

Oilseeds Market Recap

Domestic

The domestic oilseeds market featured mixed trend during the week. Soybean prices extended losses on dull trade activity while RM seed (Rapeseed-Mustard) prices edged-up on active buying. However, oilmeal prices witnessed steady tone during the period.

The RM seed prices noticed gains during the period owing to renewed buying interest at lower quotes as the fag end of arrival is approaching. The mustard seed supplies have shown a marked decline in the previous week supporting higher seed prices. However, continued buying support in the mustard seed by millers and stockists remained positive factor for the mustard seed market during the week.

Sowing of *kharif* oilseeds planting is gradually progressing but reportedly slow in pace. The planting will gain momentum when monsoon grips western, central and northern parts of India which is expected in the weeks ahead.

Soybean farmers hope to start their plantings on regular schedule which starts in mid Jun with the onset of monsoon in Maharashtra followed by Madhya Pradesh and Rajasthan. Early planting has already been reported in some parts of the growing region.

Weak crushing in soybean owing to sluggish seasonal demand in soy meal and oil remained negative factors for the domestic soybean market. However, gains in international vegoil market limited the losses in soybean for the week. The market is expecting domestic soybean prices to register gains once monsoon grips the country, which is likely in late Jun or early July. The domestic soy meal usage increases during monsoon with the rise in poultry production in conjunction with the soy oil demand subsequently leading to the bean demand from crushers/solvent extractors.

International

In a key development on the international front, US soybean planting continues to lag (20 per cent) compared to the 5-years average, which is attributed to wet weather in soy and corn growing regions.

As expected excess soil moisture continues to obstruct in active soy planting and the situation is expected to continue in the following week. Moving forward, some corn acreage is likely to shift towards soybean especially in the region of Illinois, Dakotas and Nebraska as corn planting is a bit delayed from its normal schedule and any further delay in planting is likely to have a grave impact on the corn yield.

In the last official planting report the US soybean planting was reported at 51 per cent, significantly below the five-year average of 71% last week. The worse hit states include Ohio (69 per cent lag), Kentucky (29 per cent lag) and Michigan (40 per cent lag from 5 year average). The situation continues to support the international soybean prices.

US corn planting may total 88.2 million acres of which around 1 million acres is expected to shift in soybean. The shift by farmers means the US soybean area may jump to 77.5 million acres this year.

In Latin America, the sailors in the port of Rosario of Argentina, a major port handling exports, have called a strike obstructing the grain exports. This has adversely hit the soybean shipments of Argentina supporting the international soybean prices in conjunction with US fundamentals.

In Asia, the benchmark vegetable oil market of Malaysia, BMD, remained firm during the week and further likely to remain higher followed by stockpile in edible oil ahead of the Muslim holy month of *Ramadan* which will further support the domestic RM seed prices and restrict the losses in soybean during the week. However, a temporary slow-down in Chinese soybean and oil demand remained bearish factor for the global soy market.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

| Centers | Ex-factory rates (Rs/ton) | | |
|----------------|---------------------------|-------------|---|
| | 04/06/11 | 28/05/11 | Parity To |
| Indore (MP) | 16700-16800 | 16800-17000 | Gujarat, MP |
| Kota | 16900-17000 | 17250-17300 | Rajasthan, Del, Punjab, Haryana |
| Akola | 16800 | 17000-17300 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Hingoli | 17800-18000 | 18000 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Nanded/Latur | 17800-18000 | 18000 | Andhra, AP, Kar, TN |
| Dhulia/Jalna | 18100 | 18500 | Mumbai, Maharashtra |
| Nagpur (42/46) | 17500 | 17100 | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Sangli | 18400 | 18900 | Local and South |
| Solapur | 18900 | 18700 | Local and South |

Soy DOC at Port

| Centers | Port Price | |
|-----------------------|-------------|----------|
| | 04/06/11 | 28/05/11 |
| Kandla (FOR) (INR/MT) | 17700-17900 | 17800 |
| Kandla (FAS) (USD/MT) | 394-400 | 418-421 |

International Soy DOC

| Argentina FOB \$/MT | Ship | 04/06/11 | 28/05/11 | +/- |
|---------------------|------|----------|----------|-----|
| Soybean Pellets | J | 377 | 375 | +2 |
| Soybean Cake Meal | J | 377 | 375 | +2 |
| Soybean Meal | J | 385 | 383 | +2 |
| Soy Expellers | J | 385 | 383 | +2 |

