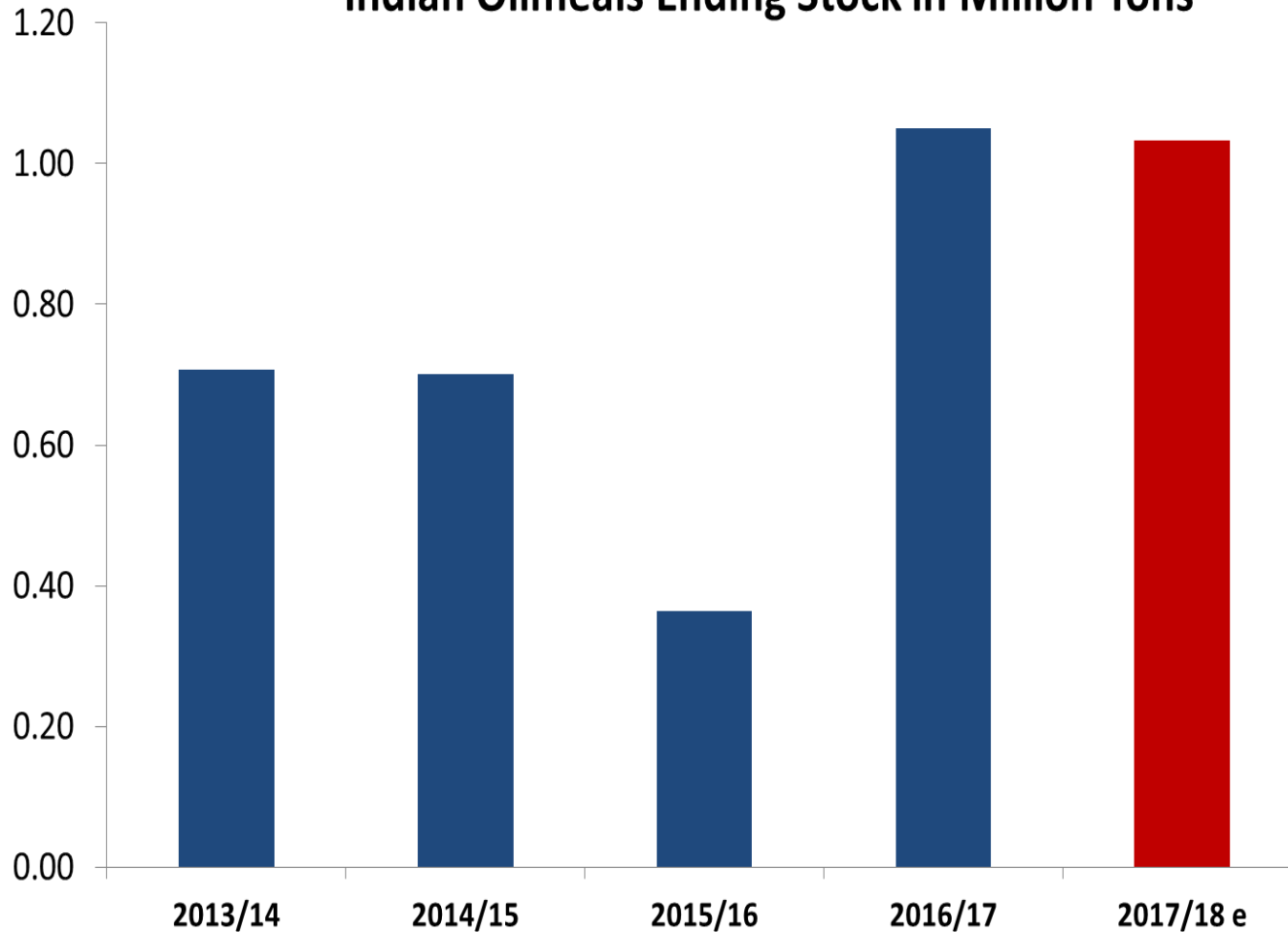
- ✓ Higher Indian Soy meal price in the global market since 2015
- ✓ Lower Indian soybean availability kept the oilseed price high; making soy meal price un-competitive in the global market- 2015 Year
- ✓ Soybean in the competitive origin is GM Crop; which leads to higher yield and lower soymeal cost of production

