

Current Market Dynamics

Domestic

Domestic soybean market witness lack luster trade with lack of aggressive buying followed by grower's liquidation of stock with the progress of planting to get rid of excess stock. Choppy trade could be seen for RM seed with no major supportive factor seen for RM seed prices. Lack luster trade kept RM seed range bound with marginal improvement during the month. Meanwhile, bearish cues from international market also stand discouraging for the prices.

Among other oilseeds, prices of groundnut seed gained on better exports demand (HPS variety) and limited availability with the stockists. Initial groundnut planting trends in Gujarat and Andhra Pradesh suggest India's groundnut acreage to decline during 2011-12 *Kharif* planting season due to area shift in cotton. By mid-Jun farmers in Gujarat have sown above 71,300 hectares of groundnut against 101,200 ha in the corresponding period a year ago.

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.

Domestic sunflowerseed area is projected to rise in the growing region this year in view of higher prices in sunflower oil last season.

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.

into promote oilseeds sowing during the *Kharif*, Indian government has declared Minimum Support Price (MSP) for *Kharif* Oilseeds - 2011-12:

Minimum Support Price (MSP) <i>Kharif</i> Oilseeds 2011-12			Rs/Qtl
Oilseeds	2011-12	2010-11	% Chg
Groundnut-in-shell	2700	2300	17
Sunflowerseed	2800	2350	19
Sesamum	3400	2900	17
Nigerseed	2900	2450	18
Soybean (Yellow)	1690	1440	17
Soybean (Black)	1650	1400	18

Increase in MSP for *Kharif* oilseeds might help to boost acreage of sunflower and sesamum in few of the growing regions but better realization from its competing crops like cotton might lead to shifting of crop area from Groundnut, soy and niger in few of the states. However, total acreage of *Kharif* oilseeds will dependent on the progress of monsoon. It is too early to comment on the final acreage of total oilseeds as sowing is going on and actual acreage can only be determined during July end.

On demand front, we expect domestic soybean and RM seed demand to pick up once the monsoon fully grips all parts of India. Prices might get support during second fortnight of July backed by improvement of soy meal and edible 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 the recent development, US soybean planting progress significantly jumped, which was initially lagging due to wet weather, and it is reported above 5 year average planting figure at 94 per cent in its last official planting report. The 5 year average planting progress stood at 93 per cent in the last planting report.

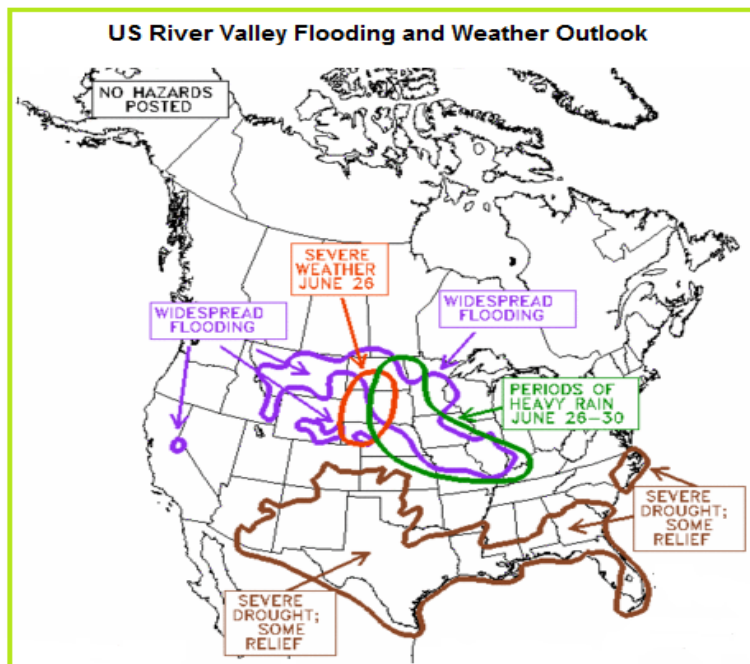
We expect emergence out of the planting close to 100 per cent in this week's report, which was reported at 82 per cent, 4 per cent lower than the 5 year average emergence, in its last planting report.

US Weather Outlook and Crop Condition:

Look for US weather remains congenial for soybean planting and emergence in Midwest with soybean planting is almost over while weather to play key role in emergence which is likely to over within coming couple of weeks. Meanwhile, relatively higher day temperature over Mid-West is likely to keep crop ratings at higher levels. Good/excellent condition during week ending 19th June is pegged at 68 with 1% improvement in crop condition when compared with previous week. At the same time Average ratings for Good improved significantly to 57% when compared with 54% previous year despite flooding in valley regions.

Meanwhile, US weather forecast reveal showers and thunderstorms across the Great Lakes, scattered thunderstorms across the northern and central plains, isolated severe rainfall possible from western ND to western NE and river flooding is likely to continue over North Dakota, South Dakota, Nebraska, Missouri, Illinois and stretched towards Indiana and Kentucky.

However, looks for temperature is optimistic for the soybean crop as it is likely to improve during coming couple of weeks. Temperature during 29th June to 2nd July in Mid-west region might stay close to 32 degree Celsius while it is forecasted to 37.7 degree in Delta region and record higher in the Southern plains. The temperature is forecasted to stay above normal in these regions till first week of July with 60% confidence levels indicating scope for fast receding river valley flooding with better crop ratings days ahead despite river valley flooding expected during the same time. Given relatively higher temperature forecast of the principal soybean growing region we expect water to recede much faster moving forward and continue to support crop ratings moving forward.