Sunflower Meal Rates

| Centers | Ex-factory rates (Rs/ton) | | |
|----------|---------------------------|----------|--------|
| | 04/06/11 | 28/05/11 | Change |
| Adoni | 14600 | 14600 | Unch |
| Khamgaon | 13200 | 13200 | Unch |
| Latur | 13700 | 13700 | Unch |
| Parli | 13700 | 13700 | Unch |

Groundnut Meal

| Groundnut Meal | 04/06/11 | 28/05/11 | Chg |
|---------------------------|----------|----------|------|
| Basis 45% O&A, Saurashtra | 15400 | 15400 | Unch |
| Basis 40% O&A, Saurashtra | 14600 | 14600 | Unch |
| GN Cake, Gondal | 16200 | 16000 | +200 |

Soybean

Soybean prices featured side-ways move with weak bias in cash market across the key centers. Reports of early sowing and normal monsoon this season are weighing on the soybean prices. Besides, weak soy meal exports and lower domestic usage in the same owing to attractive meal prices in South America and weak poultry production respectively remained negative factors for the domestic soybean prices.

Monsoon has already hit the southern parts of India, Karnataka and Andhra Pradesh jointly contributes around 3.5 lakh hectares of area under soybean. Soybean planting in both the states is likely to pick-up in the days ahead. However, with the onset of normal monsoon one can see prices ease on account of aggressive sowing anticipation.

The fresh demand in soybean is expected to come from crushers once the monsoon grips the country in July. The local soy meal demand picks-up with the rise in poultry production and increase in vegetable oils demand during the period. Any sharp gain in demand both at meal and oil front shall lend additional support to the soybean seed prices in the medium term.

Considering the discussed fundamentals, the domestic soybean prices are expected to move side-ways with weak bias during the week.

Price Projection and Crush Margin

| Expectations for 06th Jun - 11th Jun 2011 (Per MT) | | |
|--|-------------|--------------|
| Commodity | Price Range | Crush Margin |
| Soybean | 23000-23300 | +390 |
| Soy Meal | 16750-16700 | |
| Soy Oil | 63000-63500 | |

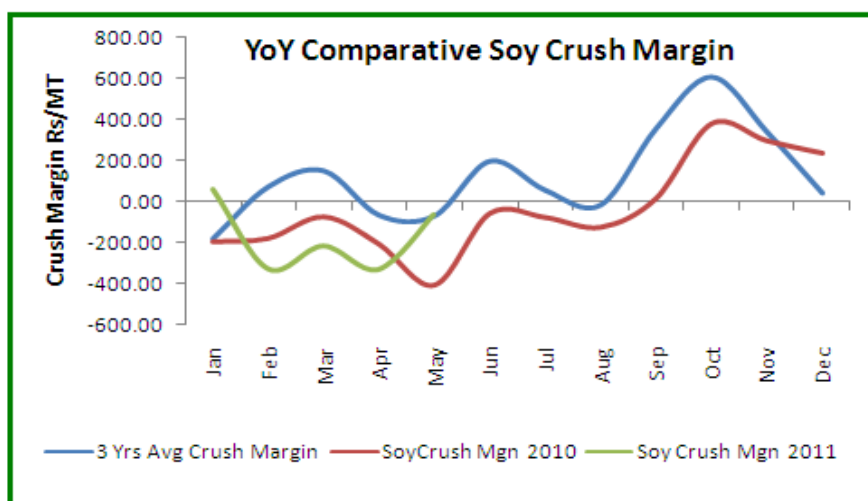
The soybean prices in MP are likely to remain range-bound and trade within the price band of 23000-23300/MT while soy meal prices are likely to trade within the price range of Rs16750-16700/MT.

Considering soybean, meal and oil prices in the above mentioned price range we expect soybean crush margin to hover between 300-390/MT compared to Rs172/MT, last week.

Considering the improvement in the crush margin towards positive territory in the previous week, the soybean off-take for crushing may improve with the liquidation of the soybean stocks with the stockists ahead of new marketing season. Since crush margin follows a lag of t+1 time period we expect crushing demand for soybean is likely to mildly improve during the week.

Comparative Soybean Crush Margin

With margin following its normal seasonality and moving in tune with its 3 years average as evident from the adjacent graph, we expect crush margin is expected to improve during June. Improvement in the soy crush margin is primarily attributed to expectation of lower seed prices and stable meal prices followed by expectation of marginal improvement in the soy oil prices.



