

Executive Summary

The domestic soybean and RM and soy meal remained under pressure during the month in review.

The buying in soybean and RM seed remained sluggish as sellers were not keen in offloading their produce at lower quotes.

The soybean arrivals fell in the key market centers during the period followed by cautious buying by the solvent extractors. Subsequently soybean crushings were smaller than expected during the month owing to reserved farmer selling and deteriorated crush margins.

Consequently, exports of soy meal during December, 2012 fell to 5,10,698 tones as compared to 7,78,382 tones in December, 2011 showing a fall by 34.39% over the last year.

Besides, RM seed failed to post any gains, despite seasonal demand in RM oil, followed by series of developing bearish factors in palm oil during the period, the seed prices slightly slipped down. The millers/ crushers slowed down crushings and eventually slowed buying in anticipation of further fall in the seed prices.

The RM seed planting is underway. The planting is around 3 per cent higher compared to the same period last year.

Palm oil sentiment remain cautious as investors are closely watching shipments of refined palm products to major palm oil consumer China, and if "these cargoes can meet the new stringent quality control rules set by China."

Reportedly China won't accept imports of edible oils containing excessive peroxide or stearic acid from Jan 2013.

Sentiment is likely to remain cautious, during the week and any reports of fall in export in palm oil demand could weigh on prices, as stock levels in major producers Indonesia and Malaysia remain at record levels. This will further pressure the domestic RM seed.

Malaysia's palm oil stockpiles at the end of November rose to an all-time high of 2.56 million tons and we expect Dec stocks to stay higher, the stock report is likely by 10 Jan 2013.

Soybean harvesting in Brazil has commenced. China has once again cancelled soybean purchases from US during first week of Jan. However, the experts believe, China's dependence on US soybean will continue further till March. Besides, overall South American weather for soybean crop is favorable.

The oilseeds fundamentals are bearish in near-term in view of above facts. However, market is looking for a bullish news for recovery after a prolonged pressure in oilseeds and meals.

International

- ❖ Slash in export duty in palm oil by Indonesia, second time in last two months, to 7.5 per cent from 9 per cent and to 2 per cent from 3 in RBD palmolein for January and expected increase in soybean area in South America, mainly in Argentina remained negative factors for the oilseeds during the month.
- ❖ China has again canceled another 315,000 tonnes of US soybean purchases for the 2012/13 marketing year, last week.
- ❖ Brazil's vegetable oils association (Abiove) has raised their production forecast to 81.6 million tonnes vs. 81.3 previously. The USDA currently has the Brazil production estimate at 81 million tonnes but some analysts are beginning to raise their expectations.
- ❖ Harvest has commenced in Brazil and yields so far have been favorable. Trade sources reveal that demand is slowly being shifted to South America due to cheaper prices and expectations that new crop soybeans will be available for shipments very soon.
- ❖ Rainfall is set to return in Argentina this week. Brazil's conditions remain in good shape with the exception of northeastern Brazil but weather maps suggest a slightly better chance of rainfall for the region in the 6-10 day outlook. Early harvest has begun in Mato Grosso and conditions are exceptional at the moment.
- ❖ Argentine soy sowing catches up with last season's rate. Growers had sown 84.9 percent of the estimated soy area as of Thursday, the report said, progressing 4.8 percentage points during the week and pulling even with last season's tempo. In its weekly crop report, the grains exchange kept its soy area estimate steady at 19.7 million hectares.
- ❖ US soybean disposals are again reported very large in December and up sharply from last year, resulting in historically tight US soybean stocks in early 2013.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31-12-2012	30-11-2012	
	Indore –Plant	3320-3390	3275-3310	+80
	Indore –Mandi	3225-3325	3100-3200	+125
	Nagpur-Plant	3300	3200	+100
	Nagpur – Mandi	3150-3250	3000-3200	+50
	Kota-Plant	3300	3270	30
	Kota – Mandi	3240	3200	+40
	Bundi-Plant	3350	3300	+50
	Bundi-Mandi	3250-3275	3170-3200	+75
	Baran-Plant	-	-	-
	Baran-Mandi	3250	3200-3210	+40
	BhawaniMandiJhalawar – Kota Plant Delivery	3350	3240	+110
	Jhalwar-Mandi	3225-3250	3150-3175	+75
Rapeseed/Mustard	Jaipur – C	4280-4285	4450-4455	-170
	Alwar – C	4125	4300	-175
	SriGanganagar	3810	3610	+200
	Delhi– C	4150	4280	-130
	Kota (Non-Condition)	3950	4100	-150
	Neewai	4200	4375	-175
	Hapur (UP)	4190	4340	-150
Groundnut Seed	Rajkot	1050	1070	-20
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	3200-3300	3750-3800	-500
	Latur	3550-3700	3300-3800	-100
	Solapur	3550-3650	3900-4050	-400