Mustard Meal Price in \$/MT



✓ **Indian Mustard meal were also un-competitive in the global market**

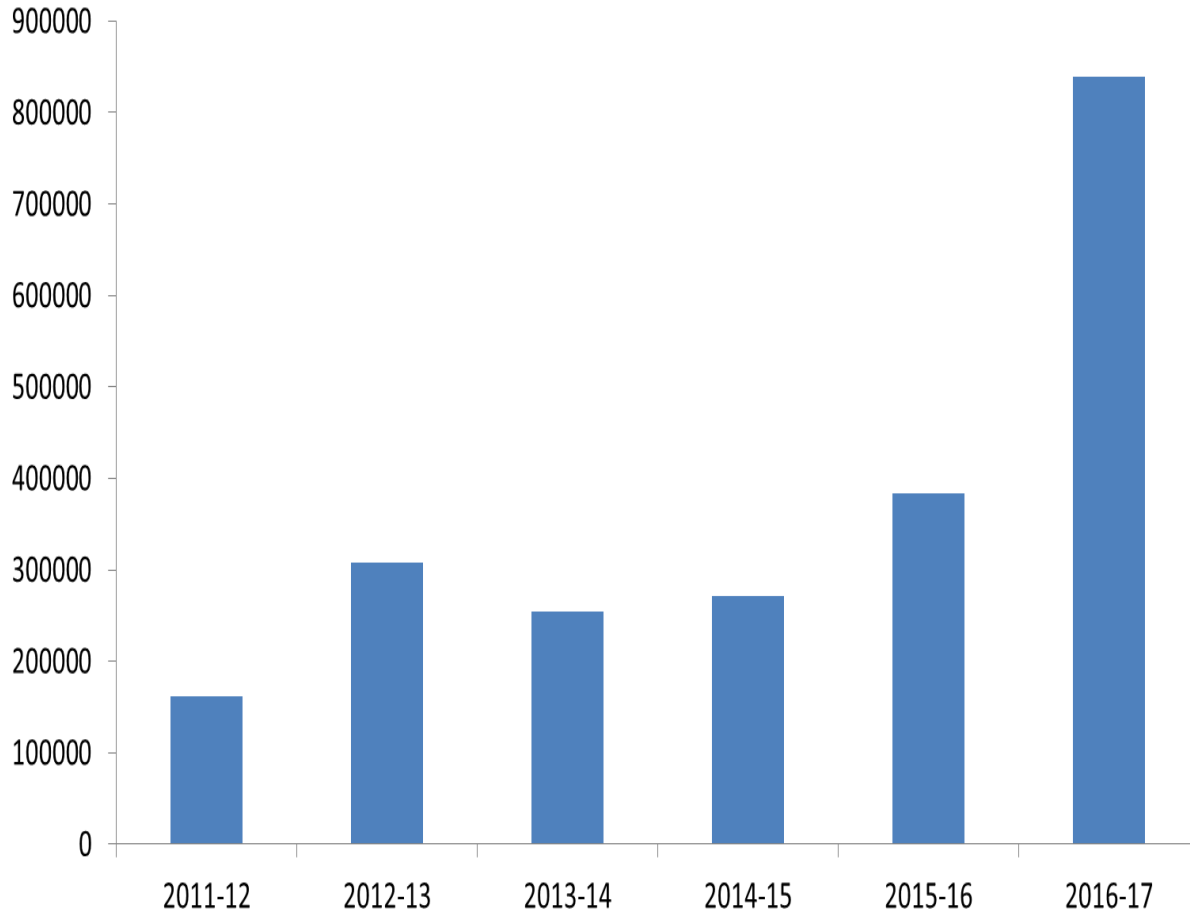
Indian Oilmeals Ending Stock in Million Tons



- ✓ Higher Oil meals stock 1.05 million metric ton (MMT) in 2016-17 due to lower exports
- ✓ Higher oilseeds ending stock (2.5-2.7 MMT) in 2016-17
- ✓ Major carry over of soybean (1.8-2 MMT)

