

Oilseeds Market Recap

Domestic

Lack luster trade could be seen during the week ended on 18th June 2011 on feeble buying interest in major oilseeds on weak fundamentals. Both, RM seed and soybean continued its down-trend on seasonal weak demand during June. Weak demand in soy meal, soy oil and mustard oil domestically in association with the fall in international vegetable oil markets weigh on the domestic seed prices during the period of consideration.

On import front, India's vegetable oil imports rose by nearly 19 per cent in May to 6.64 lakh tonnes after six months of continuous fall. Surge in edible oil imports during May is primarily attributed to the expectation of improvement in demand during June to August period. Meanwhile, India's current total vegetable stock, both at ports and in pipelines, is estimated at 13.45 lakh tonnes till 1st June when compared with previous month stock at 12.75 lakh tonnes till 1st May, 2011. Domestic market sentiments derived bearish cues from its benchmark market of CBOT where prices declined was supported by improving weather and satisfactory planting progress.

Among other oilseeds, prices of groundnut seed gained on better exports demand (HPS variety) and limited availability with the stockists. Recent rains during previous week in Gujarat have further disrupted the groundnut and groundnut oil supplies which further lends additional support to the market sentiments. Initial groundnut planting trends in Gujarat and Andhra Pradesh suggest India's groundnut acreage to plunge in the 2011-12 *kharif* season due to area shift in cotton on account of better realization. As on 13th June, farmers in Gujarat have sown 71,300 hectares against 101,200 ha in the corresponding period a year ago. Similarly, groundnut sowing in Andhra Pradesh fell to 8,000 hectare still June 8, against 16,000 ha in the same period last year. Despite surge in MSP for groundnut (up by 17.4% to Rs 2700/Qtl) could not be able to fetch growers interest to go for active groundnut sowing. Better realization from cotton during 2010 inclined them towards groundnut over groundnut. However, Kharif sowing is likely to continue during June –July and it is just beginning of the season we expect total overall Kharif acreage of groundnut to decline marginally as of now.

Sowing of *kharif* oilseeds is under progress but it is still slow and is expected to gain momentum with the onset of monsoon in key growing regions. Monsoon has already gripped Southern and some Western parts of India. It is expected in late June in central region. However, soybean planting in some parts of Vidharba, Maharashtra has already been reported. In the official planting report, in Maharashtra Soybean planting stood at 10141 Hectares (ha), Groundnut in 1055 ha, Sesamum and Nigerseed in 5 ha and the sowing of other oilseeds is reported at 15 ha.

In Andhra Pradesh Sesamum is sown in 11000 ha vs 16700 ha last year, Castor in 100 ha compared to 6100 ha in the corresponding period last year and Sunflower in 600 ha vs 10800 ha in the same period last year. Soybean planting is yet to start in the state.

Monsoon is gradually advancing towards the north in its normal pace. Oilseeds planting will improve once monsoon fully grips the Western, Central and Northern parts of India. Conditions are favourable for further advance of southwest monsoon over remaining parts of Vidarbha, Chhattisgarh, east Uttar Pradesh and some parts of Madhya Pradesh in a day or two.

We expect domestic soybean demand is likely to pick up once the monsoon fully grips all parts of India. 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.

International

US: In a significant development on the international front, the soybean planting progress in US has unexpectedly improved compared to the previous weeks. Improved weather facilitated big jumps in soybean plantings, confirming the farmers' ability to move ahead rapidly under favourable conditions. In the latest official US planting report the plating is reported at 87 per cent, the figure is just 2 per cent behind compared to 5 year planting average of 89 per cent. Planting in the state of Iowa, Nebraska, Mississippi, Louisiana, Minnesota and Wisconsin are doing well with the planting where planting is nearing completion.

According to the estimates of Oil World, the world harvested area of major oilseeds is forecast at a record 260 million hectares in 2011-12. This is 7.0 million hectares above the current season, implying a continuation of the sizable expansion which occurred since 2008/09. The global production of the oilseeds is estimated at 459 million tonnes in 2011/12.

