

Executive Summary

Range bound movement with marginal improvement in oilseeds prices featured in the domestic oilseeds market. Recent active precipitation in north and north-west and subsequent fall in temperature. This raised hope among crushers as meal and oil demand starts improving with active precipitation.

Fair possibilities are there for the demand to resurface again after 15th of July which might lend support to the falling soybean prices. However, growers liquidation of stocks prior to start of the new season might cap any near term aggressive gains.

The soy meal exporters have started exploring the opportunity as the soy meal prices remained attractive compared to Latin America. This stand encouraging for the crushers as revealed from the fact that nearly 25 crushing plants are active in MP compared with 15 plants previous year. The sentiments are strongly supported by improved parity on crushing during recent time. Competitive soy meal prices (FAS Kandla vs FOB Argentina) bagged persistent orders from SE Asian nations with special focus from Japan which kept Indian meal prices relatively stable.

RM seed prices are seen rising with dwindling supplies and expected rise in the usage of RM oil in days ahead. The stockists are buying seeds at dip levels to log the profit during lean season. A major stock with farmers has already been offloaded in March - April when arrivals were at peak.

International

US: The official US crop progress report reveals the soybean crop is normal with 96% emergence which is in tune with 5 year average. Blooming of the crop is reported at 8% against 5 year average of 18%. The crop condition is rated good to excellent at 24:4 compared to 52:13 per cent in the corresponding period last year.

Informa Economics released revised production estimate of US Soybean and lowered its national soybean yield by 1.0 bushel per acre to 43.1 bushel per acre.

This subsequently resulted in a lower output estimate of 3,203 million bushels, down 73 million from its June estimate and 82 million lower than USDA June estimate.

It is expected that despite lower production estimates, US will be left with ample stocks near 225 million as per Informa S&D, with Informa projecting lower demand than USDA by 90 million bushels.

Our Estimates – US Soybean

Parameters	2010-11	2010-11		% Change
	Est	Jun'11	Jul'11 (E)	
US				
Soybean planted acreage m.a.	77.4	76.6	78.0	1.83%
Soybean Harvested acreage m.a.	76.6	75.7	77.0	1.72%
Soybean yield, in b / a	43.5	43.4	43.2	-0.46%
Beginning Stocks, in m.b.	151	180	200	11.11%
Soybean production, in m.b.	3329	3285	3326	1.25%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres				

As per our estimates, final planted area of US soybean to go up during the season as fair chances are possible that US corn area shifted to US which might come out during the final planted area estimates based on actual

field survey during Sep. US corn planting may total 89 million acres, down 3.4 percent from the government forecast. The shift by farmers means the US soybean area may jump to 78 million acres this year with expected harvested area of nearly 77.0 million acres.

Considering historical US yields and weather scenario we keep our US soybean yield estimates intact as of now at 43.2 bushel per acre which might translates final US soybean production to 3326 million bushel.

Higher production in US soybean will result in lower US soybean prices which will attract the major soybean buyers like China towards US market.

China: China, the world's largest soybean importer, is likely to import 4.78 million tonnes of soybean in the month of July, the figure is down from an estimated 5.38 million tonnes in June. China imported around 4.9 million tonnes in July 2010 and 6.2 million tonnes in June in the same year. Chinese soybean buying has temporarily slowed down after large releases of state reserves, as measure to curb the inflation, which subsequently hurt crushing margins.

Brazil: In its latest report, Celeres estimated Brazil's soybean sales of the current crop that ended harvesting in May stood at 73 percent slightly behind the average rate for this time of year of 74 percent. Last year at this time, sellers had sold 71 percent of the crop, a season which was very early to plant and harvest compared with the present season.

Celeres also raised estimate of the crop to 74.8 million tonnes from 73.6 million tonnes in June. Celeres attributed its more optimistic estimate of the crop to improved output in the southern states of Brazil viz. Santa Catarina and Parana.