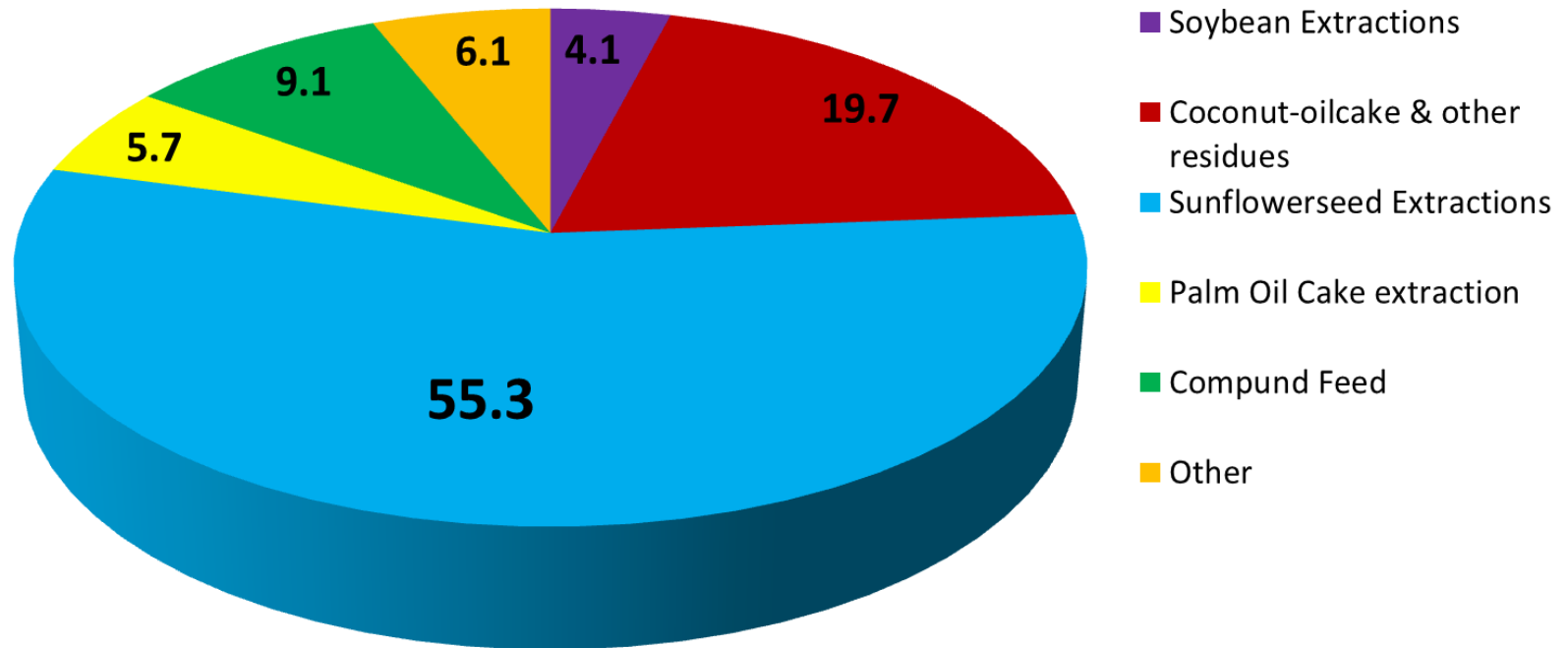
Total Oilmeal Imports (Qty in Metric Tons)

IN METRIC TONS



- ✓ Oil meals imports on an all time high since 2011
- ✓ An AREA of CONCERN for the Indian oilseed industry (farmers and crushers)
- ✓ Sunflower meal imports on an all time high (4.6 lakh tons)- Price competitiveness

