

Executive Summary

The domestic oilseeds market is poised with bullish scenario in days ahead. Lackluster trade in the major oilseeds was featured in previous days owing to sluggish demand in oils and fats in summer. The considering India's consumption pattern on edible oils and meals, the usage is expected to resurface with the widespread monsoon activity in India in late July.

Competitive prices of soy meal with the new soybean crop season in days ahead, soybean crush margin featuring parity from disparity in recent past and consistent soy meal demand from buyers like SE Asian and African countries due to logistic and freight advantage are the factors which will support the soybean prices in near-term.

Africa is another emerging market of soy meal of Indian origin, the meal exporters are advised to aggressively market the meal to log in the profit with the commencement of new soy crop crushing.

The arrivals and price seasonality index of RM seed reflects that the seed supplies are gradually falling with most of the stocks with farmers offloaded in the market in March – April and subsequently prices rising with increase in demand of the seed from millers. In late July the RM seed prices feature gains on rise in RM oil demand. Considering the fact, the buyers are keen in booking profit at every major fall in RM seed prices in cash market.

Current Market Dynamics**Domestic**

Domestic markets of major oilseeds featured losses on slow down in buying from millers and solvent extractors. Besides, bearish cues from international market weigh on the domestic seed 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 is reportedly falling due to area shift in cotton. In AP the groundnut area fell to 1.24 lha till June 29, against 2.91 lha (-57%) 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 is attributed to the decline.

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.

Domestic sunflowerseed area is projected to rise in the growing region this year in view of higher prices in sunflower oil last season. But at the same time delayed and deficit rains over AP and Karnataka may affect the sentiments.

On demand front, we expect domestic soybean and RM seed usage to rise once the monsoon fully grips all parts of India, which expected in the second fortnight of July. 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 official US planting progress report, US soybean planting progress is reported at 97 per cent closely in tune with the 5 year planting average at 96 per cent. Besides, the average emergence in the planted area is

estimated at 92 per cent in sync with the 5 year average. The crop condition is weighted Good at 54 per cent compared with 53 per cent last year and Excellent at 11 per cent compared with 14 per cent last year. Overall, the crop condition seems normal.

Adverse weather conditions in the beginning of the season hindered 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.

The Quarterly Grain Stock Report of USDA has revealed that US soybean supply expanded from last year despite strong demand earlier in the year. USDA reported June 1 soybean stocks at 16.85 Mn T, 1.3 Mn T above year ago stocks (a surge of 8.4 per cent). June 1 stocks imply a 7.35 Mn T 10/11 carryout, a 0.74 million increase from the June WASDE estimate of 6.62 Mn T, and further eases tight domestic stock situation.

2010				2011			
Date	On Farms	Off Farms	Total Positions	On Farms	Off Farms	Total Positions	% Chg
1-Mar	16,579,710	17,985,880	34,565,590	13,743,850	20,242,920	33,986,770	-
1-Jun	6,330,330	9,213,090	15,543,420	5,924,820	10,923,830	16,848,650	8.40
1-Sep	963,430	3,142,990	4,106,420	-	-	-	-
1-Dec	29,692,150	32,307,130	61,999,290	-	-	(Fig in Metric Tons)	-

We expect the US soybean stock figure of 16.85 Mn T to match with the USDA's July World Agriculture Supply and Demand Report figure expected on July 10, 2011.

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.

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 oilprices 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.

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.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	02/07/11	25/06/11	Parity To
Indore (MP)	16400	16300	Gujarat, MP
Kota	16400	16400	Rajasthan, Del, Punjab, Haryana
Akola	16400	16200	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	17400-17500	17700	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	17400-17500	17700	Andhra, AP, Kar, TN
Dhulia/Jalna	17400	17900-18000	Mumbai, Maharashtra
Nagpur (42/46)	16900	16500-16800	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18200	17800-18000	Local and South
Solapur	17900	17600	Local and South

Soy DOC at Port

Centers	Port Price	
	02/07/11	25/06/11
Kandla (FOR) (INR/MT)	17100-17300	17400-17500
Kandla (FAS) (USD/MT)	384-388	387-389

International Soy DOC

Argentina FOB \$/MT	02/07/11	25/06/11	+/-
Soybean Pellets	349	353	-4
Soybean Cake Meal	349	353	-4
Soybean Meal	357	361	-4
Soy Expellers	357	361	-4