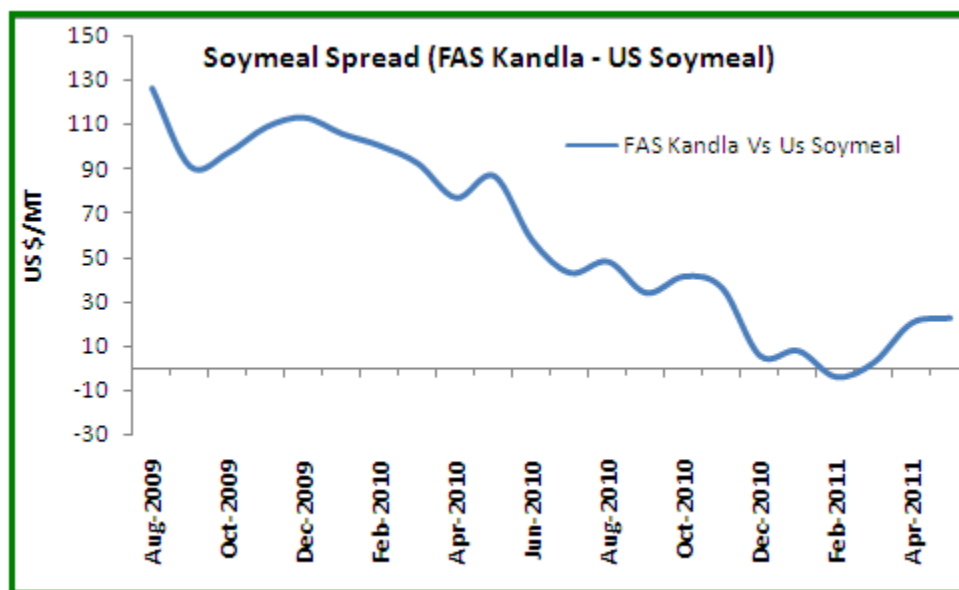
Keeping close watch on the historical margin behavior as shown in the adjacent chart, we expect crush margin to improve for June and likely to remain in-tune with its 3 years of average. Crush margin for June is expected to hover in a positive territory of 400/MT of crushing at lower levels and up to 900 MT of crushing at higher levels when compared with weekly average crush margin of Rs172/MT last week. Therefore, we expect soybean demand to improve during the week on account of anticipation of surfacing soy crush demand which might act as an opportunity to chalk out plan for active crushing to grab the opportunity for crushing.

Soymeal

Domestic soy meal prices continued down-trend on thin trade in major trading centers. No major export deal in soy meal reported during the week due to demand shift to Latin America. In Argentina crushing of the soybean is in full swing due to peak season and hence the prices of the meal are attractive as compared to India. Recent sailor's strike at Port Rosario (Major Port) of Argentina has obstructed in the meal shipment which may support the international soy meal prices leading to demand shift from Argentina to US.

However, India continues to export to neighboring countries like Bangladesh, Sri Lanka and Pakistan owing to the logistical advantages due to proximity. Continued demand in soy meal from Japan remained a positive factor for Indian soy meal exports.

