

Oilmeals/Oilseeds Market Recap

Domestic

The domestic oilseeds market featured weak tone on sluggish buying activity in the major oilseeds, RM seed and soybean which extended its previous weakness. Moreover, bearish USDA's World Agriculture Supply and Demand Estimate Report stating higher beginning stocks for 2011-12 owing to lowering of export projections by 10 million bushels and thereby surge in ending stocks of 2010-11 and surge in Malaysian palm oil ending stocks for May which is up by 14.07% m-o-m.

However, prices of groundnut and sunflower seed witnessed gains on better exports demand for groundnut (HPS variety) and fairly good demand for sunflower seed by expeller units owing to surge in sun oil demand and comparative lower supply and limited stock availability at ports.

Soybean prices extended downward move on poor demand in soyoil at retail and soy meal from poultry feed industry during the week under review. Following seasonal decline in demand, Indian soy meal shipments witness decline after February closely following the decline in seasonal trends however it still stay on higher side when compared to the last year.

Lack luster demand could be seen for RM seed during the week under review which kept RM seed and oil prices range bound with weak bias.

Sowing of *kharif* oilseeds is underway and is gradually progressing and is expected to gain momentum with the onset of monsoon in principal growing regions. Monsoon has already gripped Southern and Western parts of India however expected by Mid-June in the central region. However, early planting has already been reported in some parts of the growing region.

We expect domestic soybean demand is likely to pick up with the onset of monsoon across India and prices might get support during late Jun or early July backed by improvement of soy meal and oil demand. The domestic soy meal usage increases during monsoon with the rise in poultry production in conjunction with the soy oil demand which might stand encouraging for the crushers/solvent extractors to go for active crushing.

Meanwhile, Indian government has declared Minimum Support Price (MSP) for *Kharif* Oilseeds - 2011-12. The MSP of Groundnut-in-shell is increased by Rs400 at Rs2700/Qtl, Sunflowerseed at Rs2800/Qtl (+450), Sesamum at Rs3400/Qtl (+500) and Nigerseed at Rs2900/Qtl (+450).

The MSPs of Soybean (Black) is increased by Rs250 and fixed at at 1650/Qtl and Soybean (Yellow) have been increased by Rs250 over the last year's MSP at Rs1690/Qtl.

International

In a key development on the international front, USDA released it's monthly World Agriculture Supply and Demand Estimate (WASDE) report reflected easing year-end supplies. US inventories is set to rise by 10 million bushels for 2010-11 owing to downward revision of US exports with increased South American soybean output

painting a bearish supply picture. Brazil's 2010-11 soybean production is increased 4.5 million tons to a record 74.5 million (69 million tons last year), reflecting yield and production increases. In the report, China soybean production is reduced 0.5 million tons to 14.3 million due to lower area as producers shifted to corn.

Adverse weather during recent past had slowed down the US soybean planting during current period and continues to lag (14 per cent) compared to the 5-years average. However, there are enough time for soy planting from its prevent planting date and planting is likely to pick up going ahead with the planting season with warm US temperature forecast remain valid for the coming week. In the last official planting report the US soybean planting was reported at 68 per cent compared with its five-year average of 82%. The worse hit states include Ohio (62 per cent lag), Kentucky (24 per cent lag) and Michigan (35 per cent lag from 5 year average). However, emergence reported only 44% compared with 61% (5 year average). Keeping in view the

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.

Latin America: Soybean shipments of 4 South American countries recovered to 8.0 million tons in May but fell short of the 9.46 million tons shipped a year earlier. Robust global soybean demand and relatively greater global supply during current period helped to keep trade buoyant thereby supporting the trade from Latin American nations as they are the major soy suppliers till Sep when US new crop is likely to hit the international market.

Asia: China is likely to become a more active buyer of vegetable oils. Following a significant reduction of domestic stocks of oils and fats by at least 0.8 million tons in the past twelve months, we now expect Chinese imports to increase by 0.5 million tons from last year to 3.0 million tons in July/Sept 2011, mainly for palm and soya oil. This indicates China will increase its soybean imports for crushing to meet local edible oil demand.

World supplies of rapeseed and canola are estimated at only around 65.0 million tons in 2011/12. Domestic rapeseed supplies in the EU-27 will be almost 5 million tons or 20% below requirements – Oil World.

As per USDA report the global oilseed production for 2011/12 is projected at 456.9 million tons, down 2.3 million from last month's WASDE report, the fall is mainly due to lower rapeseed output.