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	02/07/11	25/06/11	Change
Adoni	14300	14300	Unch
Khamgaon	13100	13000	+100
Latur	13500	13400	+100
Parli	13600	13400	+200

Groundnut Meal

Groundnut Meal	02/07/11	25/06/11	Chg
Basis 45% O&A, Saurashtra	14600	15200	-600
Basis 40% O&A, Saurashtra	13800	14400	-600
GN Cake, Gondal	16000	16000	Unch

Mustard DOC/M Meal

Mustard DOC/M Meal	02/07/11	25/06/11	Chg
Jaipur (Plant Delivery)	6700	7000	-300
Kandla (FOR)	7750	8000	-250
Sri Ganganagar	900	913	-13

Factors Influencing Current Market Dynamics

- ❖ **Fall in domestic oilseeds crushing:** Lower domestic usage in soy meal and edible oils during summers weigh on the major oilseeds prices.
- ❖ **Monsoon:** It plays a major role especially when several *kharif* oilseeds are sown. There is increasing concern about deficient monsoon rains, mainly in Gujarat and Andhra Pradesh, where rainfall has been well below normal, delaying groundnut sowings. This may translate into bullish factor in the oilseeds.
- ❖ **Fall in Malaysian Palm Oil:** Malaysian palm oil dropped to a seven-month low in the previous week with expectations of increased output which will consequently rise stocks. It's 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.
- ❖ **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.

Planting Progress – Oilseeds, India

Kharif oilseeds planting are under progress but it is reportedly slow in several oilseeds growing states due to deficit rains. Andhra Pradesh, Karnataka, Gujarat and Maharashtra have not received sufficient rains to support the sowing of the oilseeds in these states.

However, recent rains over East Rajasthan, *Hadoti* belt, where soybean is grown have received adequate rains and hence the oilseeds planting in the state have picked-up, as expected, in recent days.

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 lha.
Andhra Pradesh (As on 29.06.11)	Current	Corresponding Period Last Year	% Change
GN	1.24	2.91	-57%
Sesamum	0.2	0.52	-62%
Castor	0.7	0.78	-10%
Sunflower	0.02	0.04	-50%
Soybean	0.3	0.28	7%
Other oilseeds	0	0	-
Total	2.46	4.53	-46%
Maharashtra (As on 28.06.11)			
Groundnut	0.445	0.169	163%
Sesamum	0.006	0.046	-87%

Sunflower	0.0003	0.036	-99%
Soybean	3.077	3.506	-12%
Nigerseed	0.008	0.025	-68%
Other Oilseeds	0.001	0.002	-44%
Total	3.54	3.78	-7%
Rajasthan (As on 28.06.11)			
Groundnut	1.962	0.971	102%
Sesamum	0.200	0.004	4900%
Soybean	1.095	0.065	1585%
Catorseed	0.008	0.002	300%
Total	3.265	1.042	213%

The planting progress in Andhra Pradesh is relatively slow this year compared to previous *kharif* sowing due to deficit or scanty rains over *Rayalseema* (-37% deviation of normal) and *Telangana* (-48% deviation of normal rainfall) regions of the state.

However, coastal Andhra Pradesh is reported to have received normal rains (with -20% deviation of normal rainfall). The overall status of the monsoon rainfall in AP is Deficit with -37% deviation of the normal rainfall.

Soybean Spot

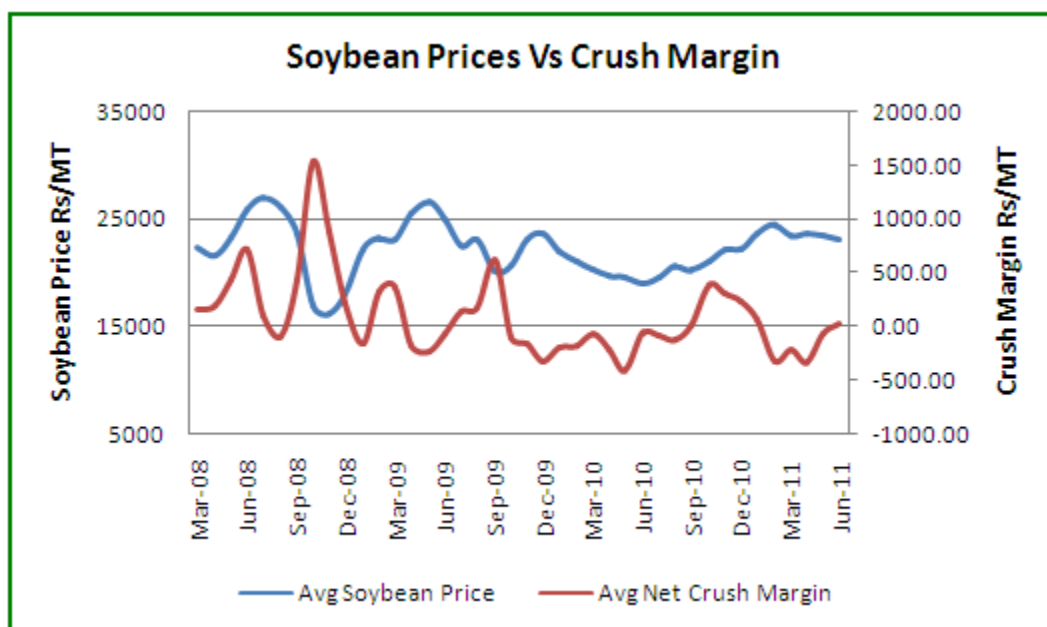
Soybean prices in major cash markets witnessed lackluster trade due to weak buying support. The soybean market is looking for a direction with likely upside on expected active buying from plants and crushers in second fortnight of July.