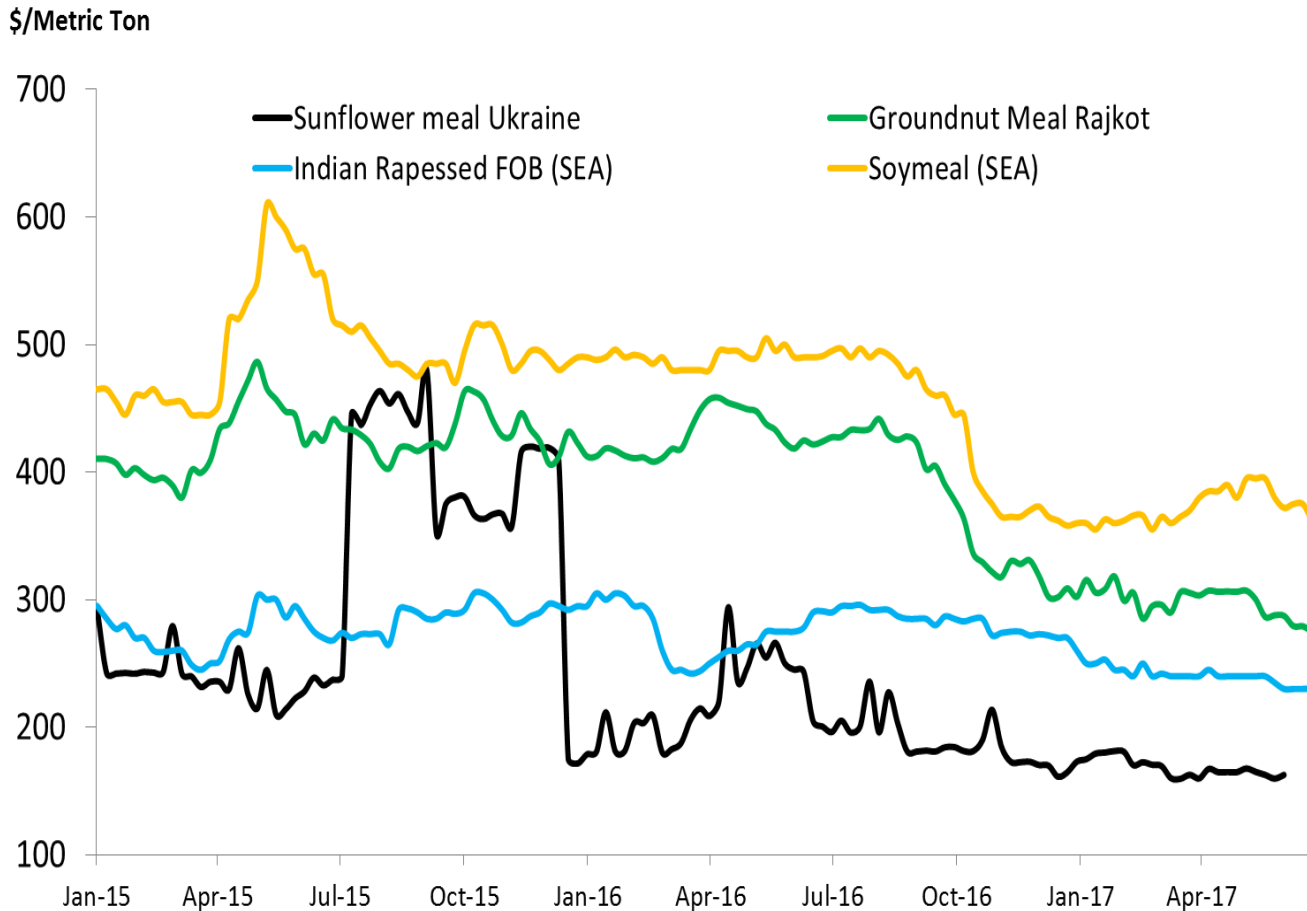
Percentage of Imports of Oilmeals (2016-17)