Soy meal Spread – India vs US

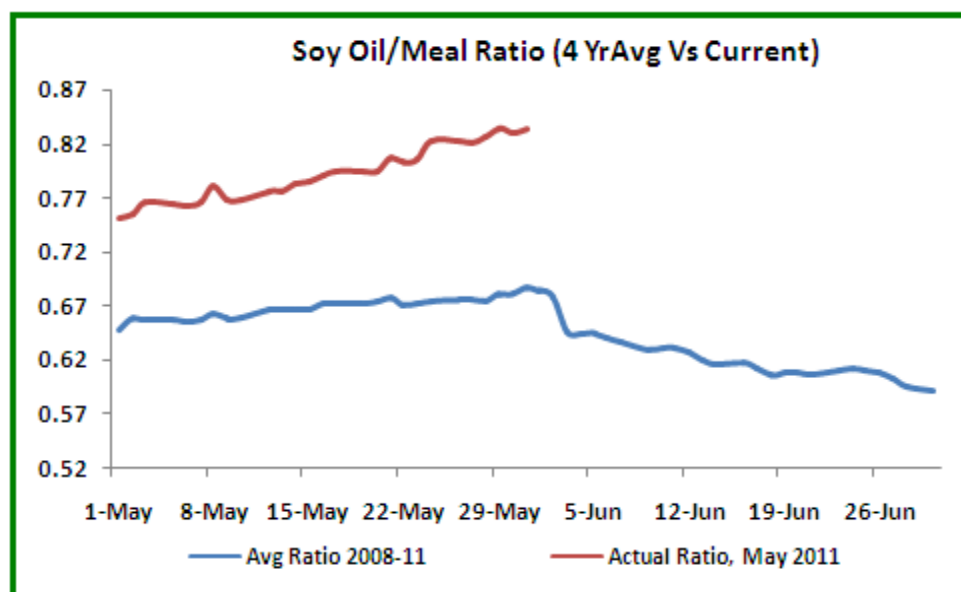


*FAS, Kandla less US Soy meal

Currently the Indian soy meal prices are flattering when compared to the US soy meal and this is due to both the countries being in the same situation with respect to the soy crop. Both are currently in the lean season.

The soy meal spread trend (FAS, Kandla – CBOT Soy meal) between India and US reveals, Indian soy meal prices are higher compared to USA. (FAS: Free Alongside Ship. FOB: Freight on Board). Currently, Indian meal prices are higher by about US \$8/MT (WklyAvg Price), FAS – basis Kandla Port vsUS. Moving forward the US soy meal prices will be competitive in the days ahead. The new soybean crop in US is expected in September and US is will aggressively market its soybean and meal for forward booking to the bigger buyers like China and encash the opportunity before India's soybean crop hits the market. India's soybean marketing season starts in October.

Soy Oil/Meal Ratio



It is evident that the current domestic soy oil and soy meal ratio is ruling much higher compared with 4 year average oil/meal ratio following better returns from soy oil and soy meal this year. However, the ratio is likely to ease in sync with the 4 year average ratio during second fortnight of June.

This is due to relatively steady to weak demand in soy oil and soy meal during the period. It is usual that the usage in oil and fats declines during summer which once again starts to pick-up with the onset of monsoon.

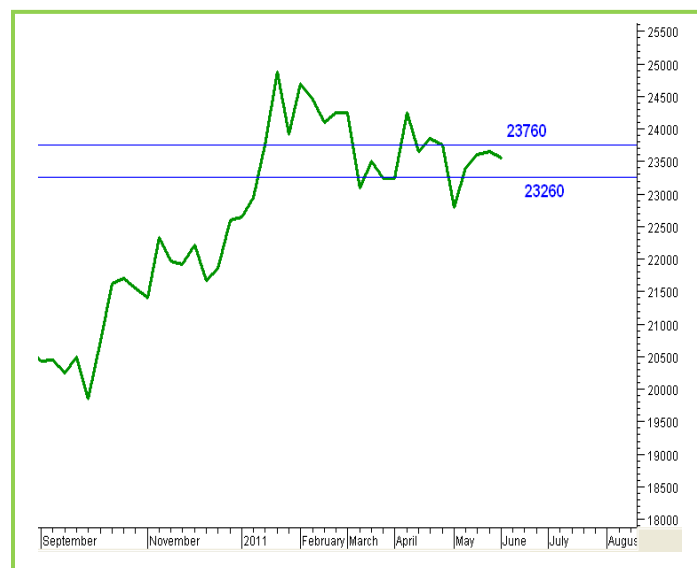
With demand to pick up during June end we expect oil/meal ratio to improve indicating more revenue likely to generated from oil than meal which is likely to be added at the crushers basket.

Technical Analysis:

NCDEX Soybean Futures(Jun)



Soybean Spot, Indore



Supports & Resistances NCDEX Soybean

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 2338 | 2322 | 2393 | 2425 | 2451 |