The world production of sunflowerseed is forecast at 35.4 million tonnes in 2011/12. This is 2.4 million tonnes above current season and is likely to increase in global crushing's by around 2.0 million tonnes. Meanwhile, sunflower seed production from Ukraine is expected to go up to 8.1-8.3 million tonnes against 7.9 last year while it is pegged at 7.3-7.5 million tonnes in Russia compared with 5.6 million tonnes previous year when drought reduces the crop size significantly.

Rapeseed supplies in the EU-27 are expected to be almost 5 million tonnes or 20% below requirements in the 2011/12 season. This will increase EU rapeseed imports to at least 3.1 million tonnes subsequently reducing supplies for other importers.

Asia: The vegetable oil market is expecting a recovery in the Malaysian palm oil prices after a continued fall in the oil prices in recent past. This implies the stockpiles in the edible oils ahead of the Muslim holy month of *Ramadan*. Besides, China is likely to increase its vegetable oils buying followed by a significant reduction of domestic stocks of oils and fats by at least 0.8 million tons in the past twelve months. 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. The shortage in turn will improve the imports in soybean by China to boost crushing to meet local edible oil demand which will subsequently keep the international soybean price strong. At the same time, Indian demand for palm is also likely to stay firm during monsoon which is likely to lend underlying support to the Malaysia palm oil prices moving forward.

Latin America: The South American countries are seen aggressively marketing their soybean ahead of new US crop supplies which is expected to hit the market in September. 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 before US crop hits the market. 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.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	18/06/11	11/06/11	Parity To
Indore (MP)	16100-16300	16000-16800	Gujarat, MP
Kota	16300-16400	17000	Rajasthan, Del, Punjab, Haryana
Akola	16200	16900	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	17700	16900-17100	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	17700	16900-17100	Andhra, AP, Kar, TN
Dhulia/Jalna	17900-18000	18200-18400	Mumbai, Maharashtra
Nagpur (42/46)	16500-16800	17000	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	17800-18000	17000-17500	Local and South
Solapur	17600	18000-18200	Local and South

Soy DOC at Port

Centers	Port Price	
	18/06/11	11/06/11
Kandla (FOR) (INR/MT)	17400-17450	18000-18500
Kandla (FAS) (USD/MT)	387-388	400-405

International Soy DOC

Argentina FOB \$/MT	Ship	18/06/11	11/06/11	+/-
Soybean Pellets	J	357	380	-22
Soybean Cake Meal	J	357	380	-22
Soybean Meal	J	365	388	-23
Soy Expellers	J	365	388	-23

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	18/06/11	11/06/11	Change
Adoni	14500	14700	-200

Khamgaon	13100	13300	-200
Latur	13400	13800	-400
Parli	13500	13800	-300

Groundnut Meal

Groundnut Meal	18/06/11	11/06/11	Chg
Basis 45% O&A, Saurashtra	15200	15400	-200
Basis 40% O&A, Saurashtra	14400	14600	-200
GN Cake, Gondal	16000	16200	-200

Mustard DOC/Meal

Mustard DOC/Meal	18/06/11	11/06/11	Chg
Jaipur (Plant Delivery)	6800	6900	-100
Kandla (FOR)	7800	7900	-100
Sri Ganganagar	895	928	-33

Soybean

Soybean prices in major cash markets extended previous losses on relatively lower demand followed by weak domestic soymeal and soyoil. The stockists and farmers continue to off-load their stocks ahead of new marketing season, subsequently increasing the supply against lower demand. Sowing in Karnataka and Maharashtra has begun and is expected to gain momentum with the pick-up in monsoon in days ahead exerting pressure on the soybean prices.

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. However, with the onset of normal monsoon one can see ease in prices on account of aggressive sowing and anticipation for better yield.

