

Market Recap

Domestic

The domestic oilseeds prices edged-up on bullish domestic fundamentals coupled with strong international vegetable oil and fats market during the week. The market seemed gaining momentum since last couple of weeks on good buying support in the oilseeds.

Spurt in vegetable oil demand with the start in auspicious period for marriages and fresh buying from domestic pickle industry remained positive factor for the local oilseeds market.

Besides, waning mustard seed supplies after peak arrivals which reached 5.0 lakh bags in Rajasthan in second week of April and fall in moisture content in the seed improved the buying by both stockists and millers. Prices tend to head-up with falling supplies while moisture content in the seed between 5-6 per cent is ideal for crushing.

In addition to the above factors, lean season in local soybean additionally pushed-up the soybean prices. However, sluggish exports in soy meal limited the gains in the same. Any fall in the local seed prices is an opportunity for the buyers in near and medium-term.

International

At the international front Brazil is done with soybean harvesting while it is progressing in Argentina. In US the soybean planting is underway with the overall planting progress at 22 per cent, well below the five-year average of 31% last week.

World soybean crushings are expected to increase by around 19 Mn T to 226.3 Mn T during (September 2010 – August 2011). Most of the crushing was already done in the first half of the season owing to insufficient supplies of other oilseeds and products.

The temporary slowdown of import demand for soybeans in China and for edible oils in India recently is expected to weigh on the international edible oil prices. A temporary decline in Chinese imports enforced a fall in world exports of soybeans by 1.9 Mn T from last year to 28.4 Mn T in Jan to April 2011.

Increased buying from the European Union has contributed to a significant rise of 5.9 Mn T or 18% in world exports of soy meal in September-April 2010-2011.

Europe's rapeseed output is likely to plunge to a 3 year low of 19.5 Mn T this season, compared with 20.6 Mn T in 2010. Considering the small carry-over stocks, EU rapeseed supplies in 2011/12 will be tight, raising import requirements. Reports of larger than expected damage, from frost and dryness, as well as about poor crop conditions attributed to the reduction in the yield output.

Oil Meal Prices at Key Spot Markets:
Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	21/05/11	14/05/11	Parity To
Indore (MP)	17200	17200-17300	Gujarat, MP
Kota	17700	17500	Rajasthan, Del, Punjab, Haryana
Akola	17400	17600	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	18400-18600	18200-18300	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Nanded/Latur	18400-18600	18200-18300	Andhra, AP, Kar, TN
Dhulia/Jalna	18500	18500	Mumbai, Maharashtra
Nagpur (42/46)	17600	17500-17600	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	19200	19000-19200	Local and South
Solapur	18900	18800-18900	Local and South

Soy DOC at Port

Centers	Port Price	
	21/05/11	14/05/11
Kandla (FOR) (INR/MT)	18400-18500	18250-18300
Kandla (FAS) (USD/MT)	405-407	405-407

International Soy DOC

Argentina FOB \$/MT	Ship	21/05/11	14/05/11	+/-
Soybean Pellets	M	376	365	+11
Soybean Cake Meal	M	376	365	+11
Soybean Meal	M	384	373	+10
Soy Expellers	M	384	373	+10

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	21/05/11	14/05/11	Change
Adoni	14500	14500	Unch
Khamgaon	13200	13100	+100
Latur	13700	13600	+100
Parli	13700	13700	Unch

Groundnut Meal

Groundnut Meal	21/05/11	14/05/11	Chg
Basis 45% O&A, Saurashtra	15600	15700	100
Basis 40% O&A, Saurashtra	14800	14800	Unch
GN Cake, Gondal	16500-17000	17200	200

Soybean

Lean season in local soybean and slight gains in the soyoil demand at retail lent support to the soybean prices during the week.

The domestic soybean planting is due and it is expected to start by second week of June depending upon the commencement of the monsoon. Indian Meteorological Department (IMD) has predicted the southwest monsoon over Kerala to hit on time by 31st May.

Indian soybean growers are relieved after IMD's 2011 south-west monsoon season (June to September) report which predicted the rainfall for the country as a whole to be normal with 96-104% of Long Period Average.