The fact that soybean stocks in Argentina and Brazil are still unusually large mirrors the sizeable decline of world demand for soybeans.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	09-07-11	02/07/11	Parity To
Indore (MP)	16400	16400	Gujarat, MP
Kota	16400-16500	16400	Rajasthan, Del, Punjab, Haryana
Akola	16800	16400	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	17800-17900	17400-17500	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	17800-17900	17400-17500	Andhra, AP, Kar, TN
Dhulia/Jalna	17400-17700	17400	Mumbai, Maharashtra
Nagpur (42/46)	17000-17100	16900	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18200-18400	18200	Local and South
Solapur	18200	17900	Local and South

Soy DOC at Port

Centers	Port Price	
	09-07-11	02/07/11
Kandla (FOR) (INR/MT)	17500	17100-17300
Kandla (FAS) (USD/MT)	394	384-388

International Soy DOC

Argentina FOB \$/MT	09-07-11	02/07/11	+/-
Soybean Pellets	365	349	+16
Soybean Cake Meal	365	349	+16
Soybean Meal	373	357	+16
Soy Expellers	373	357	+16

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	09-07-11	02/07/11	Change
Adoni	14300	14300	Unch
Khamgaon	13100	13100	Unch
Latur	13600	13500	Unch
Parli	13700	13600	Unch

Groundnut Meal

Groundnut Meal	09-07-11	02/07/11	Chg
Basis 45% O&A, Saurashtra	15500	14600	+900
Basis 40% O&A, Saurashtra	13800	13800	Unch
GN Cake, Gondal	15500	16000	-500

Mustard DOC/Meal

Mustard DOC/Meal	09-07-11	02/07/11	Chg
Jaipur (Plant Delivery)	6700	6700	Unch
Kandla (FOR)	7700	7750	+50
Sri Ganganagar	891	900	-9

Planting Progress – Oilseeds, India

The *Kharif* oilseeds sowing are in progress but still lagging y-o-y in major regions. This is due to the deficit and uneven distribution of rainfall in states like Andhra Pradesh, Karnataka, Gujarat and Maharashtra. Currently, the overall area covered under various oilseeds is reported at 54.36 lakh hectares compared to 58.39 lakh hectares in the corresponding period (as on 9 July 2010).

The table below reveals the groundnut sowing is badly hit due to the scanty rains over the growing region. The data indicate a lag of 40 to 80 per cent of lag in groundnut sowing in various states.

A total 59.61 lakh hectares of area is covered under soybean in various states, as of now, against the targeted area of 93 lha. Soybean planting in Maharashtra is expected to complete by next week.

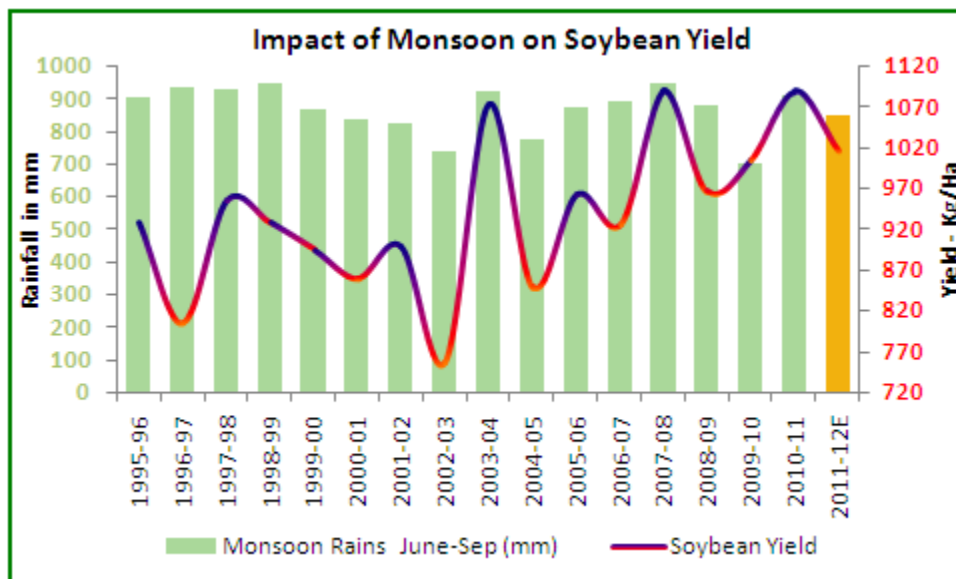
Sowing Progress - Oilseeds		Area in lha.	
Andhra Pradesh (As on 06.07.11)	Current	Corresponding Period Last Year	% Change
GN	2.04	5.03	-59%
Sesamum	0.23	0.57	-60%
Castor	0.77	1.06	-27%
Sunflower	0.02	0.09	-78%
Soybean	0.44	0.73	-40%
Other oilseeds	0	0	
Total	3.5	7.48	-53%
Maharashtra (As on 08.07.11)			
Groundnut	0.80	1.37	-41%
Sesamum	0.03	0.16	-83%
Sunflower	0.01	0.19	-97%
Soybean	10.13	14.54	-30%
Nigerseed	0.02	0.10	-77%
Other Oilseeds	0.00	0.01	-89%
Total	11.00	16.38	-33%
Rajasthan (As on 05.07.11)			
Groundnut	1.200	5.470	-78%
Sesamum	2.852	3.470	-18%
Soybean	2.907	7.650	-62%
Catorseed	0.040	1.490	-97%
Total	6.999	18.08	-61%