EU-27 rapeseed production is reduced 1.2 million tons and estimated at 18.8 million mainly due to lower yields owing to dry conditions in April and May in major producing areas of France and Germany. Rapeseed production for Canada is lowered 0.5 million tons to 13.0 million due to reduced area planted resulting from excessive moisture this spring.

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

Centers	Ex-factory rates (Rs/ton)		
	11/06/11	04/06/11	Parity To
Indore (MP)	16000-16800	16700-16800	Gujarat, MP
Kota	17000	16900-17000	Rajasthan, Del, Punjab, Haryana
Akola	16900	16800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	16900-17100	17800-18000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	16900-17100	17800-18000	Andhra, AP, Kar, TN
Dhulia/Jalna	18200-18400	18100	Mumbai, Maharashtra
Nagpur (42/46)	17000	17500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	17000-17500	18400	Local and South
Solapur	18000-18200	18900	Local and South

Soy DOC at Port

Centers	Port Price	
	11/06/11	04/06/11
Kandla (FOR) (INR/MT)	18000-18500	17700-17900
Kandla (FAS) (USD/MT)	400-405	394-400

International Soy DOC

Argentina FOB \$/MT	Ship	11/06/11	04/06/11	+/-
Soybean Pellets	J	380	377	+3
Soybean Cake Meal	J	380	377	+3
Soybean Meal	J	388	385	+3
Soy Expellers	J	388	385	+3

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	11/06/11	04/06/11	Change
Adoni	14700	14600	+100
Khamgaon	13300	13200	+100
Latur	13800	13700	+100
Parli	13800	13700	+100

Groundnut Meal

Groundnut Meal	11/06/11	04/06/11	Chg
Basis 45% O&A, Saurashtra	15400	15400	Unch
Basis 40% O&A, Saurashtra	14600	14600	Unch
GN Cake, Gondal	16200	16200	Unch

Mustard DOC/Meal

Mustard DOC/Meal	11/06/11	04/06/11	Chg
Jaipur (Plant Delivery)	6900	7200	-300
Kandla (FOR)	7900	8350	-450
Sri Ganganagar	928	980	-52

Soybean

Soybean prices in major cash markets noticed weakness on poor crushing followed by lower local demand in the soy meal and soy oil. The stockists and farmers are keen in off-loading their stocks ahead of new marketing season, subsequently increasing the supply against lower demand. Besides, reports of early sowing and normal monsoon this season are weighing on the soybean prices.

As discussed earlier that the MSPs of Soybean (Black) is increased by Rs250 and fixed at at 1650/Qtl and Soybean (Yellow) have been increased by Rs250 over the last year's MSP at Rs1690/Qtl by the government this year. There exists a strong positive correlation between MSP and soybean prices. It is evident that increase in MSP certainly boosts the market price of soybean.

Increase in precipitation over soybean growing areas will help in boosting planting progress. Land preparation and pre-planting activities for soybean in most parts of Maharashtra and Madhya Pradesh are in full swing with advancing monsoon towards North India. Both, Maharashtra and Madhya Pradesh contribute above 80 lakh hectares of area under soybean.

Monsoon has already gripped the southern parts of India; soybean planting in Karnataka and Andhra Pradesh is in progress. Both these states jointly contribute around 3.5 lakh hectares of area under soybean. However, with the onset of normal monsoon one can see ease in prices on account of aggressive sowing and anticipation for better yield.

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 range-bound with weak bias during the week.