However, it is a bit early to comment over the soybean area but the sowing intention of the domestic soybean farmers remain intact near last year's acreage. India's soybean coverage area in 2010 stood at 93.03 lakh Hectares (lha). Nevertheless, monsoon plays a vital role in determining the crop size or the area under soybean.

Sowing Intention

State	Soybean Area 2010 (in Lakh Ha.)	Sown Area by Farmers in 2010 (in Acres)	Sowing Intention by Farmers for 2011 (in Acres)	%Change	Expected Sowing Area for 2011 (Lakh Ha.)
Madhya Pradesh	55.19	42.3	42.5	0.47%	55.5
Maharashtra	26.03	8	9.6	20.00%	31.2
Rajasthan	6.92	10	9.2	-8.00%	6.4
Total	88.14	60.3	61.3	5.57%	93.1
Methodology – Average of 8-10 farmers interviewed to fetch sowing intention in every states Expected sowing Area based on farmers information					

Source: Agriwatch

Interview with the farmers in Maharashtra reveal the area under soybean in Maharashtra is likely to increase this season. Area coverage under soybean in Maharashtra stood at 26.03 lakh hectares in 2010. The sowing in Maharashtra is expected to begin in by second week of June after a couple of rain spell.

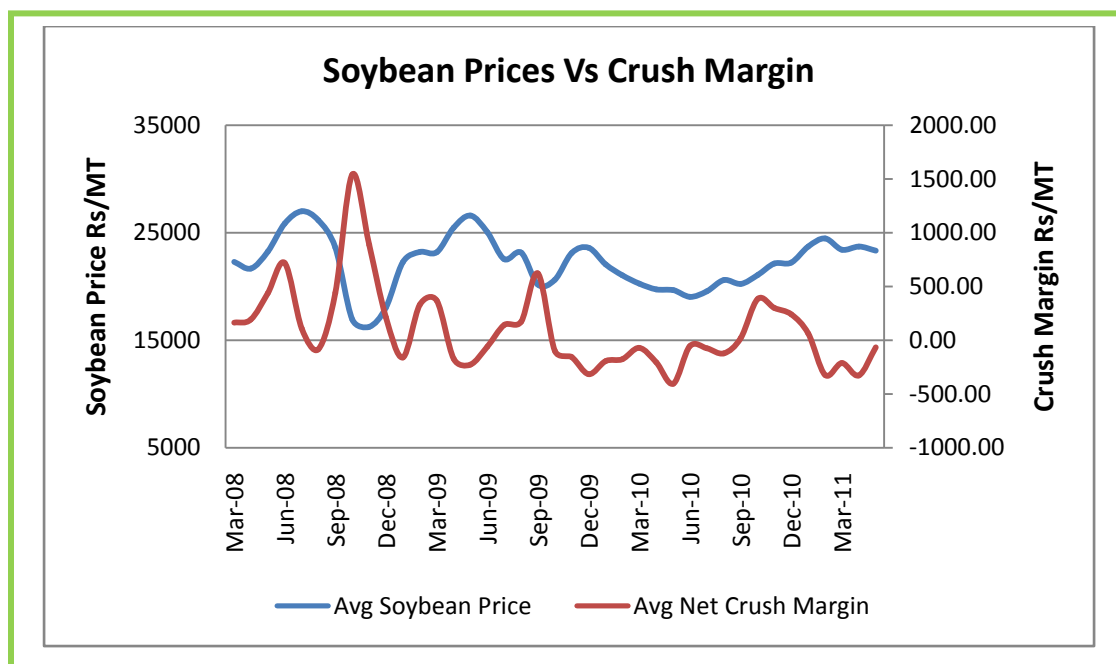
Unconfirmed sources were of the view that the soybean area in the state may shift towards cotton crop due to better prices in cotton last year. However, farmers feel the cost of cotton cultivation is higher compared to soybean and tur could be easily intercropped with soybean adding advantage in realization to soybean farmer.

Besides, there is shortage of labour in Maharashtra too like in several other states and more labour is required in cotton cultivation compared to soybeans.