Source: SEA of INDIA

Sunflower Meal – The cheapest oil meal

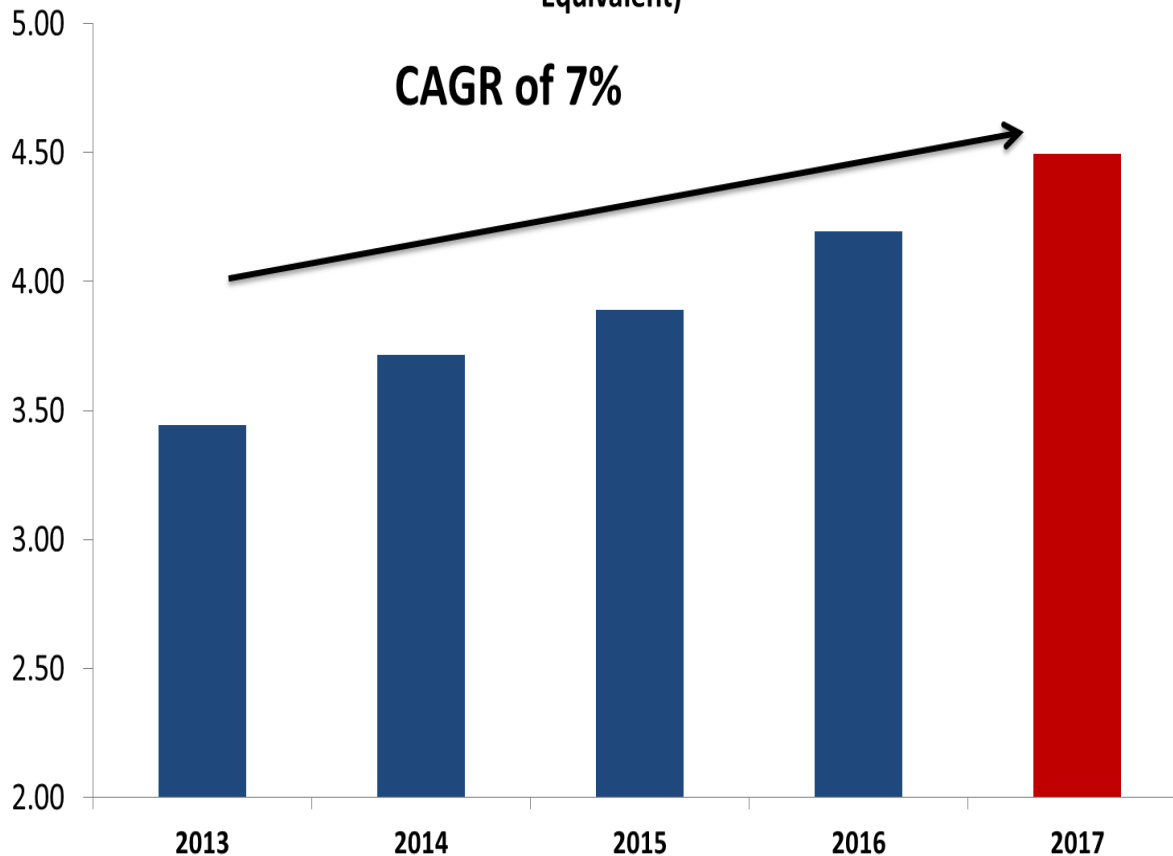
Global Sunflowermeal Price Movement



- ✓ Sunflower meal price was the cheapest compared to Indian domestic oil meals price
- ✓ High production in Russia and Ukraine led to higher global supplies of sunflower seed