Price Projection and Crush Margin

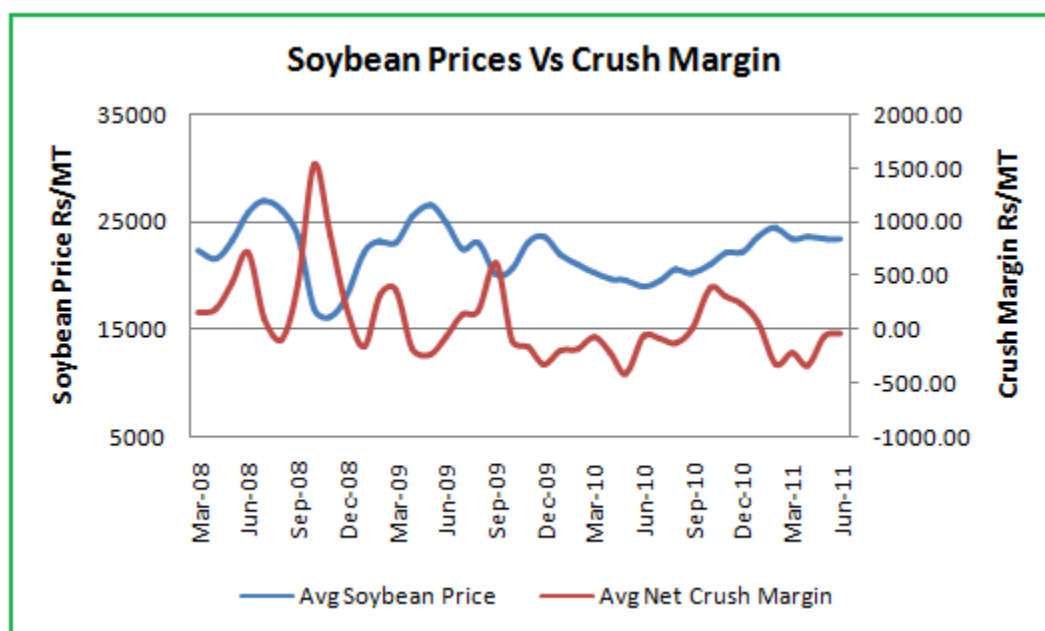
Expectations for 13th Jun - 18th Jun 2011 (Per MT)		
Commodity	Price Range	Crush Margin
Soybean	23200-23400	-260 to -360
Soy Meal	16100-16200	
Soy Oil	62000-62100	

The soybean prices in benchmark spot are likely to witness side-ways movement with weak-bias and trade within the price band of 23000-23400/MT while soy meal prices are likely to trade within the price range of Rs16100-16200/MT.

Considering soybean, meal and oil prices in the above mentioned price range we expect soybean crush margin to hover in negative zone between Rs-260 —360/MT compared to an average Rs-170/MT, last week. This indicates possibility of marginal decline in the crush parity.

Since crush margin follows a lag of t+1 time period we expect crushing demand for soybean is likely to mildly ease during the week.

Soybean Crush Margin



As evident from the above graph, domestic soybean crush margin improved towards positive zone but could not breach the neutral line. The average net crush margin line is seen flattering just below neutral line in tune with average soybean price. This indicates the margin is looking for a direction. However, the historical trend indicates that the crush margin will improve towards positive region towards the end of June with expected fall

in soybean prices during the period. Margin is likely to stay in a tight range during coming couple of weeks as export meal demand is likely to stay flat.

Growers start liquidation stocks of soybean with planting of new crop which increases seed availability into the market. Moving forward, we expect arrivals to stay at higher levels which are likely to weigh on the market sentiments going ahead with the planting season.

The market noticed an overall supply of just 20000 bags per day in Madhya Pradesh a couple of weeks back but now it is recorded at around 45000-50000 bags per day as of now.

Soymeal

Domestic soy meal prices eased on thin trading activity at major centers. Weak domestic demand for meal continues to weigh on the prices.

However, exports of meal to the neighboring countries like Bangladesh, Sri Lanka and Pakistan is likely to stay firm owing to the logistic advantages. Besides, continued demand in soy meal from South East Asian countries like Japan, Vietnam, Indonesia and Thailand remained a positive factor for Indian soy meal exports.