Global -Oilseeds: Un-favourable weather conditions in the beginning of the season obstructed completion of planting intentions in the USA and Canada. Also, plantings of winter oilseeds crops declined in Europe. In addition, winter-killing and severe drought during April and May have taken their toll on oilseeds in the European Union. The damage done to rapeseed is already irreversible and it is likely that the total EU-27 rapeseed production will be approximately 5 Million tones below demand in 2011/12.

Soybean: The world production of soybeans is expected to rise only marginally by around 2 Mn T or 0.6% to 265.5 Mn T in 2011/12. US soybean crop is expected to decline this year to 88.5 from 90.6 Mn T previous last year and China is likely to produce 13.5 Mn T compared to 14.2 Mn T last year. With slight change expected in Europe, Canada and India it is expected that northern-hemisphere soybean production will decline about 2 Mn T in 2011 from the record 127.4 Mn T registered last year. However, the soybean output in southern-hemisphere is estimated marginally higher.

Brazilian soybean crop estimate for early 2011 have been raised to 73.8 Mn T, on additional reports of record yields in several major producing regions. Brazilian farmers are already actively selling forward their 2012 soybean crop and have so far already marketed 15-20% of their anticipated production in an effort to log in the current attractive prices.

This will increase the global dependence on the southern hemisphere. Satisfaction of demand for soya oil and meal in the world crop season 2011/12 will thus require a further increase in South American production in early 2012. The world stocks of soybeans is likely to be reduced by 4.3 Mn T in the 12 months ending August 2012 to 67.5 Mn T - Oil World.

Rapeseed and Canola: The 2011/12 season will be characterized by tightness of rapeseed and canola supplies and prices are expected to fetch premiums over sunflowerseed, primarily during Aug/Dec 2011.

World crushing of rapeseed and canola is forecast to decline by at least 1.2 Mn T in July/June 2011/12, primarily in the European Union. Further decline in world rapeseed and canola stocks and a relatively low stocks/usage ratio of only 8.7% at the end of next season is expected, which is very tight compared to preceding years.

World supplies of rapeseed and canola are estimated at only around 64.9 Mn T in 2011/12, a 2-year low and reflecting the second consecutive decline. Canola crop prospects improved with congenial weather forecast in Australia. With plantings estimated to increase by 14% to 1.8 Mn ha, the crop is likely to rise to a record 2.45 Mn T in 2011/12 (against 2.14 Mn T a year ago).

Sunflowerseed: Current prospects point to a significant increase in world output and record high supplies of sunflowerseed, oil and meal in 2011/12. This is primarily on the assumption that production in the CIS countries will increase steeply. Ukraine is estimated to produce 8.1-8.3 Mn T against 7.9 last year. Russia is expected to produce 7.3-7.5 Mn T against the drought-reduced level of 5.5 Mn T last year.

Groundnuts: The world groundnut production prospects for 2011/12 will largely depend on weather conditions in the major producing areas. In India this year's southwest monsoon set in somewhat earlier than usual and precipitation was 12% above normal in Saurashtra (the major groundnut producing region) during June 1-15, supporting *kharif* crop planting and emergence. Groundnuts may lose acreage to cotton in India, but recent high groundnut oil prices may limit the losses. It is expected that last year's Indian groundnut crop of 4.1 Mn T, shelled basis, to be matched.

Chinese groundnut production will remain unchanged at 9.70 Mn T, but some decline in the USA later this year and in Argentina (in early 2012) is expected. In the USA planting intentions of groundnuts were slightly lower this year at 0.50 Mn ha (against 0.52 Mn ha last year). However, there is concern due to un-favourable growing conditions primarily due to flooding.

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

Centers	Ex-factory rates (Rs/ton)		
	30-06-2011	30-05-2011	Parity To
Indore (MP)	16300	16800-17000	Gujarat, MP
Kota	16400	17250-17300	Rajasthan, Del, Punjab, Haryana
Akola	16200	17000-17300	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	17700	18000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Nanded/Latur	17700	18000	Andhra, AP, Kar, TN
Dhulia/Jalna	17900-18000	18500	Mumbai, Maharashtra
Nagpur (42/46)	16500-16800	17100	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	17800-18000	18900	Local and South
Solapur	17600	18700	Local and South

Soy DOC at Port

Centers	Port Price	
	30-06-2011	30-05-2011
Kandla (FOR) (INR/MT)	17400-17500	17800
Kandla (FAS) (USD/MT)	387-389	418-421

International Soy DOC

Argentina FOB \$/MT	Ship	30-06-2011	30-05-2011	+/-
Soybean Pellets	M	353	375	-22
Soybean Cake Meal	M	353	375	-22
Soybean Meal	M	361	383	-22
Soy Expellers	M	361	383	-22

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	30-06-2011	30-05-2011	Change
Adoni	14300	14600	-300
Khamgaon	13000	13200	-200
Latur	13400	13700	-300
Parli	13400	13700	-300

Groundnut Meal

Groundnut Meal	30-06-2011	30-05-2011	Chg
Basis 45% O&A, Saurashtra	15200	15400	-200
Basis 40% O&A, Saurashtra	14400	14600	-200
GN Cake, Gondal	16000	16200-17500	-1500