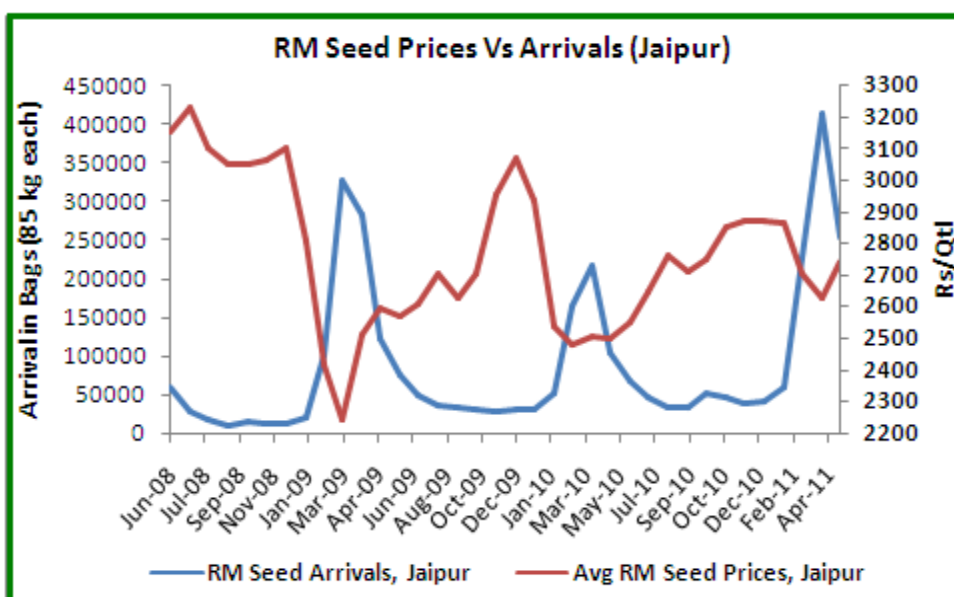
- Side-ways movement featured in the weekly soybean chart pattern. The prices are below 9-day and 18-day EMA. Oscillators and price indicators reflect prices to further ease during the week. The soybean prices are likely to remain range-bound with weak-bias and are expected to trade within the price band of 2300 – 2400 levels.

Trade Recommendation (Soybean) – 1 Week: Sell on rise towards 2425 – 2550 levels.

Rapeseed - Mustard Seed

The domestic RM seed fundamentals remain bullish and intact followed by active buying in the seed by stockists and millers with declining supplies in the same. Prices tend to move up with the decline in supplies in the market.

RM Seed Prices Vs Arrivals



The RM seed supplies in Rajasthan fell last week as most of the big farmers have liquidated their stocks followed by demand in the seed from millers and stockists.

Besides, temporary slow-down in edible oil imports by India have boosted the domestic oilseeds crushing currently lead by mustard seed. Higher output estimates this season of about 7.1million tones during 2011 compared with 6.4 million tonnes in 2010 remained supportive factor in boosting crushing of the RM seed this season. The RM seed DOC exports to the traditional buyers remained another supportive factor for the seed market.

The RM seed crush margin has gradually improved towards the positive territory last week and we expect the crush margin to improve further which will subsequently increase in the off-take in the seed during the week.

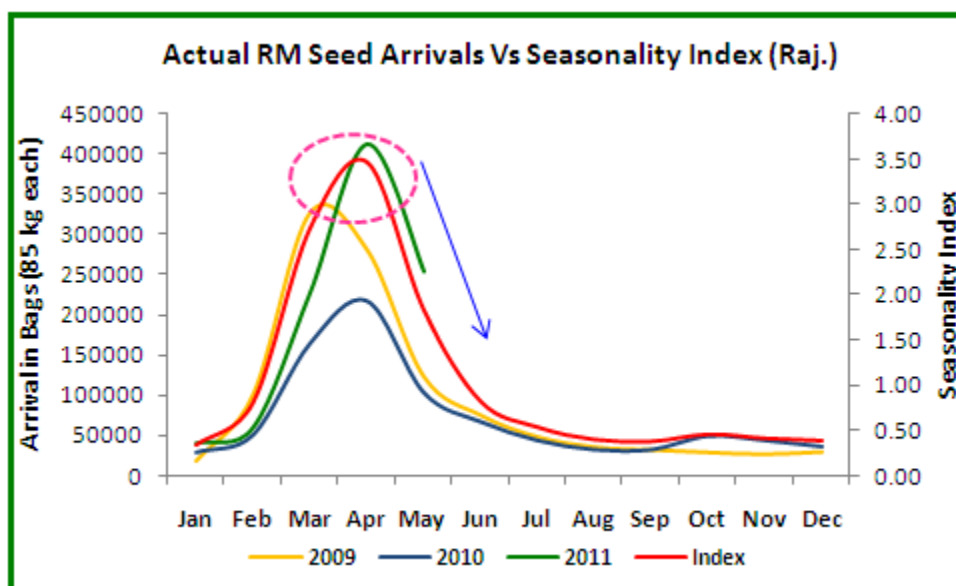
In April 2011 Indian mustard extract exports stood at 142232 MT (+21%) compared to 117778 in the same period 2010. India exported about 128221 MT (+220%) of mustard extract in March 2011 compared to just

40121 MT in the corresponding period 2010. The exports figure of May is expected to be slightly lower compared to April due to slow down in overseas demand in the DOC.