SHIFT IN INDIAN DEMAND- THE GAME CHANGER FOR OILMEALS

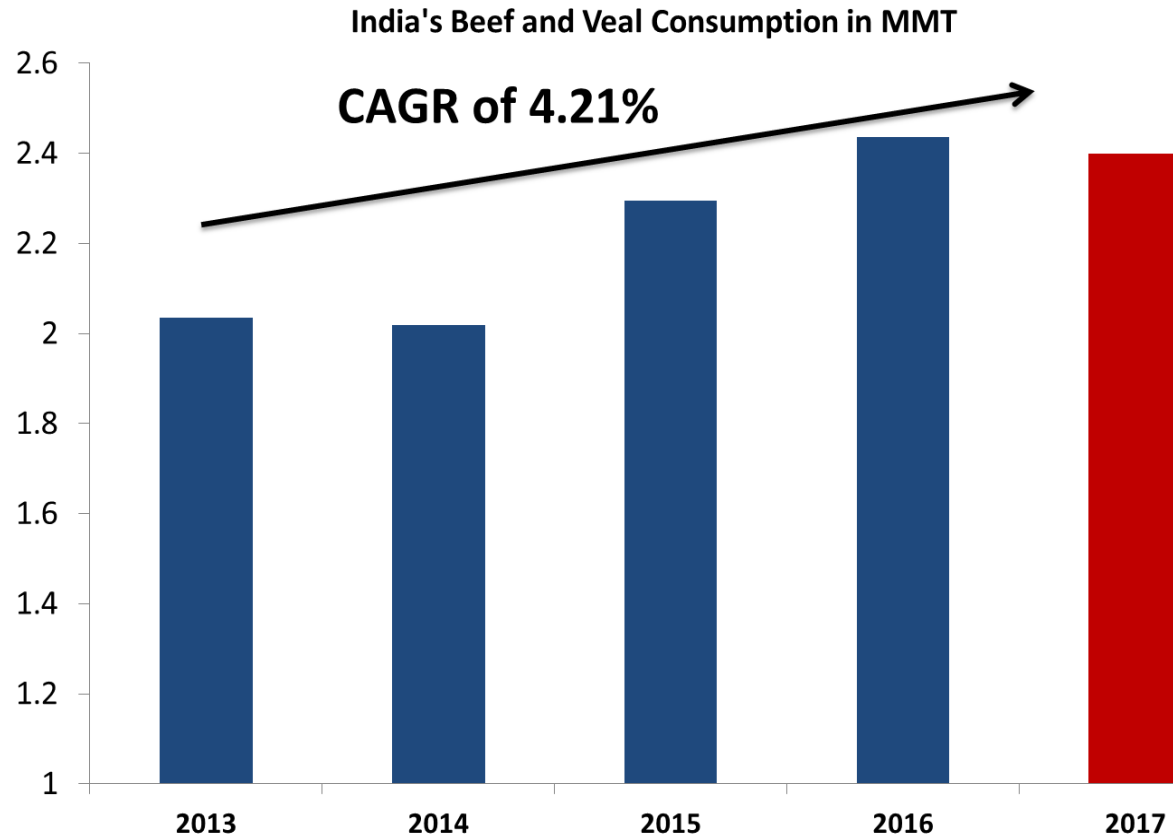
India's Broiler meat Consumption - Million Metric Tons (Ready to Cook Equivalent)



Source: USDA

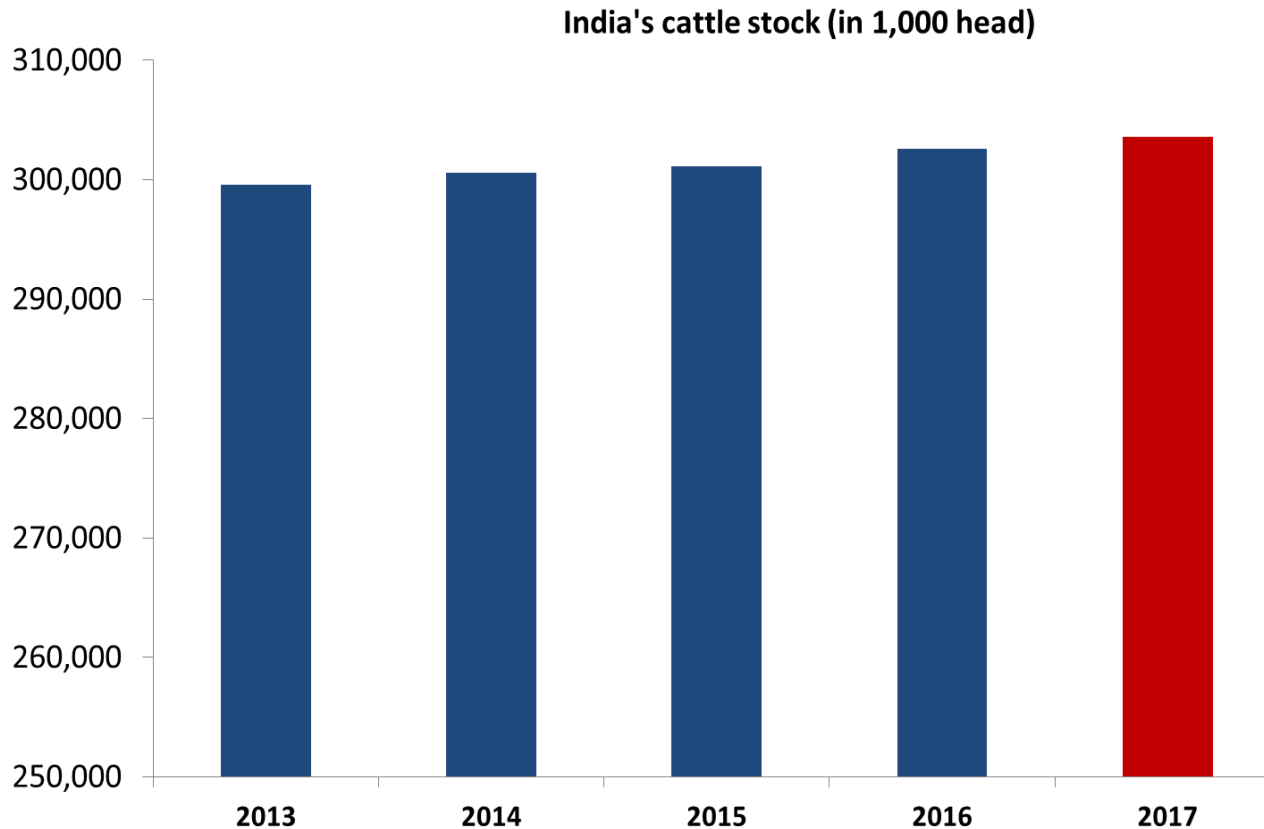
- ✓ India's Broiler Meat consumption on a rising trajectory
- ✓ CAGR of 7% since 2013
- ✓ India broiler meat consumption growth is the fastest in the world
- ✓ World average growth is 2%
- ✓ Demand to remain strong due to consumer preference for chicken meat, increasing income levels, and changing food habits