The farmers and stockists continue to off-load their stocks ahead of new marketing season, subsequently increasing the supply against stale demand. Planting in Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka has begun but still slow owing to deficit rains over some of the soybean regions. The planting 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 second fortnight of July, on account of aggressive sowing and anticipation for better yield.

The fresh demand in soyoil and soy meal is witnessed in July after monsoon grips all the parts of India. 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 moved in the positive territory and it is improving with the declining soybean prices mirroring the previous trend during the same period in previous year.

Offloading of the soybean in physical market by stockists and farmers has significantly gone up as expected. The soybean arrivals in Madhya Pradesh were recorded as high as 65000 bags last week which was around 40000 last week. We expected farmers and stockists to off-load their stocks during first fortnight of July ahead of new crop season. Besides, the rising crush parity towards positive region will lend support to the crushers in during the week.

Soymeal

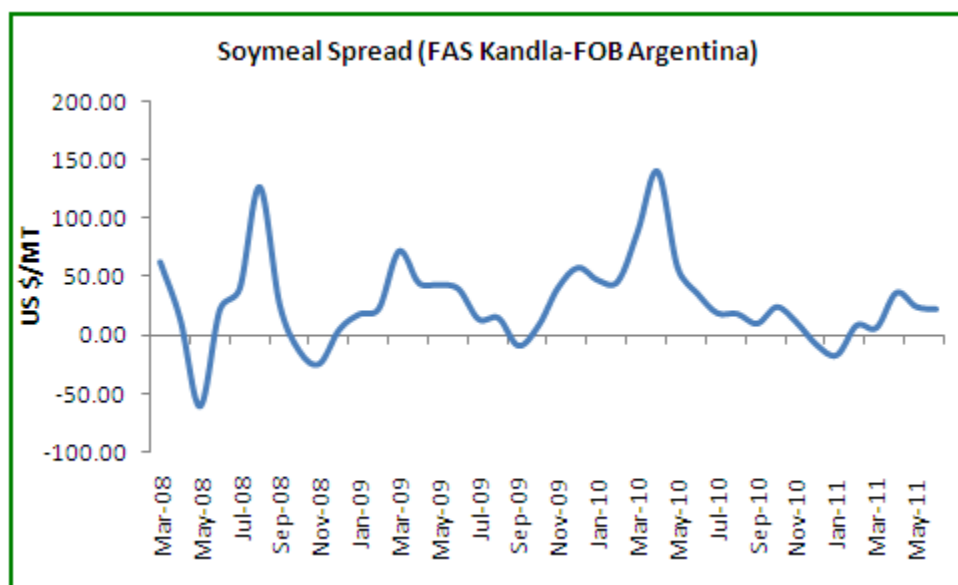
Domestic meal prices mostly featured steady tone during the week under review on flat demand in the meal. The domestic usage remained inert in the absence of fresh demand in the same.

Stalemate conditions are prevalent in the market as both buyers and sellers are not close to make the physical trade possible. This is due to higher meal quotes.

However, small shipments of meal to the neighboring countries like Bangladesh, Nepal, Sri Lanka and Pakistan and South East Asian countries are likely carry on at the normal pace till new domestic soybean crop season starts and crushing gains the momentum.