Soybean Prices are in INR per Qtl ,Arrivals(1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR per Qtl, Arrival (1 bag=85 kg) C – Condition (42%), *Groundnut seed inRs/20 kg, Sunflower Seed in Rs/qtl.

Oilseed Arrivals in Key Centers

Commodity	Centre	Arrivals in Bags/Qtl		Change
Soybean		31-12-2012	30-11-2012	
	Madhya Pradesh	4380000	6125000	-1745000
	Maharashtra	1830000	2510000	-680000
	Rajasthan	930000	1225000	-295000
	Bundi (Raj)	24900	87200	-62300
	Baran (Raj)	117500	247000	-129500
	Jhalawar (Raj)	56800	82000	-25200
Rapeseed/Mustard	Rajasthan	1083000	935000	+148000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Crop Progress, India

The *rabi* oilseeds planting is heading forwards at its usual pace. Overall, the oilseeds planting are up by 2 per cent.

Of the major *rabi* oilseeds crop rapeseed/mustard seed planting is up by around 3 per cent at 66.18 lha compared to 64.35 lakh hectares during the same period last year. Groundnut planting is reported up by 16.6 per cent at 4.84 lakh hectares compared to 4.15 lha, sunflower planting is reported up by 16.2 per cent at 4.38 lha compared to 3.77 lha during the same period last year.

Area in lakh hectares

Crop	As on 03 Jan 2013	As on 03 Jan 2012	% Change
Rapeseed/Mustard Seed	66.18	64.35	2.8
Groundnut	4.84	4.15	16.6
Safflower	1.41	1.9	-25.8
Sunflower	4.38	3.77	16.2
Sesamum	0.52	0.49	6.1
Lineed	3.14	4.03	-22.1
Other Oilseeds	0.52	0.71	-26.8
Total Oilseeds	81.0	79.4	2.0

Source: GOI

Further, linseed and safflower planting is lagging behind compared to the previous year.

Soybean

The soybean prices mostly remained flat and failed to post gains pressured by bearish global oils and fats markets, BMD CPO and CBOT soybeans. Fall in Malaysian palm oil followed by lower export duty by the major producers, higher palm oil stocks, cautious Chinese buying in the edible oil and reports of favorable weather for South American soybean crop.

Besides, in a major international development soybean harvesting in Brazil has commenced and the yield is within expectation.

The soybean arrivals fell in the key market centers during the period followed by cautious buying by the solvent extractors. Subsequently, soybean crushings were smaller than expected in previous weeks owing to reserved farmer selling and deteriorated crush margins.

Further, India's soy meal export sales were recorded lower y-o-y in the month of December 2012.

In the last USDA's weekly export sales report, the net weekly export sales for soybeans was reported at 434,900 tons for 2012/13, for the period 20 – 27 Dec. Net meal sales came in at 53,800 tons for 2012/13.

Overall, the global and the domestic soybean are likely to get pressure with commencement of harvesting of Brazil's crop, favourable South American weather for soybean crop and bearish palm oil outlook for near-term.

Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12	2012-13
Carry In	0.49	0.45	1.12	0.37	0.40
Production	9.60	9.67	10.10	12.00	12.50
Imports	0.00	0.00	0.00	0.00	0.00
Total Availability	10.09	10.12	11.22	12.37	12.90
Crush	9.64	9.00	10.85	11.97	12.58
Exports	0.00	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	11.97	12.58
Carry Out	0.45	1.12	0.37	0.40	0.32
Monthly Use	0.80	0.75	0.90	1.00	1.05
Stock/Consumption Ratio	0.05	0.12	0.03	0.03	0.03
Stock to Month Use Ratio	0.56	1.49	0.41	0.40	0.31

Source: Agriwatch

- Higher crushing due to good meal demand lead to lower carry-in in 2012/13
- India's 2012/13 soybean output is lowered from 13 Mn T to 12.5 Mn T due to crop loss in Madhya Pradesh.

- We expect 2012/13 soybean crush at 12.58 Mn T owing to higher production compared to previous years. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

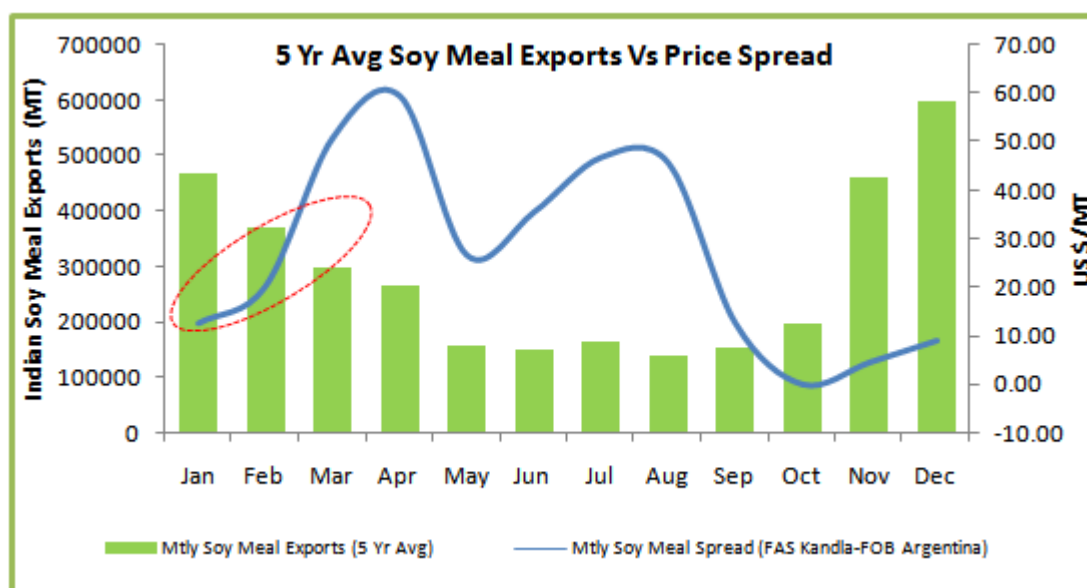
Soy meal prices fell on weak export sales during the month in review. Exports of Soybean meal during December, 2012 was 5,10,698 tones as compared to 7,78,382 tones in December, 2011 showing a fall by 34.39% over the last year.

On a financial year basis, the shipments during April 2012 to December 2012 is 19,15,930 MT as compared to 25,98,072 MT in the same period of previous year showing a fall of 26.25%.

During the current financial year Iran, Japan, France, Vietnam, Thailand, Indonesia and Korea are the major destinations for Indian soy meal exports.