Demand for soybean crushing is expected to resurface once the monsoon fully covers the country in July. The local soy meal demand is expected to pick-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 during medium term.

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

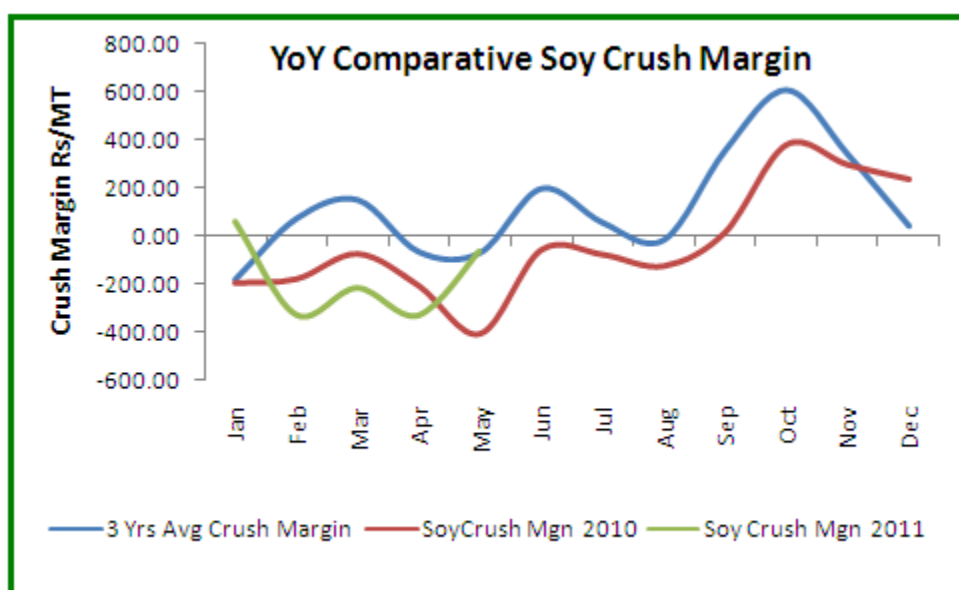
Price Projection and Crush Margin

Expectations for 20th Jun - 25th Jun 2011 (Per MT)		
Commodity	Price Range	Crush Margin
Soybean	22000-22200	300-350
Soy Meal	16000-16100	
Soy Oil	59500-59600	

The soybean price in benchmark spot is likely to witness side-ways movement with weak-bias and is likely to stay within the price band of Rs22000-22200/MT while soy meal prices are expected to trade within the price range of Rs16000-16100/MT.

Considering soybean, meal and oil prices in the above mentioned price range we expect soybean crush margin to stay in positive zone between Rs. 300–400/MT compared to an average Rs. 45/MT, last week. Positive crush parity expectation for the current week might bring back the crusher's demand and is likely to lend underlying support to soybean prices at subdued price levels.

Comparative Soybean Crush Margin



Domestic soybean crush margin is improving towards positive territory; this is in tune with the decline in soybean prices. Indian soy meal export to the South East Asia was unexpectedly recorded higher due to consistent demand from the region owing to freight advantage.

Currently the soybean arrivals in various markets of Madhya Pradesh are recorded between 30000-45000 bags compared to 60000-65000 bags in the corresponding period last year.

However, y-o-y arrival is expected to stay on the higher side primarily attributed to higher production projection for 2010-11. This is likely to keep supply intact even during the lean season during June to Aug when arrivals use to shrink towards 2000 to 4000 bags in Indore.

Soymeal

Domestic soy meal prices eased on thin trading activity at major centers. Weak domestic demand for meal continues to weigh on the prices. Lower off-take in the meal due to poor poultry production during summers remained a negative factor for short term meal sentiments.

However, exports of meal to the neighboring countries like Bangladesh, Nepal, Sri Lanka and Pakistan and South East Asian countries are likely to stay firm owing to the freight advantages. Continued demand in non-GMO soy meal from South East Asian countries like Japan, Vietnam, Indonesia and Thailand remained a positive factor for Indian soy meal exports. This is mainly due to possible small vessel shipments from India to SE Asian destinations.