West and Central African countries considered as emerging market for soy meal of Indian origin (non-GMO) primarily due to logistical and freight advantage. Countries like Cameroon, Nigeria, Ghana continue to show interest in buying soy meal from India in small quantities. The meal exporters are advised to aggressively market the produce in these destinations.

Soy meal Spread – FAS Kandla Vs FOB Argentina



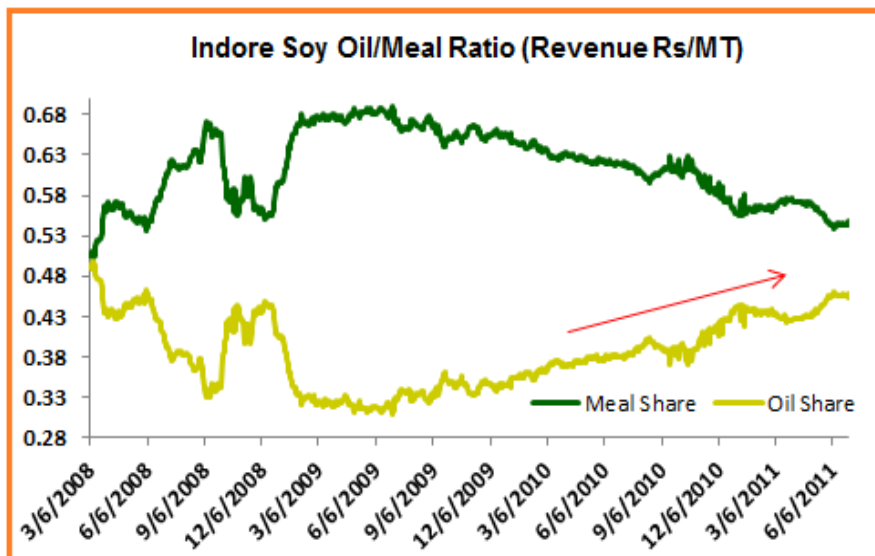
*FAS, Kandla less FOB Argentina

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 negatively hit temporarily followed by expectation of narrowing down of spread towards USD 12-15/MT which 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.

Revenue to decline for soy meal moving forward:

Soy meal share to the total revenue generation starts improving from March, 2008 and it made a high around 0.68 during May, 2009 indicating higher share of revenue generated from meal during the crushing period. However, it starts declining from Sep, 2009 and losing strength year on year with greater share of oil on the expense of meal which is indicative of reversal of trend which was seen during the year 2000. Historical oil/meal share in the total revenue generated in Indore ex-plant is shown in the adjacent chart.



Moving forward, we expect revenue from meal to decline and likely to come towards 50 per cent of the total combined revenue generated from meal and oil.

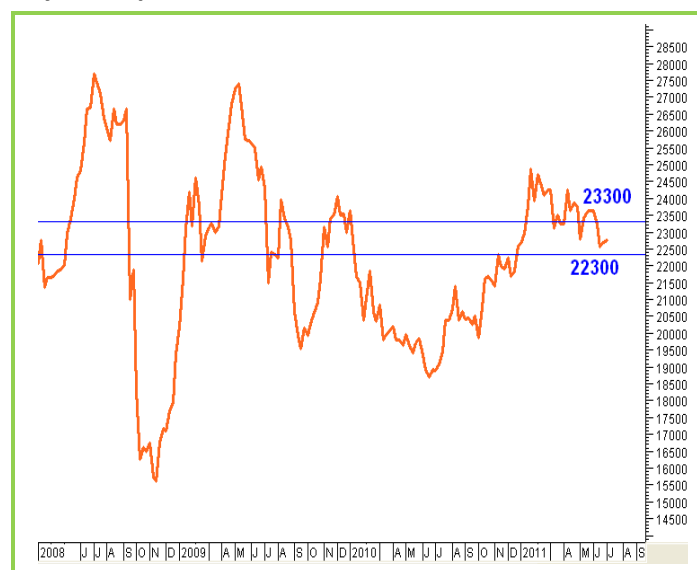
For short to very short term, we expect revenue generated from meal might take a dip towards 0.50 compared with current 0.55 levels till 15th of July.

Technical Analysis:

NCDEX Soybean Futures (Jul)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Soybean - Jul

S2	S1	PCP	R1	R2
2230	2250	2286.5	2329	2377

- Candlestick chart pattern reveal indecision in the market. 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 2250 - 2230 levels.