Mustard DOC/Meal

Mustard DOC/Meal	30-06-2011	30-05-2011	Chg
Jaipur (Plant Delivery)	7000	7200	-200
Kandla (FOR)	8000	8400	-400
Sri Ganganagar	913	970	-27

Factors Influencing Current Market Dynamics

- ❖ **Lower domestic oilseeds crushing:** Fall in domestic usage in soy meal and edible oils during summers weigh on the major oilseeds prices.
- ❖ **Monsoon:** it is likely to play a key role especially when several *kharif* oilseeds are sown. Any distress in monsoon may negatively impact the oilseeds sowing progress and affect the yield translating it to a bullish factor for the oilseeds market. The soy meal and edible oil usage increases domestically with the gain in monsoon.
- ❖ **US soybean crop condition:** The US soybean planting is nearly done. The crop condition will certainly drive the benchmark CBOT. Average soybean ratings for Good/Excellent improved significantly to 57% when compared with 54% previous year despite flooding in valley regions.
- ❖ **Lower Crude:** Other than commodity fundamentals, recent decline in crude oil prices continues to pressure the international vegetable oil market. International Energy Agency's decision to order a release of emergency stocks remained a bearish factor. The crude oil WTI (NYMEX - Aug) futures declined to US \$91/barrel from US \$103/barrel initially in June.
- ❖ **Surge in Dollar:** Dollar has an inverse relation with the commodities. Surge in dollar is weighing on the international soybean prices.
- ❖ **Fall in Malaysian Palm Oil:** Malaysian palm oil dropped to a seven-month low last week with expectations of higher output which will subsequently lift stocks. Palm oil is on course for a drop of more than 8% in June, its worst monthly performance since February as high stocks outpacing export demand. Falling prices could attract in buyers from West Asia and Middle East who are looking to stock up palm ahead of the Muslim holy month *Ramadan* (fasting observance) in August.

Planting Progress – Oilseeds, India

Sowing of *kharif* oilseeds is under progress but it is still slow and is expected to gain momentum with active precipitation in the major growing regions. Monsoon has already gripped Southern and some Western parts of India. The states of Madhya Pradesh and Rajasthan have just experienced the pre-monsoon showers which will boost the oilseeds sowing in the states in days ahead.

Sowing of soybean has also been reported in few places in *Malwa* region of Madhya Pradesh, though active sowing is yet to start in the state.

Sowing Progress - Oilseeds Area in Iha.			
Andhra Pradesh (As on 22.06.11)	Current	Corresponding Period Last Year	% Change
GN	0.991	1.63	-39%
Sesamum	0.166	0.39	-57%
Castor	0.667	0.77	-13%
Sunflower	0.012	0.03	-60%
Soybean	0.02	0.06	-67%
Other oilseeds	0	0	0%
Total	1.856	2.88	-35%
Maharashtra (As on 24.06.11)			
Groundnut	0.24383	0.01149	2022%
Sesamum	0.00151		
Sunflower	0.00105	0.00085	24%
Soybean	0.46014	0.09049	408%
Nigerseed	0.00704	0.00425	66%
Other Oilseeds	0.00105	0.0001	950%
Total	0.71462	0.10718	545%

The planting progress in Andhra Pradesh is relatively slow this year compared to previous *kharif* sowing due to deficit or scanty rains over *Rayalseema* (-35% deviation of normal) and *Telangana* (-49% deviation of normal rainfall) regions of the state.

However, coastal Andhra Pradesh is reported to have received normal rains (with -19% deviation of normal rainfall). The overall status of the monsoon rainfall in AP is Deficit with -37% deviation of the normal rainfall.

Soybean Area Projections for 2011

State (Lakh hectares)	2010	2011 (F)	% Change
Madhya Pradesh	55.19	55.45	0.47%
Maharashtra	26.03	25.54	-1.90%
Rajasthan	6.92	6.37	-8.00%
Karnataka	1.41	1.40	-0.50%
Andhra Pradesh	1.49	1.23	-17.45%
India	93.033	92.05	-1.06%
*Expected sowing Area based on farmers information			

Source: Agriwatch

Interview with the farmers in Maharashtra reveal the area under soybean in Maharashtra is expected to decline marginally owing to shift in soybean area to cotton. There is no major change in farmer's intention of growing soybean from MP and they are reported to go with soybean planting with marginal improvement in sowing intentions.

However, the situation in Maharashtra is tilted towards cotton owing the better realization from cotton during 2010. At the same time black cotton soil in Maharashtra results into better productivity of cotton which stand encouraging for the growers to shift towards more remunerative crops like cotton. Meanwhile, few farmers feel the cost of cotton cultivation is higher compared to soybean and tur and intercropping of the same can increase their realization when compared with sowing of sole cotton crop which indicates intercropping of soybean and tur to compete with cotton in few regions of Maharashtra. Considering the above factors we expected limited shifting of soybean acreage to other remunerative crops in Maharashtra as shown in above mentioned table.

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

The situation in Rajasthan seems a bit different. In the soybean growing region of the state, maize could also easily be grown and the realization in maize was better in previous seasons. Hence, farmers in the region are expected to shift their soybean area to maize. Better realization from competing crops like maize in Rajasthan shall stand encouraging for growers to switch from soybean to Maize in the region with area to decline by nearly 8 per cent from the state.

Similarly, cotton is likely to compete with soybean in Karnataka and Andhra Pradesh in the regions where black cotton soil is prevalent. Expected decline in soybean area from major states will result into overall decline in total soybean acreage of India which is projected at 92.05 lakh hectares with decline of nearly 1% when compared with previous year.