The soybean area is unlikely to fall in the Madhya Pradesh, the largest soybean grower. Given the weather and soil conditions the farmers in Madhya Pradesh are left without any other option of crop cultivation. Hence, there is no scope of area shift in any other crop in the state.

The situation in Rajasthan seems a bit different. In the soybean area in the state, maize could also easily be grown and the realization in maize was better in previous seasons. Hence, several farmers in the soybean growing area of Rajasthan are expected to shift their soybean area in maize. Besides, some destruction and lowering of yields in soybean crop in previous season due to scanty rainfall may discourage some soybean farmers in Rajasthan. A slight decline in the soybean area could be noticed in the state.

Soybean Crush Margin



The domestic soybean crush margin is still in negative zone (The average weekly crush margin stands negative at Rs-146/MT) due to weak exports in soy meal. This is due to demand shift owing to competitive price offer in soy meal by South America.

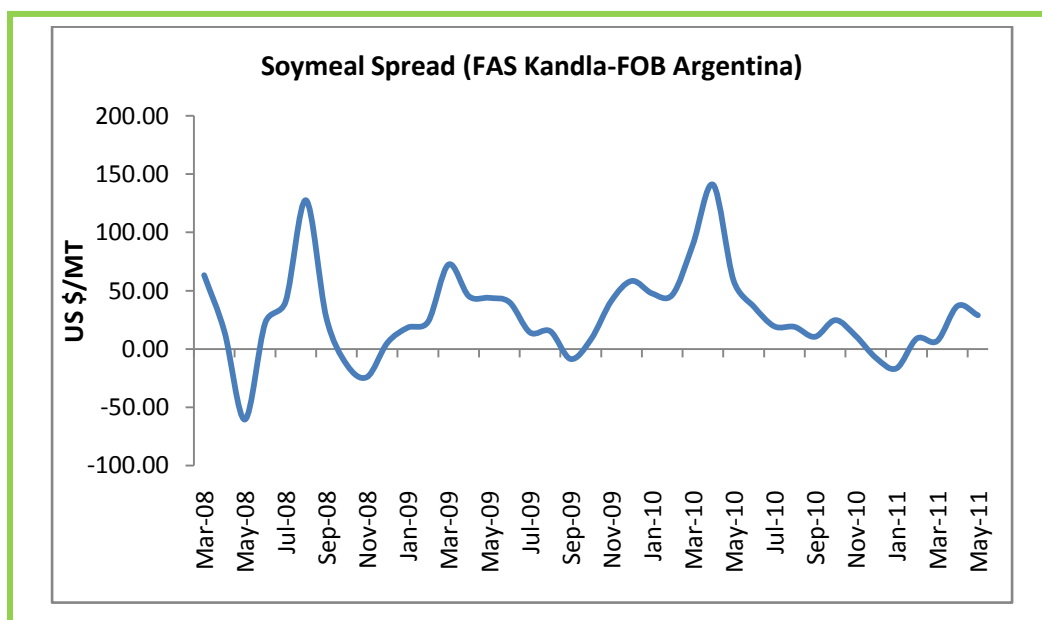
Improving soybean crush margin towards positive zone encouraged the soybean crushers in crushing the seed which subsequently increased the soybean buying last week which consequently increased the soy meal, soybean and soyoil prices domestically. However, if the weekly prices rise as projected later the crush margin

will again widen in negative zone. This will further discourage the soybean crushers from buying and crushing the beans.

Soymeal

As discussed earlier the overseas demand in Indian soy meal is hit due to the attractive price from South America in its peak season. Argentina and Brazil are aggressively marketing their meal owing to improved crushing in the seed followed by huge supplies in the new soy crop. Currently, India is unsuccessful in competing with the soy meal prices offered by South America.

Soy meal Spread – India vs Argentina



*FAS, Kandla less FOB Argentina

The soy meal spread trend (FAS, Kandla – FOB Argentina) between India and Argentina reveals, Indian soy meal prices are higher compared to Argentina. (FAS: Free Alongside Ship. FOB: Freight on Board).

Currently, Indian meal prices are higher by about US \$30/MT (WklyAvg Price), FAS – basis Kandla Port vs FOB Argentina.