RM Seed Supply

| RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg. | | |
|---|------------|--------------------------------|
| CurrentWkly Arrivals | 1 Week Ago | Corresponding Period Last Year |
| 2,20,000 | 2,80,000 | 85,000 |

RM Seed Seasonality Index



Looking at the RM seed supply trend, it is evident that the current RM seed supplies are higher compared to the seasonality index (3 year arrival index), but the actual arrivals are now moving in tandem with the seasonality index. The index indicates supplies start easing towards the end of May and continue to be in declining phase till Jun. The various markets in Rajasthan are likely to record the arrivals between 2 – 2.5 lakh bags during the week.

Parity Check RM Seed From Jaipur to Kolkata

| Auction Price at Rajasthan Mandi for Bengal- Mustard Seed | | Actual Cost Under Each Head |
|--|----------------|-----------------------------|
| Prevailing Seed Price | 2910 | 2910 |
| Cost of Gunny Bag | Rs.30 | 30 |
| Mandi Tax | 1.60% | 46.56 |
| CST | 2% approx | 58.2 |
| Dami | 2% | 58.2 |
| Adat | 1% | 29.1 |
| Labour Cost on a Bag at Bengal | Rs.3 | 3 |
| Freight Rajasthan to Bengal | Rs.250/Qtl | 250 |
| Total Cost in Rs. (Delivered Bengal) | 3385.06 | 3385.06 |
| *Dami: Commission of an Agent. Adat: Approaching an Adat for a purchase will include Dami. | | |
| *Mandi tax varies from State to State | | |

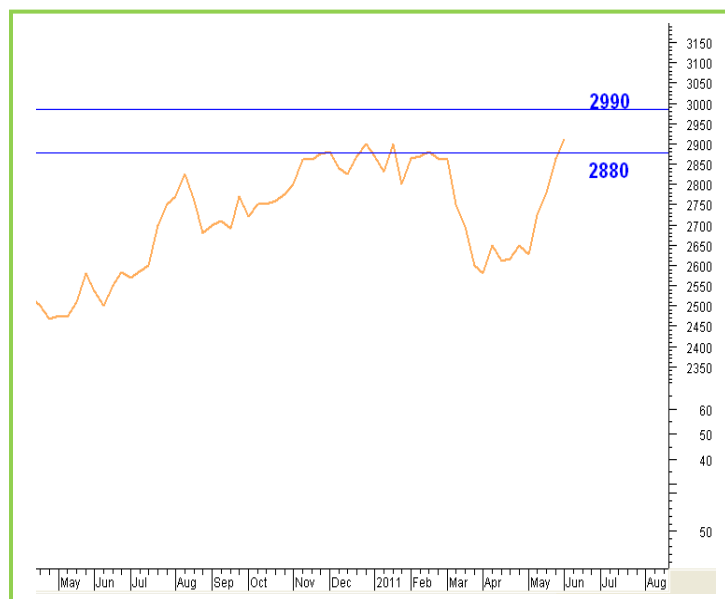
When RM seed price (Condition) in Jaipur stood at Rs2900-2910/quintal, the delivered cost of a quintal of RM seed to Kolkata from Jaipur is calculated at around Rs3358/quintal including various costs in mandi and freight charges. The prevailing price of RM seed in Kolkata is Rs3000-3200/quintal. This indicates that there is a lack of parity, of Rs185/quintal, between Jaipur seed price compared with Kolkata price. The scenario indicates that the seed prices in West Bengal may move higher towards the prevailing prices in North India.

Technical Analysis:

NCDEX RM Seed Futures (Jun)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX RM Seed

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 2820 | 2857 | 2920 | 2967 | 2987 |

- RM seed charts pattern reveals prices extended gains during the week. The weekly price closed above 9-day and 18-day EMA supporting bulls. Price indicators and oscillators reflect prices will gain momentum during the week. The RM seed prices are expected to move up and remain within the trading band of 2860 – 2968 levels.

Trade Recommendation (RM SEED) – 1 Week: Buy on dips towards 2850 – 2860 levels.

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