Analysis of Weather Report

As per the latest IMD's long range forecast for the 2011 south-west monsoon (June to September) precipitation is likely to stay in the normal range of 96-104% of Long Period Average (LPA). Apart from normal prediction IMD also stated that there is very low probability for season rainfall to be deficient (below 90% of LPA) or excess above 110% of LPA. Monsoon season rainfall is likely to be 98% of the LPA with a model error of $\pm 5\%$. The LPA of the season rainfall over the country as a whole for the period 1951-2000 is 89 cm.

Comparison of long range forecast update for 2010 and 2011

Region	LPA 2010 (mm)	LPA 2011(mm)	Change %
All India	890	887.5	-0.28
Northwest India	612	615	0.49
Central India	994	975.5	-1.86
Northeast India	1429	1438.3	0.65
South Peninsula	725	715.5	-1.31
All India (July)	293	289.2	-1.30
All India-August	262	261.3	-0.27

*Long Period Average (LPA)

Comparison between the latest LPA forecast for 2011 vs 2010 reveal marginal decline in precipitation over major regions of India with July rainfall forecast projected at 289.2 mm with deficit of 1.30 percent when compared with the previous year LPA forecast during June 2010.

However, latest weather forecast reveals improvement of precipitation in North West and North East region of India when compared with the LPA forecast of 2011 vs 2010.

There is much hype regarding monsoonal precipitation as most of the market participants are comparing LPA forecast with the actual precipitation received during July – Sep period during 2010 as mentioned in the following table:

Comparison of previous year (2010) actual Monsoon and LPA Forecast for Monsoon 2011

Region	Actual (mm) 2010	LPA 2011 (mm) Forecast	Change %
All-India	912.8	887.5	-2.77
North West India	688.2	615	-10.63
Central India	1027.9	975.5	-5.097
South Peninsula	853.6	715.5	-16.17
North East India	1175.8	1438.3	22.32
Monthly Rainfall			
All India (July)	301.79	289.2	-4.17
All India (August)	277.72	261.3	-5.91

The above data reveal that LPA 2011 forecasts are lagging behind the actual forecast of 2010 except for North East region primarily on account of more than higher rainfall realized when compared to the LPA forecast. However, since IMD forecast says total rainfall during June to Sep is expected to stay normal i.e. 98% of the LPA we expect normal showers in most of the regions with marginal deviation with model error of 5%.

Since *Kharif* oilseed planting is in progress in most of the growing regions but actual rainfall received during July and Aug might define the productivity and get reflected on the total *Kharif* production. Soybean planting, along with other oilseeds, is reportedly picking up in Andhra Pradesh and Maharashtra and it has just started in Madhya Pradesh.

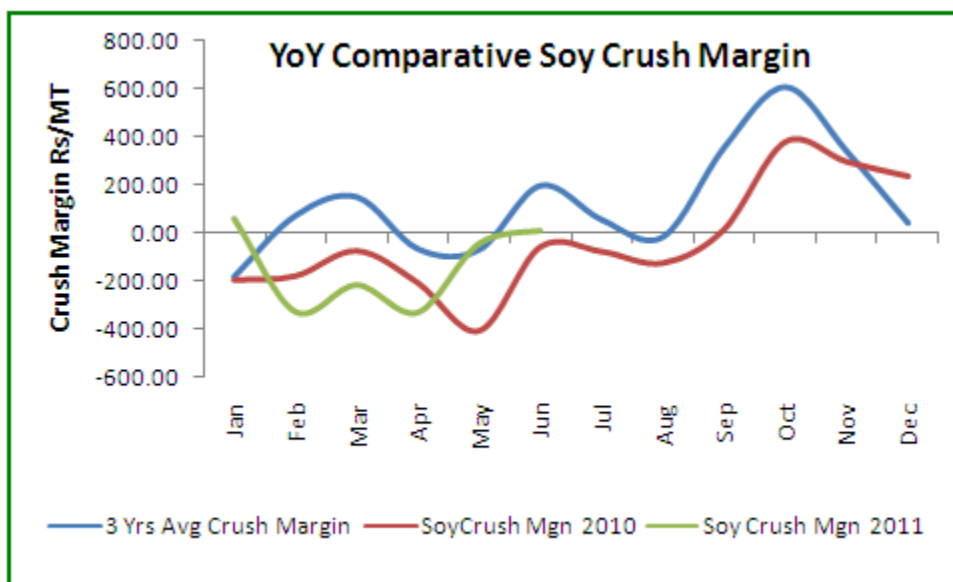
Soybean Spot

Soybean prices in key cash markets extended previous losses on relatively lower crush demand followed by weak domestic soymeal and soyoil usage. The stockists and farmers continue to off-load their stocks ahead of new marketing season, subsequently increasing the supply against stale demand. Sowing in Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka has begun and is expected to gain momentum with the pick-up in monsoon in days ahead exerting pressure on the soybean prices. However, with the onset of normal monsoon one can see ease in prices, during the first fortnight of July, 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 demand from poultry sector 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 domestic and international fundamentals, the local soybean prices are expected to move up with bullish bias during July.

Comparative Soybean Crush Margin



Domestic soybean crush margin has entered in the positive zone and it is improving in sync with the 3 years average margin; this is in tune with the decline in soybean prices. Gain in the momentum in monsoon is expected to boost the soy meal and soy oil usage domestically. Indian soy meal export to the South East Asia was unexpectedly recorded higher due to consistent demand from the region owing to freight and logistic advantage.