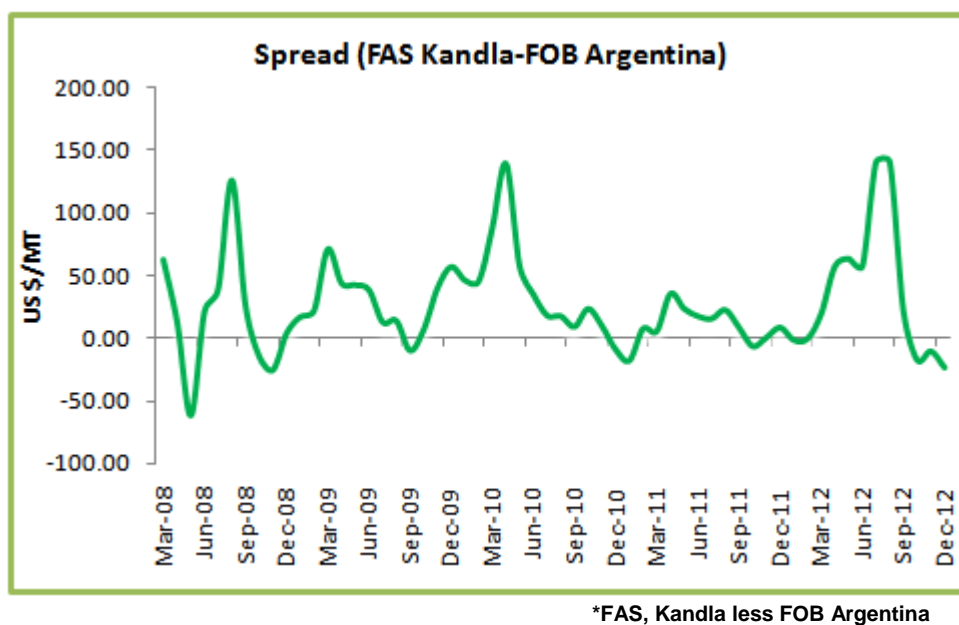
Soy meal (Nov-Dec) exports price, FOR Kandla exports was quoted around Rs 27,525-28,250/MT compared to 17,000-17,100/MT in the last week of Nov.

Indian C&F Indonesia (Indian meal – last week of Nov) was between US \$ 545-560/MT which was quoted between US \$ 360-370/MT during the same period last year.



During current oil year, (October – September), exports during October 2012 to December 2012 is 10,78,852 MT as against 14,69,220 MT during corresponding period last year, showing a decrease by 26.57%.

India is likely to face a stiff price competition from South American soy meal followed by commencement of Brazil's soybean harvest and likely harvest of Argentina in coming weeks.



The average monthly soy meal price spread between FAS Kandla and FOB Argentina fell and recorded at US \$-22/MT in Dec compared to US \$-9/MT Nov which translates that the Indian soy meal prices are getting competitive against Argentina's meal prices. *India's soy meal exports is at the optimum levels during the period, October thru January, at the considered spread between Indian vs Argentine meal price between US \$8/MT and US \$15/MT. (* Spread - FAS Kandla less FOB Argentina).*

Recommendation: FOR Kandla was quoted between Rs29400-29600/MT towards the end of the month. The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations. FOR, Kandla is expected to firm-up and witness **31000-33000** in Jan- Feb.

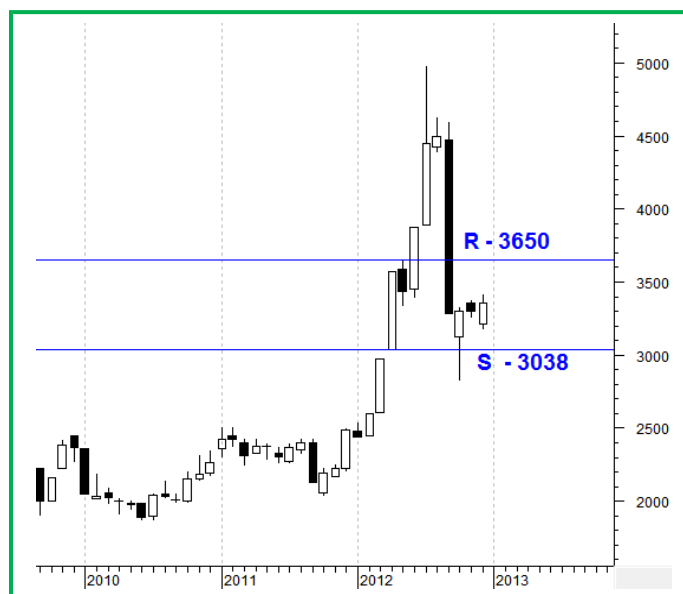
Soybean Crush Margin

Avg Crush Margin – Dec 2012	Avg Crush Margin Nov 2012	Avg Crush Margin – Dec 2011	Avg Crush Margin – Dec 2010
-799	-422	-590	-366

Technical Analysis: NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Feb Soybean

S2	S1	PCP	R1	R2
2911	3092	3273.5	3491	3710

- The candlestick chart pattern seems to have bottomed out.
- Prices closed below 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral region. Indicating bearish momentum.
- MACD is falling in negative region.
- The soybean prices are expected to gain during the month.
- **Trade Recommendation (NCDEX Soybean - Feb) – 1 Month:** BUY between 3250–3270 levels.T1 – 3400; T2 - 3450; SL - 3190.