Soybean sowing of the seeds have picked-up in Rajasthan however, soybean sowing in Madhya Pradesh is close to 80% at 41.45 lha compared to the area sown last year.

The planting progress in Andhra Pradesh is relatively slow this year compared to previous *kharif* sowing due to deficit or scanty rains over *Rayalseema* (-18% deviation of normal) and *Telangana* (-27% deviation of normal rainfall) regions of the state.

However, coastal Andhra Pradesh is reported to have received normal rains (with -2% deviation of normal rainfall). The overall status of the monsoon rainfall in AP is Deficit with -17% deviation of the normal rainfall.

Impact of Monsoon on Soybean Yield



Rainfall over the India as a whole for the 2011 (June to September) is expected to stay in normal range. Quantitatively, monsoon season rainfall for the country as a whole is likely to be 95% of the long period average with a model error of $\pm 4\%$. The Long period average rainfall over the country as a whole for the period 1951-2000 is 89 cm.

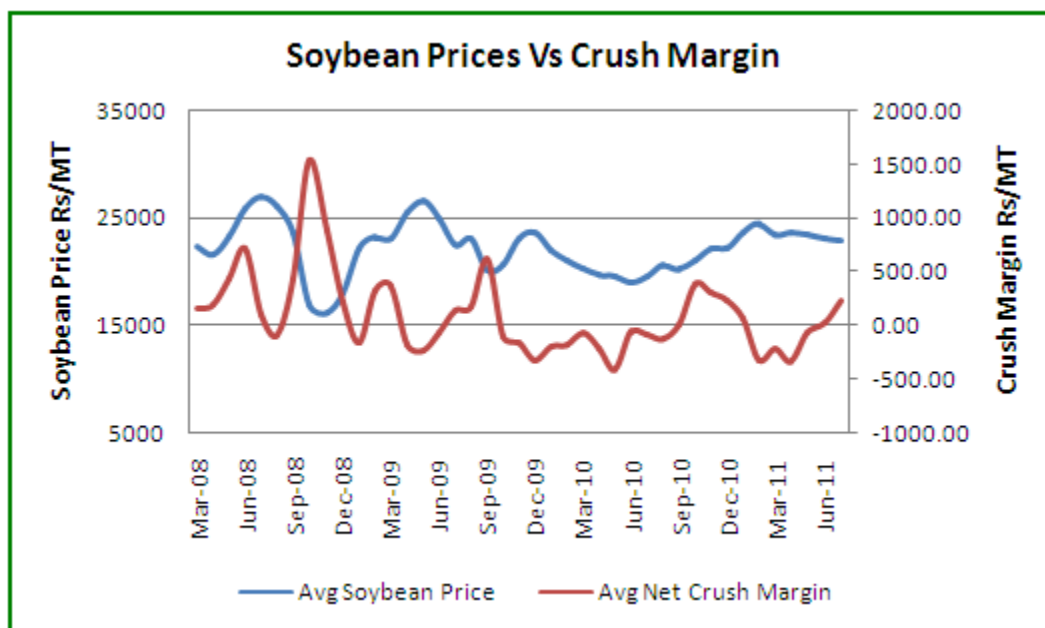
Considering the IMD rainfall forecast, India is likely to receive 846 mm of rains (Jun-Sep). Considering historical rainfall pattern and amount of precipitation received in soybean growing region, we project (preliminary) soybean yield to stay near 1016 kg/ha. However, actual yield will depend on actual amount of precipitation received during July and August. Critical stage of soybean is flowering to pod formation when water is mostly needed for proper pod development. Considering the preliminary yield we expect soybean production to stay close to 93.5 lakh tonnes. India produced 101.3 lt of soybean last year. Lower initial production estimates might lend support to soybean prices going ahead with the monsoon during Aug.