We expected stockists and farmers to off-load their stocks during first fortnight of July ahead of new crop season. However, with the rise in crush parity towards positive region will lend support to the crushers in second fortnight which will consequently support the soybean prices.

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 mandi.

Soymeal

Domestic meal prices further extended its weakness during the month under review with lack luster trading activities. Sellers in one hand were reluctant to sell their produce while buyers were seen inactive at higher quotes keeping the trade sideways. Weak domestic demand for meal continues to weigh on the prices. Lower off-take in the meal due to poor demand from poultry sector 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 relatively firm when compared with same period previous year owing to the freight advantages. Continued demand in soy meal from South East Asian countries like Japan, Vietnam, Indonesia, Pakistan and Thailand remained a positive factor for Indian soy meal exports.

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, Nigeria, Ghana showed interest in buying soy meal from India as these need it in small quantities.

Meanwhile, normal export demand could be seen during June-July which is nearly 30-40 thousand tones which is same when compared with previous year. At the same time meal shipment to Pakistan is finalized @ USD 395 to 400 per metric tonnes indicating normal demand is likely to stay intact during days ahead. Active export demand is likely to pick up during second fortnight of July which is likely to lend underlying support to the meal prices.

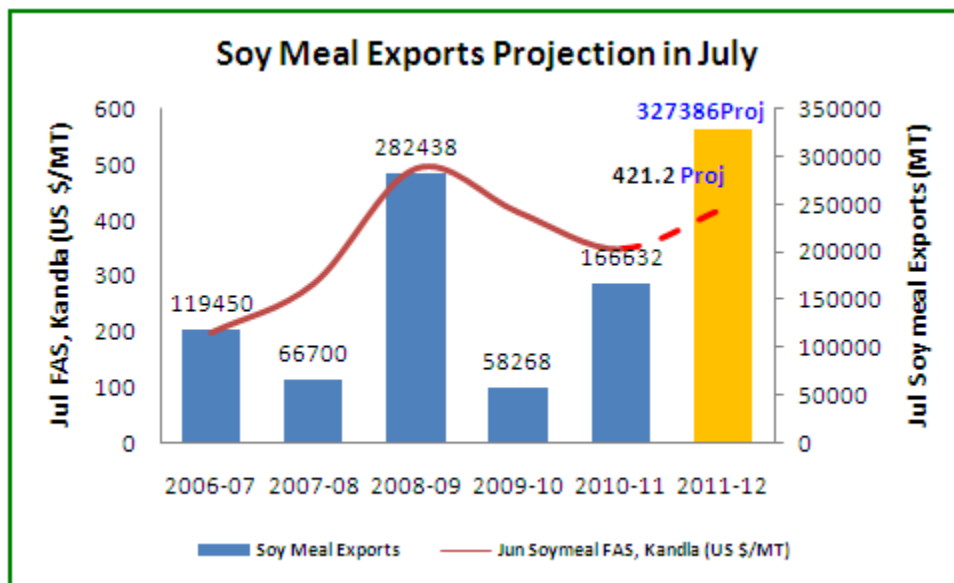
Recently the soy meal shipments to the West African countries viz Nigeria, Cameroon and Ghana, in small vessels, were quoted between US \$490-510/MT CnF.

Currently, the soy meal spread between FOB Argentina and FAS Kandla is around US \$23/MT. Any surge in spread towards US \$30-35/MT will slow-down the meal export demand as buyers may wait and watch for their forward booking. At the same time fall in the spread towards US \$12-15/MT will be an opportunity for meal exports to go for forward booking. It is also feasible to look towards Africa to supply our non-GMO meal to meet their growing needs.

Meal Shipment to SE Asia (India and Argentina)

FAS Kandla	Freight	CIF Indonesia
388	45	433
FOB, Argentina	Freight	CIF Indonesia
361	65	426

Soy meal Exports Projection in Jul

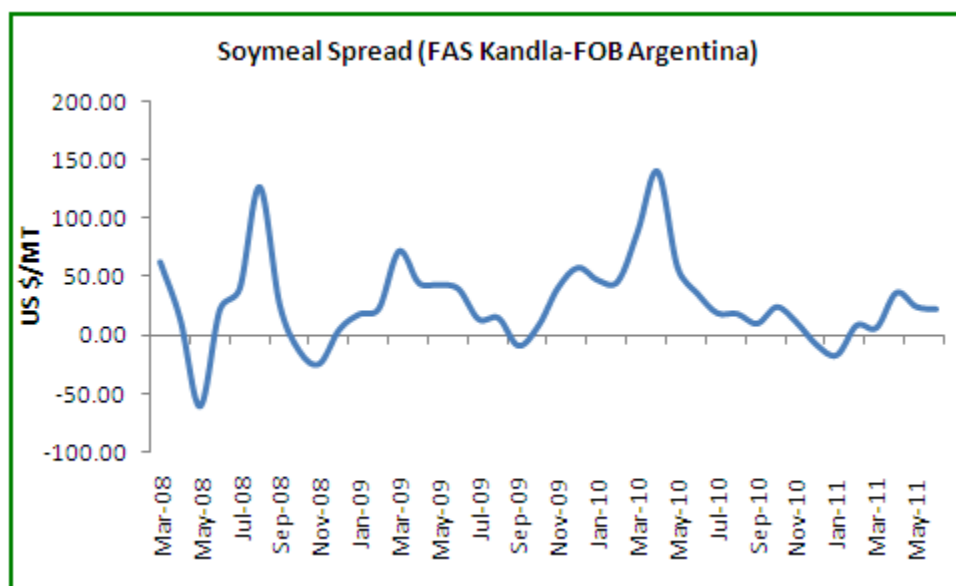


We expect India's July soy meal shipment to stay close to 327,386 MT as against 166,632 MT during same time previous year. Higher soybean production, greater crushing interest even during lean season and competitive Indian prices are the reason which is likely to keep up the soy meal export when compared with previous year. Meal price at port is projected to stay around US \$ 421/MT in July.