Trade Recommendation Soybean Spot: Prices are expected to gain and witness 3450-3500 levels (Indore, Plant basis) during the month. Expected fresh edible oil and meal demand is likely to support the bean prices at higher levels.

Review of Previous Call: In our previous call we had recommended BUY between 3190–3200 levels.T1 – 3250; T2 - 3300; SL - 3167. The call triggered and both the targets were achieved.

Rapeseed - Mustard Seed

RM seed prices extended losses tracking weakness in Malaysian palm oil followed by bearish developments in the international palm oil in previous weeks. The millers/ crushers slowed down crushings and eventually slowed buying in anticipation of further fall in the seed prices.

Slash in export duty in palm oil by Indonesia (7.5 per cent from 9 per cent and to 2 per cent from 3 in RBD palmolein) and nil export duty on crude palm oil by Malaysia continued to pressure the domestic RM seed. Palm oil is the close substitute of soy and mustard oil and hence domestic edible oil market closely follows BMD CPO.

Palm oil sentiment remain cautious as investors are closely watching shipments of refined palm products to major palm oil consumer China, and if "these cargoes can meet the new stringent quality control rules set by China."

From Tuesday, reportedly China won't accept imports of edible oils containing excessive peroxide or stearic acid.

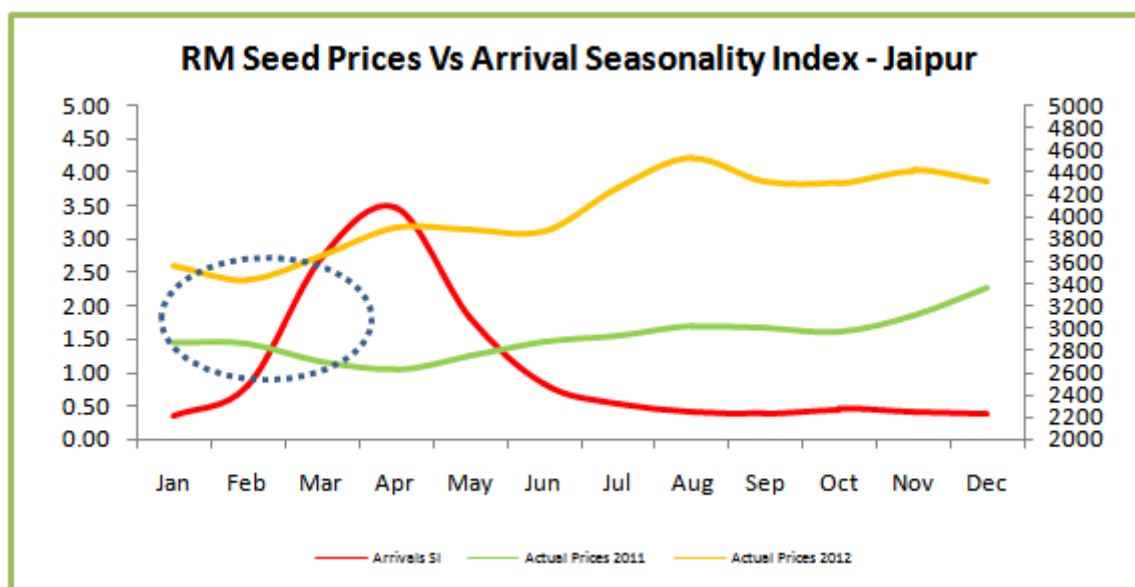
Sentiment is likely to remain cautious, during the week and any reports of fall in export in palm oil demand could weigh on prices, as stock levels in major producers Indonesia and Malaysia remain at record levels. This will further pressure the domestic RM seed.