Even the soy meal prices of US are attractive compared with Indian meal prices. Currently, US soy meal prices are lower by US \$20/MT, (WklyAvg Price). In US the corn area is likely to shift in soybean. This is due to the delayed plantings in corn which will subsequently exert pressure on US soy meal prices.

However, India is unlikely to compete with the prevailing soy meal prices in South America or even with US in a near-term.

Price Projection and Crush Margin

Expectations for 23rd May - 28 May 2011		
Commodity	Price Range (Rs/MT)	Crush Margin
Soybean	24200-24300	-566
Soy Meal	17100-17250	
Soy Oil	61000-61300	

*Using price analysis tools

Technically, the soybean and soy meal prices are likely to move slightly higher from its current levels during the week. However, if the prices gain in the proportion indicated above the soybean crush margin will widen in negative zone. This will consequently discourage the soybean processors from active buying and crushing the beans supported by sluggish soy meal exports. Currently, the average weekly crush margin stands negative at Rs-146/MT.

Trade Recommendation – 1 Week: Buy on dips.

Rapeseed - Mustard Seed

India has reportedly covered an area of 72.4 lakh hectares (lha) in mustard seed this season against 65.2 lha. Better yield output of about 945 kg/ha this year compared to 907 kg/ha in 2009-10 increased the output to 68.5 to 71.0 lakh tonnes compared with 59.2 lakh tonnes in 2009-10.

The result was clear in the physical market with a significant increase in the seed supplies. The seed market noticed 100 per cent increase in the seed supplies in some key centers during harvesting. The highest reported arrivals in Rajasthan was registered in the second week of April at 5.0 lakh bags (85 kg each) compared to 2.5 lakh bags in the corresponding period last year.

RM Seed Supply

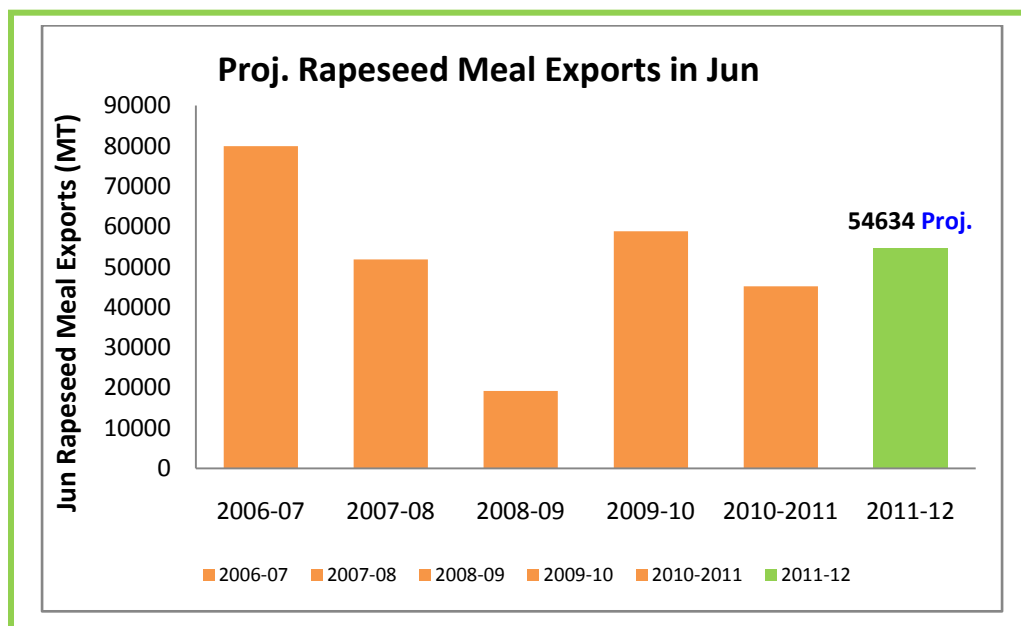
RM Seed Arrivals in Rajasthan in Bags (85 kg each)		
Current	1 Week Ago	Corresponding Period Last Year
1,80,000	2,25,000	80,000

Active buying in the RM seed noticed during the week supported by fresh mustard oil demand in retail and waning new crop supplies. Both the stockists and the millers remained active in the cash market. The market participants feel that the mustard seed prices will gradually move up from the current levels with the decline in supplies.