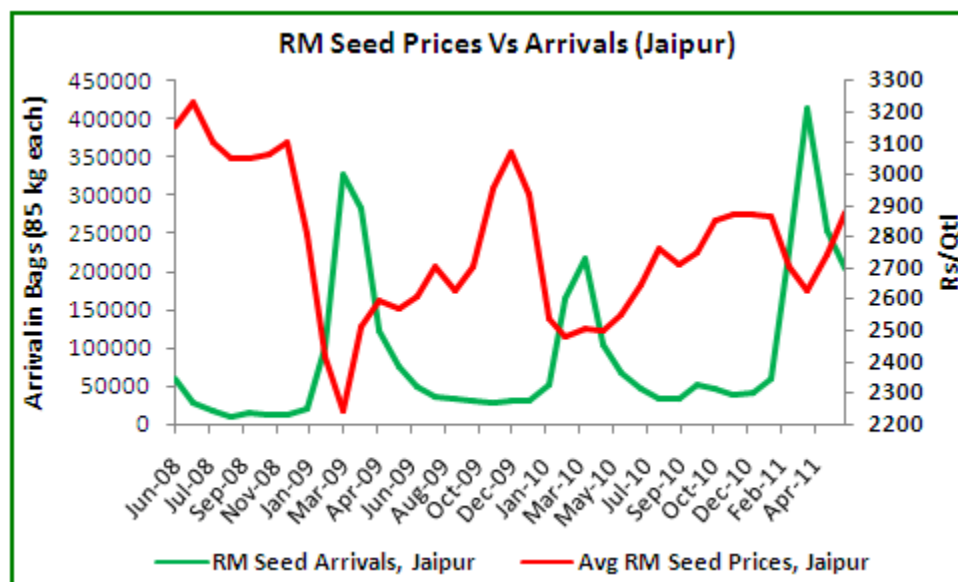
Trade Recommendation (Soybean) – 1 Week: Sell on rise towards 2320– 2325 levels.

Rapeseed - Mustard Seed

The domestic RM seed prices plunged followed by lower demand of the seed from millers owing to sluggish usage in the mustard oil during the week.

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

RM Seed Prices Vs Arrivals, Jaipur/Rajasthan



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 gain as expected with the rise in demand during monsoon.

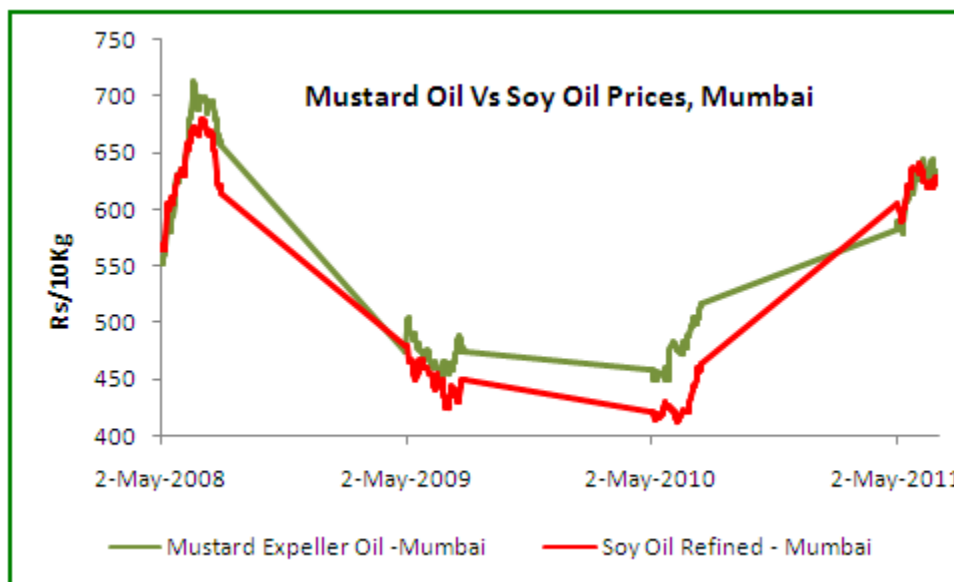
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg.		
Current Weekly Arrivals	1 Week Ago	Corresponding Period Last Year
2,10,000	1,57,500	60,000

Both mustard oil demand and the export and domestic usage of rapeseed-mustard extract drive the RM seed market. Higher the exports and domestic usage of the RM extract, higher would be the crushing demand in the seed, supporting the RM seed prices at the higher levels.

Currently, the overall average weekly arrivals of RM seed in various mandis of Rajasthan is recorded at around 210000 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.