The RM seed planting is underway. The planting is around 3 per cent higher compared to the same period last year. Reportedly, rapeseed/mustard seed sowing (as on 03 Jan 2013) is up by 3 per cent at 66.18 lha compared to 64.35 lakh hectares during the same period last year.

However, steady demand is seen in key market centers of Rajasthan such as Bikaner and Alwar, mostly from Bihar, Assam and West Bengal and is expected to persist in the near term.

Overall, the seed arrivals in the key cash centers remained steady compared to the previous week. The RM seed prices are likely to remain under pressure during the month, in view of expected early crop harvest.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



The seed prices are expected to stay range-bound to weak bias on estimates of bumper palm oil production and cheaper availability of palm oil, likely early Rapeseed crop harvest in coming days and commencement of soybean harvest in Brazil.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals-Dec	1 Month Ago	Corresponding Period Last Year
10,83,000	9,35,000	9,63,000

The RM seed supplies have slightly improved (the supplies were lower in Nov due to festivities), but the average daily arrival remained steady compared to previous month's level.

Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

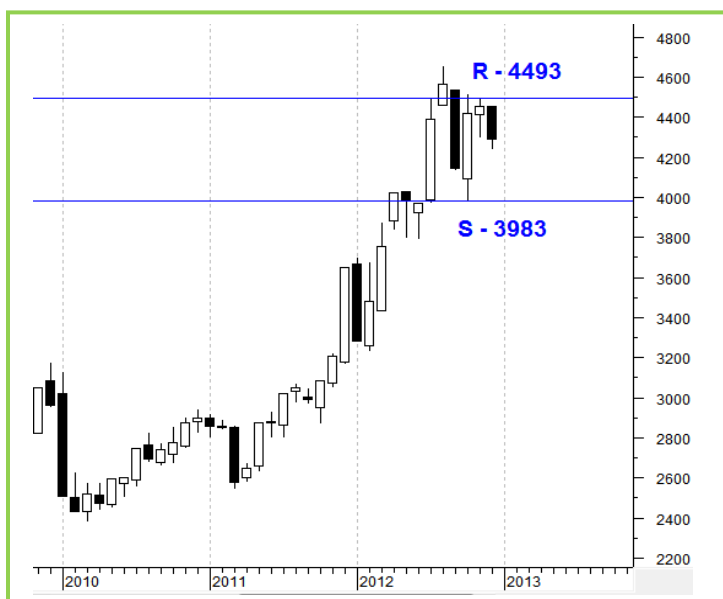
Marketing Year (Mar-Feb)	2009-2010	2010-11	2011-12	2012-13
Carry In	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.0
Imports	0	0	0	0
T5total Availability	6.65	6.75	7.75	7.25
Crush	5.9	6	6.5	7.05
Exports	0	0	0	0
Total Usage	5.9	6	6.5	7.05
Carry Out/Ending Stock	0.75	0.75	1.25	0.2
Monthly Use	0.49	0.50	0.54	0.59
Stock/Consumption Ratio	0.13	0.13	0.19	0.03
Stock to Month Use Ratio	1.53	1.50	2.31	0.34

Source: Agriwatch

- We had revised the 2012/13 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February 2012.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hampered the productivity in RM seed this season.

Technical Analysis: NCDEX RM Seed Futures

RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jan RM Seed

S2	S1	PCP	R1	R2
3957	4067	4179	4284	4390

- The RM seed prices are expected to gain.
- Prices closed above 9-day and 18-day EMA.
- MACD is heading upwards in positive territory.
- RSI and stochastic are rising in neutral region, supporting the gains.
- Trade Recommendation (NCDEX RM SEED – Jan) – 1 Month: BUY between 4160–4170 levels. T1 – 4260; T2 - 4300; SL - 4117.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to surge from the current levels and witness the levels between 4350-4400 levels.

Review of Previous Call: In our previous call we had recommended BUY between 4200–4210 levels. T1 – 4260; T2 - 4300; SL - 4177. The call got the entry and a target was achieved.

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