Besides, the mustard seed DOC exporters are looking for the shipping opportunity encouraged by the good demand in last couple of months. India exported about 128221 MT (+220%) of mustard seed

DOC in March 2011 compared to just 40121 MT in the corresponding period 2010. In April 2011 Indian mustard seed DOC exports stood at 142232 MT (+21%) compared to 117778 in the same period 2010.

Projected India's Rapeseed Meal Exports in Jun

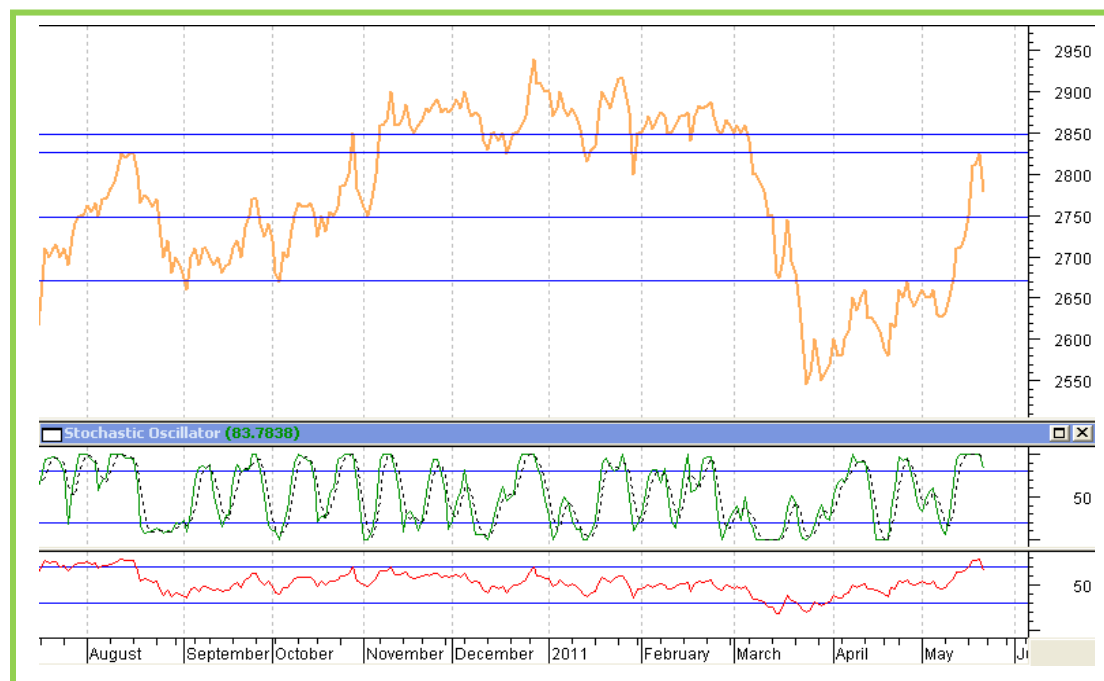


China and South Korea remain as consistent buyers of rapeseed meal of Indian origin. Besides, Thailand, Indonesia, Japan, Cambodia and Vietnam remain traditional buyers of Indian rapeseed meal. China bought 82157 MT of rape meal in April 2011 compared to 83554 MT in March 2011 followed 18920 MT by South Korea in April 2011 compared to 18500 MT in March 2011.

The millers feel demand in mustard seed will rise with the onset of monsoon followed by fresh demand in mustard oil at retail when consumption increases.

The domestic mustard seed prices are likely to rise during the week followed by declining new crop supplies and spurt in mustard oil demand at retail. Corroborating the fundamental the rapeseed prices are likely to improve remain between the trading band of Rs2810-2835 per quintal during the week (23rd – 28 May 2011).

Rapeseed – Mustard Seed Prices Jaipur



Trade Recommendation (RM SEED) – 1 Week: Buy on dips towards 2700-2750 levels.

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