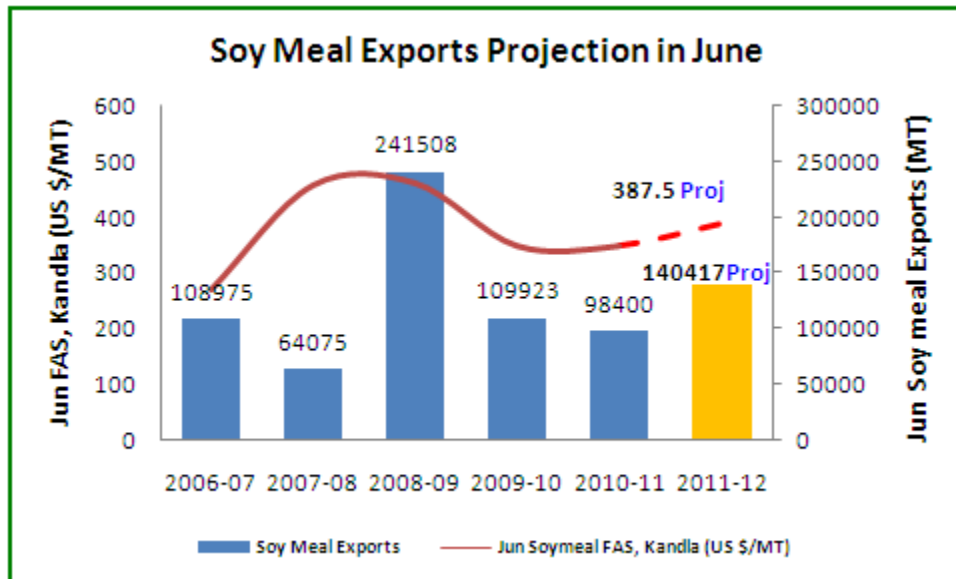
Besides, West and Central African countries are seen as emerging markets for soy meal of Indian origin (non-GMO) primarily due to logistical/shipment advantage. Countries like Cameroon and Nigeria showed interest in buying soy meal from India as these need it in small quantities. Indian vessels are comparatively smaller in size with capacity ranging from 2000 -5,000 metric tonnes (MT) compared to the vessel of US, Argentina and Brazil where the vessel capacity size is between 25,000-40,000 MT. **Recently in small container shipments about 5000 tons of soy meal is exported to Nigeria at US \$490/MT CnF and about 2200 tons of soy meal is exported to Cameroon at US \$506/MT CnF.**

Indonesia, Thailand, Japan and Vietnam remain potential markets for the soy meal export. Exporters are advised to explore the exports opportunity to SE Asian countries due to narrowing of spread between FAS Kandla and FOB Argentine meal price. It is also feasible to look towards Africa to supply our non-GMO meal to meet their growing needs.

Shipment Cost to SE Asia (India and Argentina)

FAS Kandla	CnF	CIF Indonesia
398	443	444.329
FOB, Argentina	CnF	CIF Indonesia
388	453	454.359