As per the latest official figures, 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

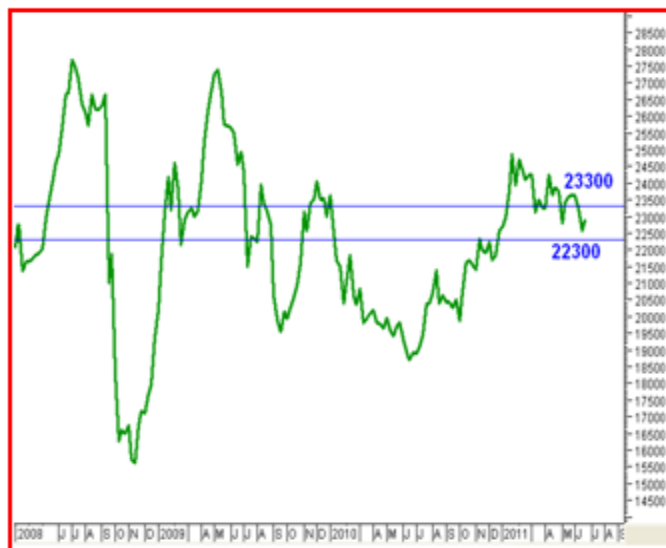
Despite recent marginal improvement in spread between FAS Kandla vs FOB Argentina, we expect meal demand from Indian ports is likely to continue. Current spread between FAS Kandla and FOB Argentina stay near US \$23/MT which is marginally higher when compared from its 3 years average spread of USD 10/MT when active export is usually seen from the Indian ports. Moving forward, widening of the spread towards USD 30-35/MT (which is expected for a short time) between FAS Kandla vs FOB Argentina might halt temporarily followed by expectation of narrowing down of spread towards USD 12-15/MT shall resurface the export demand for Indian meal by SE Asian importers. It is also feasible to look towards Africa to supply our non-GMO meal to meet their growing needs.

Technical Analysis:

NCDEX Soybean Futures (Jul)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Sep Soybean

S2	S1	PCP	R1	R2
2038	2100	2386	2459	2549

- The near-month continuous chart of NCDEX soybean futures shows a symmetrical triangle formation and price is staying within the triangle. However, it might breach this formation in any direction, which will confirm the future direction of prices. At present, we see a greater possibility of testing the support first followed by technical bounce from the rising trend line.
- It is likely to test its support zone of Rs 2150 to 2200 on the down side from where we expect a technical bounce. Technical bounce is expected at these levels as supported by divergence with RSI which starts widening at these levels hinting possible technical bounce.
- Any technical bounce might result in prices recovering towards Rs 2400 where it might face strong falling trend-line resistance. Breaching the same on the upside and staying above it for two consecutive days on a closing basis shall turn the sentiments positive.

Trade Recommendation (Soybean Sep Futures): Buy on dips towards 2180– 2200 levels with objective of Rs 2400 and 2450 with **Stop Loss** at 2050 on closing basis.

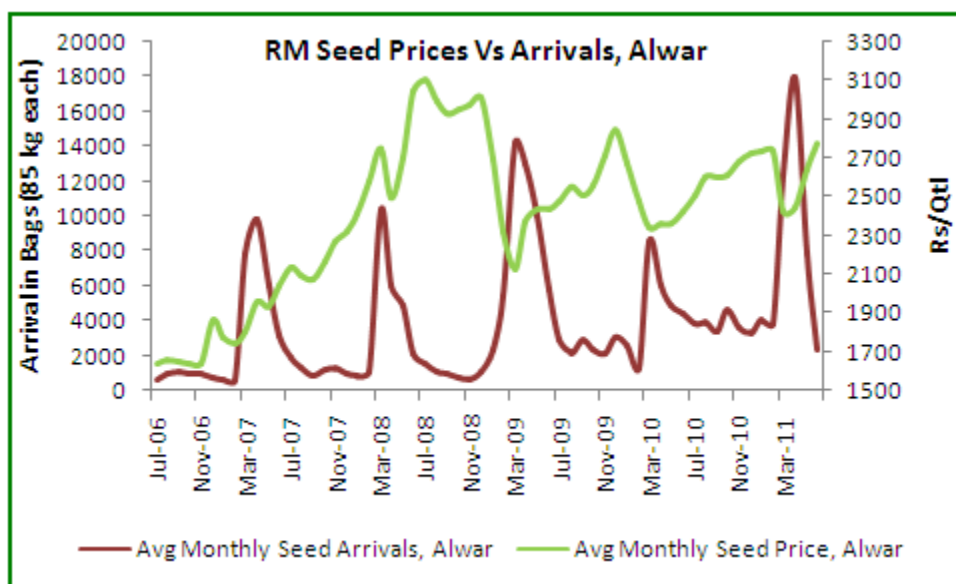
Rapeseed - Mustard Seed

The domestic RM seed prices featured gain in spot while it witness sideways trade in exchange platform on marginal improvement in demand with arbitrage seen from spot to exchange. At the same time expectation of improvement of RM oil demand continue to lend underlying support to the mustard seed prices at spot..