Rising Beef Consumption



- ✓ India's major trades in carabeef (water buffalo)
- ✓ India's consumes 55% to 60% of its beef production
- ✓ India is the largest beef exporter in the world (1.85 MMT)
- ✓ Beef Meat consumption on a rising trajectory
- ✓ CAGR of 4.21% since 2013

Source: USDA



- ✓ **India' has the highest cattle stock in the world**
- ✓ **India accounts for worlds 30% of cattle stock**
- ✓ **Cattle stock stagnant since 2013 (304 million heads)**
- ✓ **India is the largest calf producer in the world (68.2 million heads)**

Source: USDA

- ✓ India's Broiler Meat consumption on a 7% CAGR
- ✓ India's Beef consumption on a 4.21% CAGR
- ✓ India's has the highest cattle stock in the world
- ✓ India's oil meals consumption on a 5.87% CAGR
- ✓ India's has the highest calf production in the world

BUT

- ✓ India's oil seeds production on a 1.19% CAGR
- ✓ India's oil meals production on a 0.12% CAGR

DEMAND GROWTH IS SURPASSING SUPPLY

OIL MEALS-PRICE OUTLOOK

Bullish: Buy at 23800 SL 22100 TP 28300/29000



Support 1	23800	Resistance 1	28300
Support 2	22100	Resistance 2	29800

Bullish: Buy at 13500 SL 12800 TP 15700/16500



Support 1	13500	Resistance 1	15700
Support 2	12800	Resistance 2	16500

NCDEX COTTON SEED MEAL (COCUDA) – 2nd month futures

Strategy: Buy at 1600 SL 1480 TP 1850/2030



Support 1	1600	Resistance 1	1850
Support 2	1500	Resistance 2	2030

Strategy: Buy on dips



Support 1	16800	Resistance 1	19500
Support 2	15000	Resistance 2	20700

Thank You

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or solicitation of an offer to buy any commodity or commodity derivative to any person in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Commodity Services Limited. It doesn't constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Commodity Services Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice.

Price and value of the commodity referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions including those involving commodity derivatives involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a commodity's price movement and trading volume as opposed to focusing on a commodity's fundamentals and as such may not match with a report on a commodity's fundamentals.

We do not have any information other than information available to general public. The report is based on information from sources like respective industry associations, FICCI, CII, companies, media and other public sources. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading may make trading decisions that are inconsistent with the recommendations expressed herein.

We and our affiliates, officers, directors, and employees worldwide may: (a) from time to time, have long or short positions in, and buy or sell the commodities mentioned herein or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodity/ (ies) discussed herein or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject commodity and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Commodity Services Limited's prior written consent.