Soy meal Exports Projection in Jun

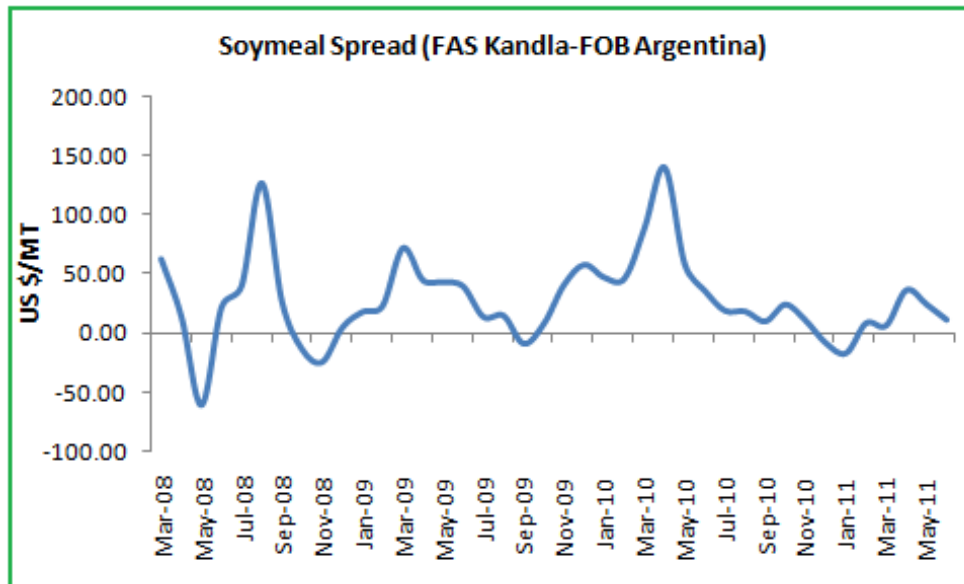


We expect India's soy meal export to stay close to 140,417 MT in June 2011 as against 98,400 MT during same time previous year. Higher soybean production, greater crushing interest even during lean season and competitive Indian prices are the reason to support higher meal exports during June. Meal price at port is projected to stay at US \$ 387.5/MT. India's shipments of soy meal during May, 2011 was seen at 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.

Soy meal Spread – FAS Kandla Vs FOB Argentina



*FAS, Kandla less FOB Argentina

The soy meal spread FAS, Kandla – FOB Argentina reveal competent Indian meal prices over Argentina. Recent decline in meal prices at domestic centers with almost stable Argentina FOB quotes continue to attract foreign buyers towards Indian ports. The gap between FAS Kandla and FOB Argentina is continuously narrowing (as shown in the chart) which might give an edge to the Indian meal prices with greater export anticipation moving forward even during the lean export season.

Current spread between FAS Kandla and FOB Argentina stay near \$12/MT which is close to 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 and any aggressive forward booking during the current price spread might lend additional support to the meal prices which is likely to get translated to the soybean prices.

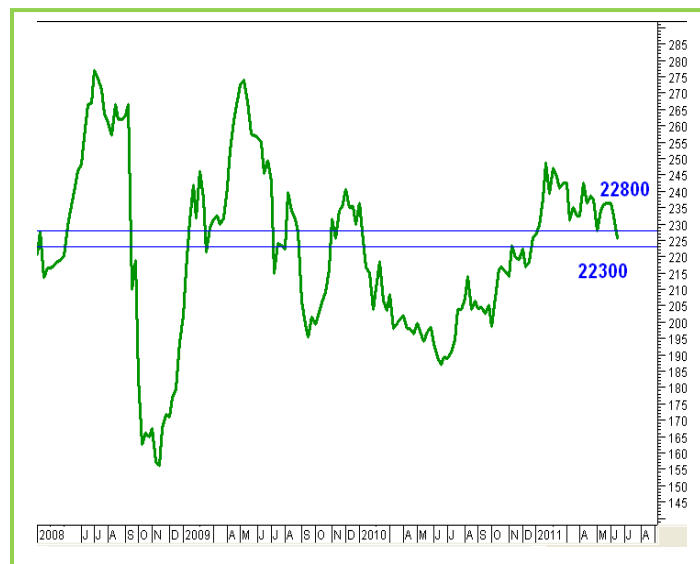
It is concluded that there is a better opportunity for soy meal exports in days ahead and the Indian meal exporters are advised to explore the exports opportunity, especially to the South-East Asian and West African countries.