The mustard oil demand is expected to picks-up during monsoon and the seed demand from millers is likely to improve during the period (July-Aug)

In the various key markets in Rajasthan the stockists are off-loading their RM seed with the rise in the seed prices. This resulted in increase in arrivals when compared with previous year same period. The average monthly arrivals in Rajasthan improved to 2,35,000 bags during the month under review compared against 2,54,200 bags previous month in various markets of Rajasthan.

RM Seed Prices Vs Arrivals, Alwar

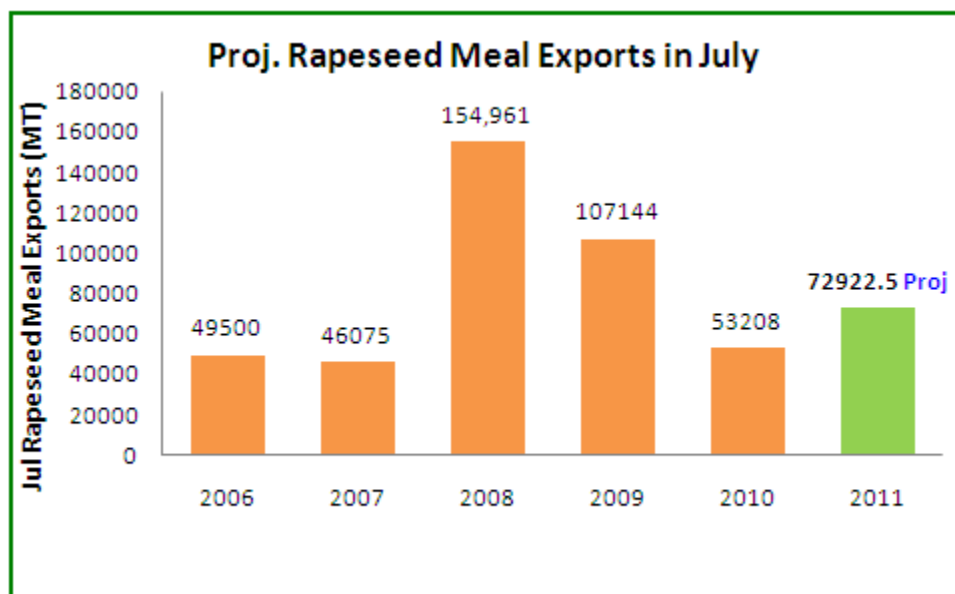


Though the seed prices eased during the week but overall it registered gains in June with the fall in new crop arrivals. The historical price trend suggests that the seed prices will move up as expected with the rise in demand during monsoon.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each) Monthly Avg.		
Current Monthly Arrivals	1 Month Ago	Corresponding Period Last Year
2,35,000	2,54,200	68,100

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.

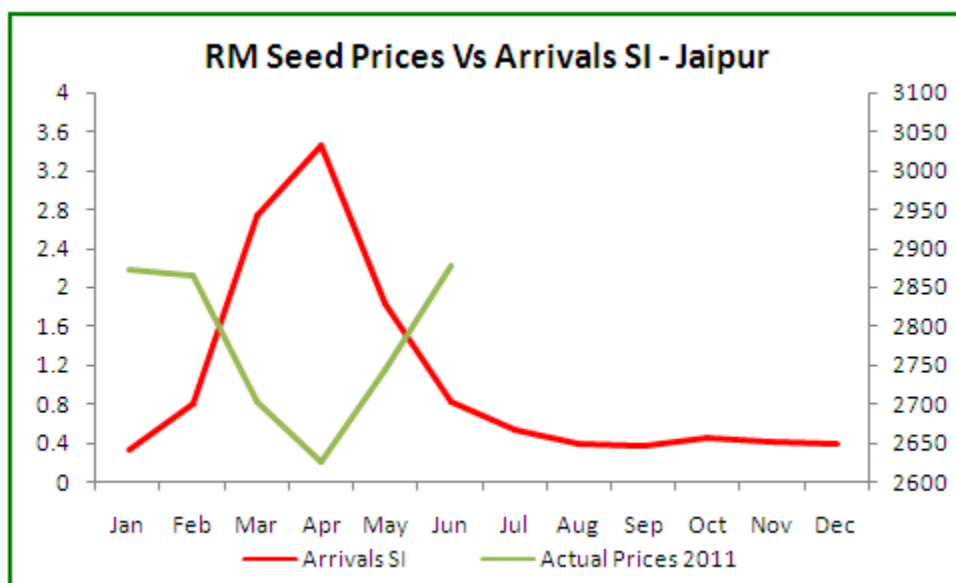
Projected India's Rapeseed Meal Exports in July


We expect India to export around 72922.5 MT of RM seed extract in July. 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.