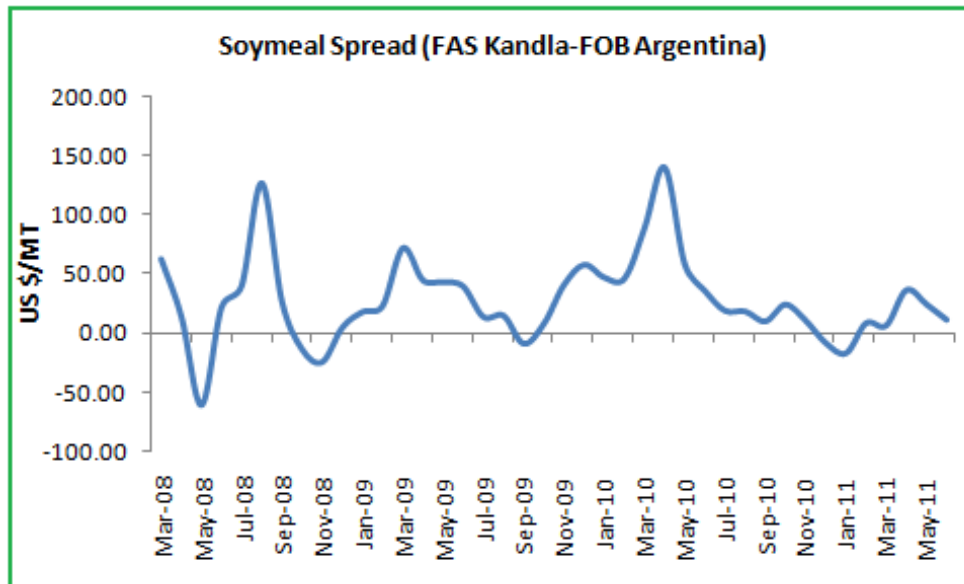
India's shipments of soy meal during May, 2011 was 1,76,816 Metric ton(MT) as compared to 60,228 MT in May, 2010 registering a jump of 193.58% over the last year. The export during April 2011 to May 2011 is reported 4,80,375 MT as compared to 1,17,735 MT during the corresponding period last year showing an increase of 308%. During current Oil year, (October – September), exports during October 2010 to May 2011 is 34,78,222 MT as against 16,22,101 MT last year, an increase by 114.43%. Moving forward, we see further scope for Indian meal shipment to SE Asian destinations owing to spread advantage which might bring the overall meal export higher compared with previous year.

Break-up Cost of Soy Meal Transportation Rs/MT (Nagpur - East Cost/Ports)

<i>Freight - Railway</i>	<i>Haulage Charges</i>	<i>Loading</i>	<i>Supervision/Quality Analysis</i>	<i>Miscellaneous Charges</i>
651.5	165	38	7	100

The above table reflects the break-up of transportation cost of soy meal from Nagpur plant to Vizag or East Coast Port. The break-up cost is in INR per Metric Ton.

Soy meal Spread – FAS Kandla Vs FOB Argentina



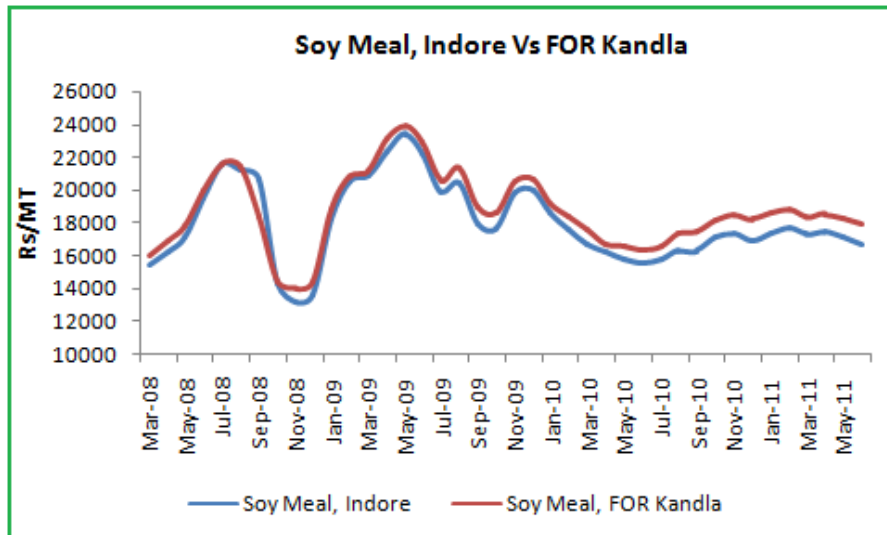
*FAS, Kandla less FOB Argentina

The soy meal spread trend (FAS, Kandla – FOB Argentina) between India and Argentina reveals, Indian soy meal prices stay fairly close when compared with Argentina quotes and the spread between the two is approaching towards zero as revealed from the above mentioned chart.

Currently, Indian meal prices are close to US \$12/MT (Wkly Avg Price FAS Kandla FOB Argentina) compared with its 3 years average spread of USD 10/MT when export is usually seen from the Indian ports. Moving forward, narrowing of the spread between FAS Kandla vs FOB Argentina shall attract the buyer attention towards Indian port which shall lend support to the meal prices.

It is concluded that there is a better opportunity for soy meal exports in days ahead and the Indian meal exporters are advised to explore the exports opportunity, especially to the South-East Asian countries.