Technical Analysis:

NCDEX Soybean Futures(Jul)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Soybean

S2	S1	PCP	R1	R2
2180	2220	2258	2328	2398

- Continued selling pressure noticed in soybeans. The prices are below 9-day and 18-day EMA. Prices closed below 9-day and 18-day EMA supporting bearish momentum. 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 move towards 2200-2220 levels.

Trade Recommendation (Soybean) – 1 Week: Sell on rise towards 2300– 2320 levels.

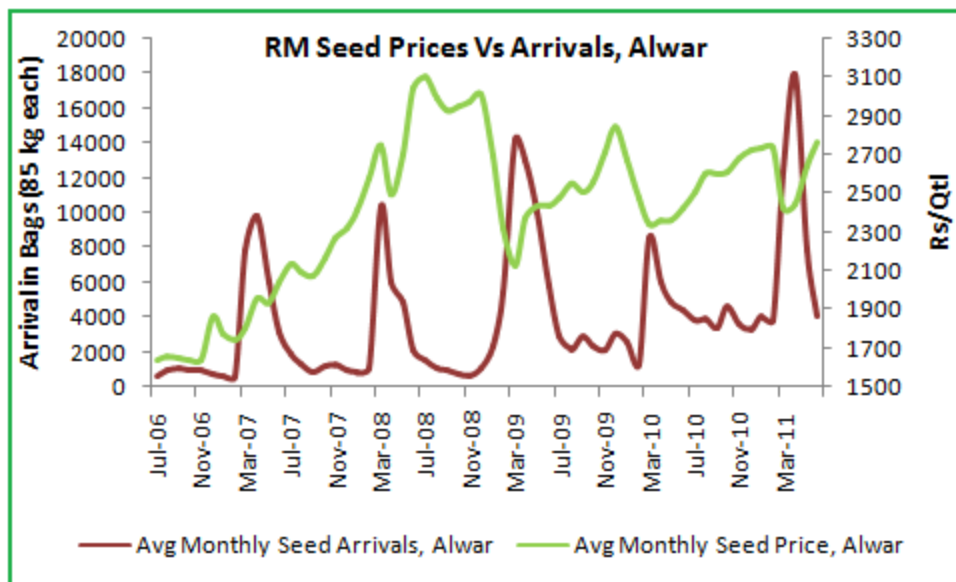
Rapeseed - Mustard Seed

The domestic RM seed prices featured weakness in key centers due to lack luster buying from stockists and expeller plantsowing to poor mustard oil demand. Besides, spillover impact of continued weakness in Malaysian palm oil weighed on the mustard seed prices during the week under review.

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

Like in other major centers of Rajasthan the stockists in Alwar are holding their RM seed stock in anticipation of rise in prices in days ahead. This resulted into sharp drop in arrivals month on month but still remain on higher side when compared with previous year. The average weekly arrivals fell to 2500 bags during the week under review compared with 3800 bags previous week in Alwar.

RM Seed Prices Vs Arrivals, Alwar



Though the seed prices eased during the week but overall it registered gains in June with the fall in new crop arrivals. The historical price trend suggests that the seed prices will move up as expected with the rise in demand during monsoon.