Soybean Spot

Soybean prices get underlying buying support from solvent extractors in anticipation of fresh oil/meal demand in near-term. Off-seas on demand from crusher stands encouraging for stockists to liquidate their existing stocks prior to start of the new crop season. This resulted into increase in arrivals in the major trading centers. With favourable and congenial weather scenario, soyoil and oilmeal demand is slowly picking-up. With expectation of increase in arrivals till July end followed by depletion towards first fortnight of Aug we expect soybean prices to start rising during Aug.

Considering the factors, the local soybean prices are expected to move up during July end to Aug. Any near term decline would be buying opportunity for soybean seed in spot market by the crushers.

Comparative Soybean Crush Margin



On crushing front, domestic soybean crush margin has extended the previous gains towards positive territory warranting the parity on crushing the beans in days ahead. The weekly crush margin is ruling around Rs244/MT compared with Rs158/MT primarily attributed to off-season premiums. At the same time the prices of the beans are seen falling. This will certainly boost the crushing of the beans in near-term.

The weekly soybean arrivals in Madhya Pradesh were recorded at 49200 bags compared to 30300 bags last week. We expected farmers and stockists to off-load their stocks with a view of greater demand from crushing units.

Soymeal

Domestic meal prices remained flat during the week under review with no strong positive cues to keep soy meal prices at higher levels. At the same time scattered soy meal export enquiry and resurfacing soy meal demand continue to keep soy meal prices in a tight range.

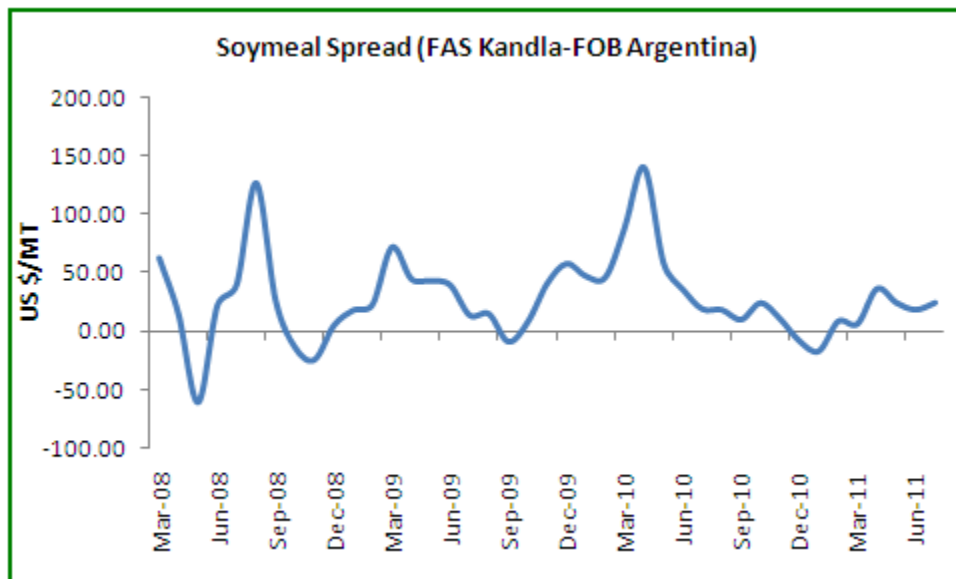
However, few scattered meal trade was reported during the week under review. 6-7 Rake to Gandhi Dham and Mumbai is reported during recent time. FOR quoted for Gandhi Dham was Rs 17400/MT while it was quoted at Rs 17700 for Mumbai. Any near term sharp improvement in export demand is not an immediate possibility but narrowing down of spread between FAS Kandla and FOB Argentina might bring back the demand towards Indian ports during medium term.