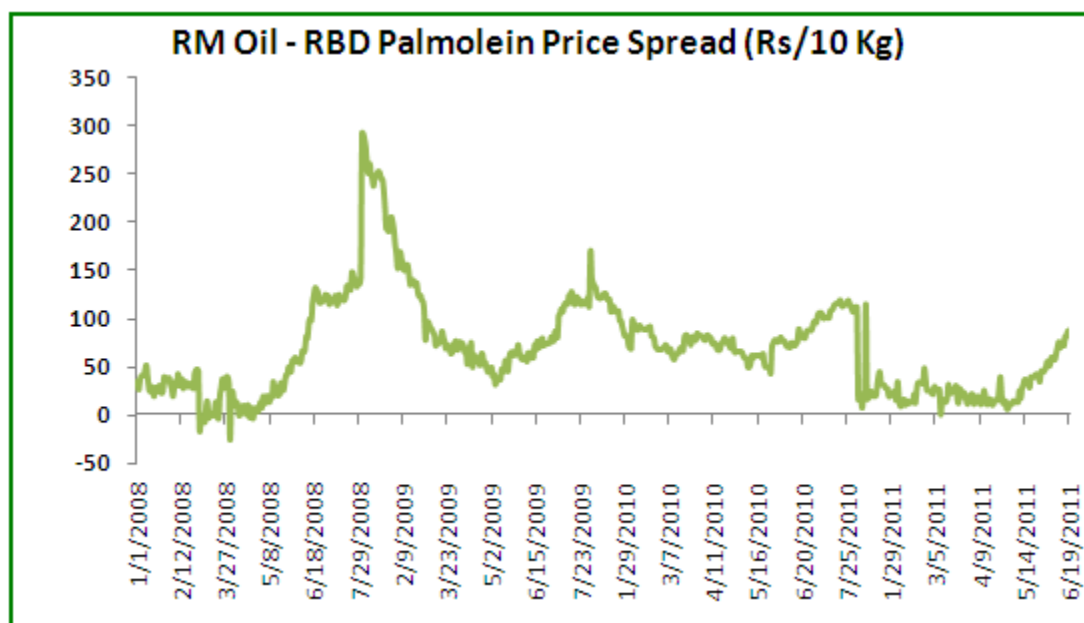
RM Seed Prices Vs Arrivals Seasonality Index - Jaipur



There is an inverse relation between the supply and the prices as shown in the above mentioned chart. Arrivals started declining from its peak during April – May and declining trend was noticed during June as per our earlier projection which is in accordance with the seasonality index.

At the same time RM seed prices seen improving from its low (Rs2545/Qtl) during April. Moving forward we expect surge in RM seed prices which is likely to follow the seasonal trend and should make peak during Sep-Oct period and likely to find buyer's support on account of festivals.

Considering inverse relations between arrivals and prices and especially during lean season of arrivals going ahead we expect RM seed prices to stay relatively firm m-o-m during July and likely to stay in the range of Rs 2950-3050/Qtl in its bench mark market of Jaipur/Alwar.

RM Oil - RBD Palmolein Price Spread


*Mustard Expeller Oil - RBD Palm Oil (Mumbai)

Considering the historical spread between RM oil and RBD palmolein, the spread between the two starts widening during July as evident from the above mentioned chart. This is due to surge in mustard oil prices backed by improvement in demand during July with the onset of monsoon.

Hence, we expect the spread will increase in July with upward move in mustard oil prices supported by the demand in mustard oil. The current spread is around Rs90/10 kg which is expected to increase to Rs120/10 kg towards late July.

However, the RBD palm oil prices are likely to remain relatively stable while RM oil is expected to inch up leading to widening of spread.

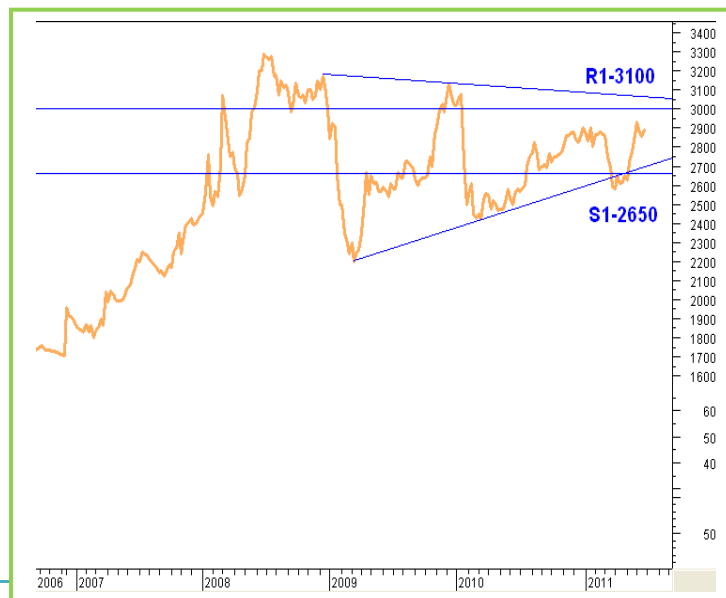
We suggest buying RM seed and oil at dip levels before start of festivals to optimize gains in the spot market.

Technical Analysis:

NCDEX RM Seed Futures (Jul)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2725	2770	2875	3000	3050

- RM seed charts pattern reveals the prices showed mild gains towards the end of the month. The monthly price closed below 9-day and 18-day EMA. Price indicators and oscillators reflect prices will be heading upwards. The RM seed prices are expected to gain and move towards 2900 –3000 levels.

Trade Recommendation (RM SEED) – 1 Month: Buy on dips towards 2760 – 2770 levels.

RM Seed 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 bearish.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>