Soy Meal, Indore Vs FOR Kandla



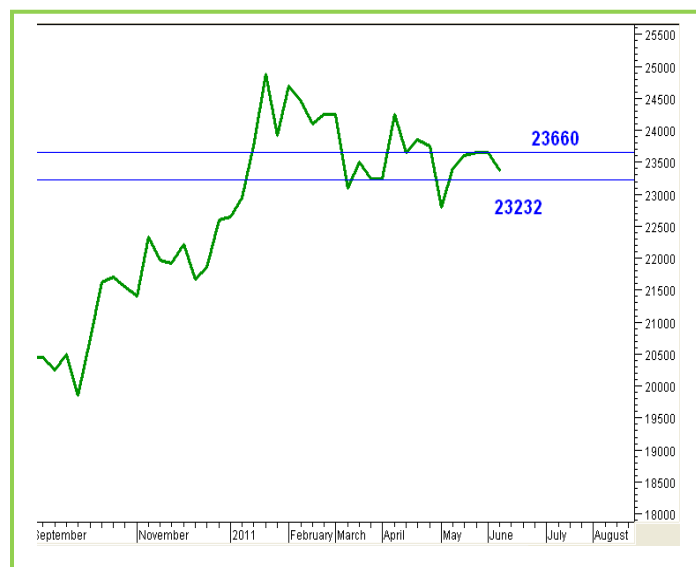
It is evident that the soy meal ex-factory price at Indore and soy meal, Free on Road, Kandla prices are moving in tandem and declined marginally when compared with Jan 2011 levels but however remains almost range bound. However, weekly prices declined during the week under consideration and expected to stay sideways still the fresh demand from poultry industry is noticed. The rise in domestic demand in meal is expected to pick-up once the monsoon grips all the parts of India, which is likely in the first week of July.

Technical Analysis:

NCDEX Soybean Futures (Jul)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Soybean				
S2	S1	PCP	R1	R2
2320	2340	2356	2470	2500

- Selling pressure featured in the weekly soybean chart pattern. The prices are below 9-day and 18-day EMA. Oscillators and price indicators reflect prices to ease further 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 2340 – 2470 levels.

Trade Recommendation (Soybean) – 1 Week: Sell on rise towards 2450 – 2460 levels.

Rapeseed - Mustard Seed

The domestic RM seed prices featured lack luster buying interest and thereby weak demand from the expeller plants as mustard oil demand failed to lend additional support to the seed prices. Besides, spillover impact of continued weakness in Malaysian palm oil weighed on the mustard seed prices to some extent.

However, the slow-down in the seed demand is temporary as it is likely to pick-up during monsoon with surge in the mustard oil demand.

The stockists in Sri Ganganagar, Rajasthan are holding their RM seed stock in anticipation of rise in prices in its major delivery center, Morena, Madhya Pradesh. Currently, there is a disparity of Rs86/qrtl between the seed (Non-condition) prices from Sri Ganganagar to Morena.

Morena used to be a preferred destination for RM seed of Sri Ganganagar origin and it is easily transported to the said regions owing to higher concentration of expeller plants located near Morena while Ganganagar lacks expeller units/extraction units. Currently, the seed prices (Non-condition) in Ganganagar are hovering around Rs2510/qrtl compared to Rs2750/qrtl (All paid) in Morena. While the delivered price of the seed in from Ganganagar to Morena including various taxes and freight stands at Rs2836/qrtl.