Mustard Oil Vs Soy Oil Prices, Mumbai



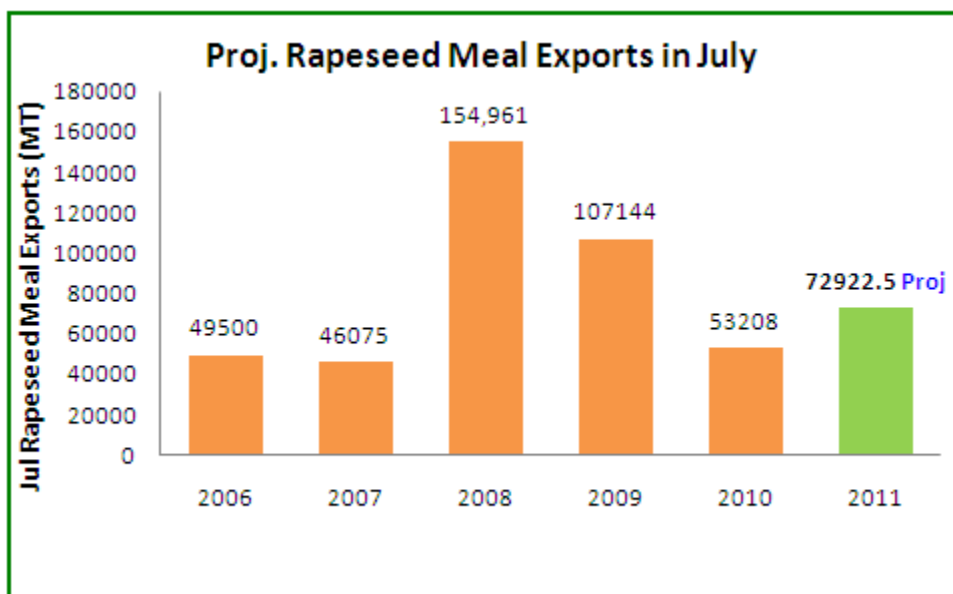
*Mustard Expeller Oil - Soy oil (Mumbai)

Considering the historical spread between RM oil and soy refined oil, the spread between the two starts widening during June and July with relatively higher RM oil price compared with soy oil. However, the prices of both the oils move up during the period. 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 Rs5/10 kg which is expected to increase to Rs30/10 kg towards late July.

However, the soy oil prices are also likely witness gains but slower in comparison with RM oil leading to widening gap in the spread.

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

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.

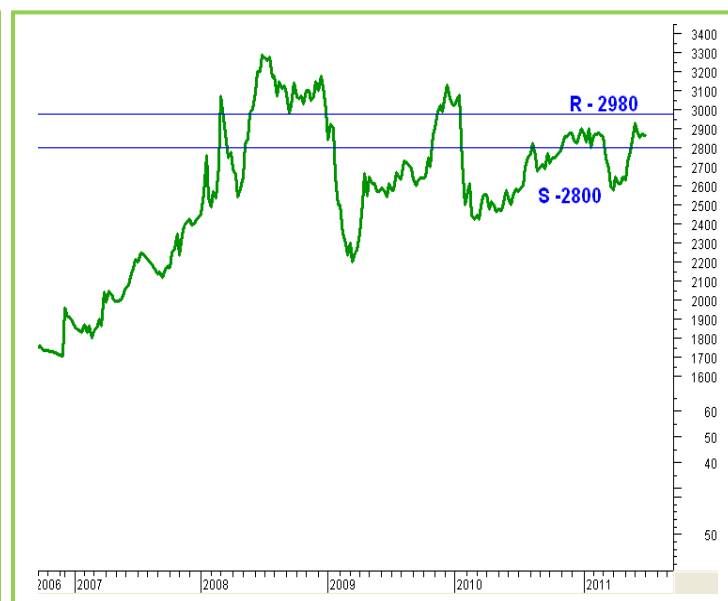
The millers feel demand in mustard seed will rise once the monsoon covers the whole country grips followed by fresh demand in mustard oil at retail when consumption increases.

Technical Analysis:

NCDEX RM Seed Futures (Jul)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2754	2790	2861	2925	2989

- RM seed charts pattern reveals mild selling pressure during the week. The weekly price closed below 9-day and 18-day EMA supporting bears in near and medium-term. Price indicators and oscillators reflect prices will fall during the week. The RM seed prices are expected to ease and move towards 2790 – 2800 levels.

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

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