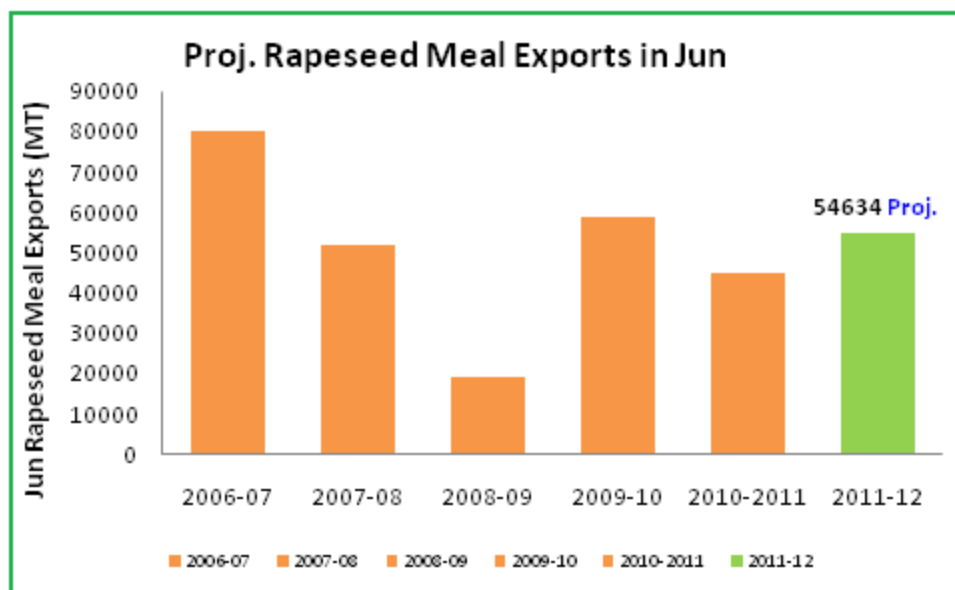
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg.		
Current Weekly Arrivals	1 Week Ago	Corresponding Period Last Year
2,18,000	2,20,000	64,200

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 might underline the RM seed prices going ahead.

Currently, the overall average weekly arrivals of RM seed in various mandis of Rajasthan is recorded at around 218000 bags (85 kg each) which is slightly lower compared to the weekly average arrivals of previous week and significantly higher compared the corresponding period last year.

Projected India's Rapeseed Meal Exports in Jun



We expect India to export around 54634 MT of RM seed extract in June. 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.

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 lower compared to May due to slow down in overseas demand in the DOC.

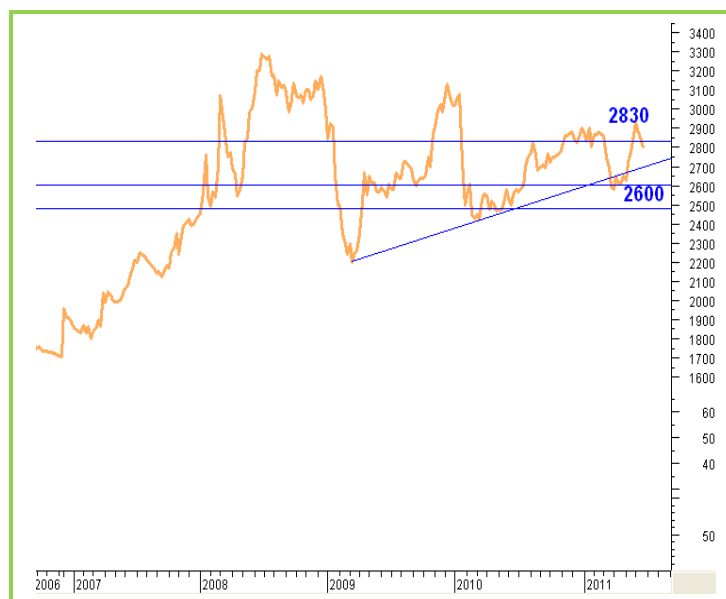
The millers feel demand in mustard seed will rise once the monsoon covers the whole country grips followed by fresh demand in mustard oil at retail when consumption increases.

Technical Analysis:

NCDEX RM Seed Futures (Jul)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX RM Seed				
S2	S1	PCP	R1	R2
2756	2802	2847	2944	3001

- RM seed charts pattern reveals prices extended losses during the week. The weekly price closed below 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 2800 – 2810 levels.

Trade Recommendation (RM SEED) – 1 Week: Sell on rise towards 2900 – 2910 levels.

Spot (Medium-term): In spot the RM seed prices are expected to consolidate towards 2700 level and maximum downside possible at 2600 level. We recommend buyers to go for buy towards 2700 and increase further buying towards 2600 level. However, any two decisive close below 2600 can change the sentiments to bearish.

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