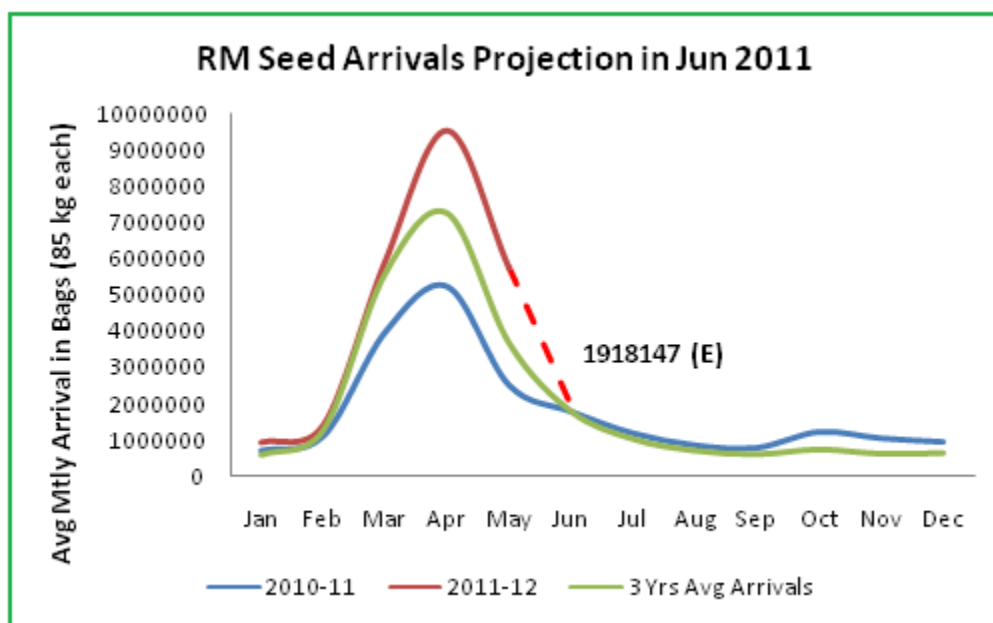
Besides mustard oil demand, the export and domestic usage of rapeseed-mustard extract also drives the RM seed market. Better the exports and domestic usage of extract demand, higher would be the crushing demand in the seed, which underpins the RM seed prices.

In May 2011 Indian mustard extract exports stood at 130082 MT (+101%) compared to 64583 in the same period 2010. India exported about 142232 MT (+21%) of mustard extract in April 2011 compared to just 117778 MT in the corresponding period 2010. The exports figure of Jun is expected to be slightly lower compared to May 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.		
CurrentWeekly Arrivals	1 Week Ago	Corresponding Period Last Year
2,25,000	2,20,000	75,000

Currently, the overall average weekly arrivals of RM seed in various mandis of Rajasthan is recorded at around 225000 bags (85 kg each) which is slightly higher compared to the weekly average arrivals of previous week and significantly higher compared the corresponding period last year.

Projected India's RM Seed Arrivals in Jun


Looking at the RM seed arrival trend, it is evident that the supplies will wane in days ahead and lowering of arrivals during fag end shall lend support to the falling RM seed prices. With anticipation of decline in arrivals during coming couple of week we expect active participation of miller and stockists in the Mandi which might lend additional support.

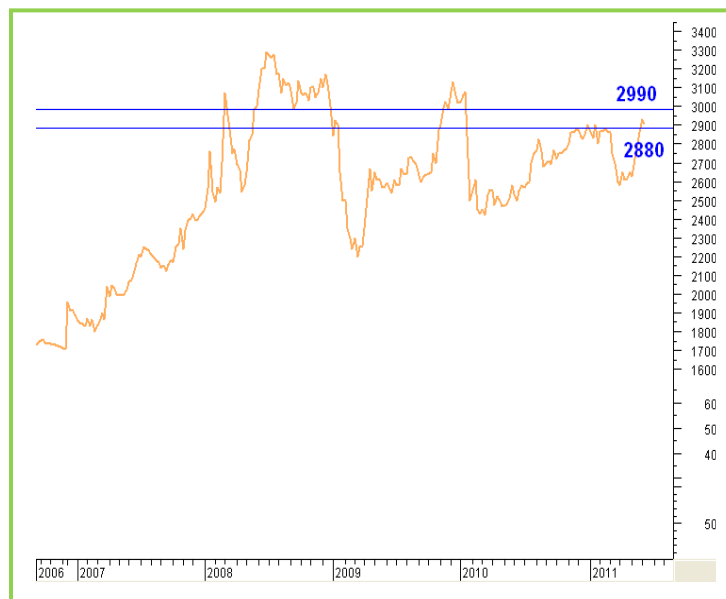
Moving forward, we expect, the key RM seed markets in Rajasthan will record the seed supplies of around 19,18,147 bags in the month of Jun 2011 compared to 11,70,000 bags in Jun 2010. The rise in the supplies is attributed to the higher seed output this season.

Technical Analysis:

NCDEX RM Seed Futures (Jul)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2858	2885	2913	2989	3020

- RM seed charts pattern reveals prices fell during the week. The weekly price closed above 9-day and 18-day EMA supporting bulls in near-term. Price indicators and oscillators reflect prices will fall further during the week. The RM seed prices are expected to ease and move towards 2880–2860 levels.

Trade Recommendation (RM SEED) – 1 Week: Sell on rise towards 2980 – 2990 levels.

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