India's shipments of soymeal during June, 2011 was 1,17,596 tonnes as compared to 95,778 tonnes in June, 2010 recording a jump of 22.78% over the last year. India's export during first quarter of current financial year i.e. April 2011 to June 2011 is 5,97,971 MT as compared to 2,13,513 MT in the corresponding period last year showing an increase of 180%.

As per sources, about 25 crushing plants are operational in the state of Madhya Pradesh with a crushing capacity of 500 MT per day for 20 days in a month. The number of operational plants this year is higher compared to the last year. About 10 crushing units were operational in the corresponding period last year in the

region. More no of crushing plants indicate soybean demand to stay stable during off-season which negate any major decline. However, with expectation of marginal improvement in arrivals during the coming week might keep short term fundamentals soft but medium term outlook still remain bright.

Soy meal spread – FAS Kandla Vs FOB Argentina



*FAS, Kandla less FOB Argentina

Current spread between FAS Kandla and FOB Argentina stay near US \$25/MT which is slightly higher when compared from its 3 years average spread of USD 10/MT when active trade and exports takes place.

Widening of the spread towards USD 30-35/MT between FAS Kandla vs FOB Argentina may negatively affect the Indian meal shipments, temporarily. However, we expect narrowing down of spread towards USD 12-15/MT which shall stimulate the export demand from SE Asian nations. It is also advisable to explore the opportunity in Africa to supply our non-GMO meal to meet their increasing demand.

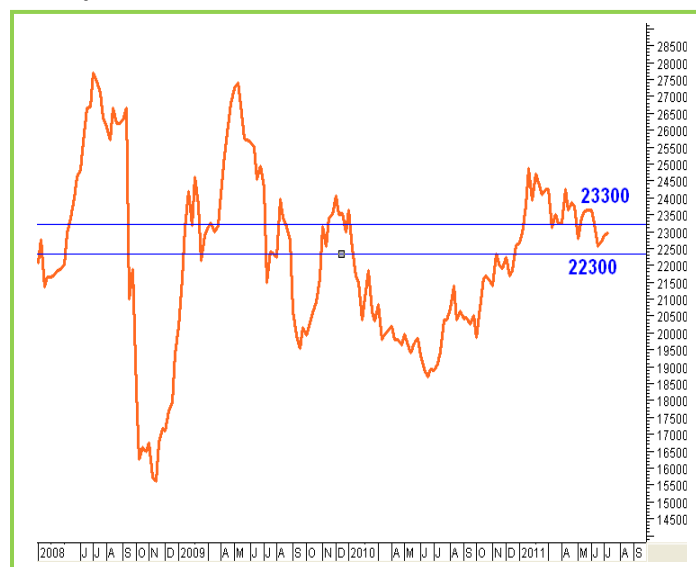
Reportedly a vessel at Kandla port is awaiting berth for 16500 MT of soy meal. Vessels are expected to arrive at Mundra and Paradip ports for loading 18000 MT of soy meal for exports.

Technical Analysis:

NCDEX Soybean Futures (Aug)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Soybean- Aug				
S2	S1	PCP	R1	R2
2265	2290	2310.5	2385	2409

- Candlestick chart pattern reveal short term selling indication. 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 2280–2270levels.

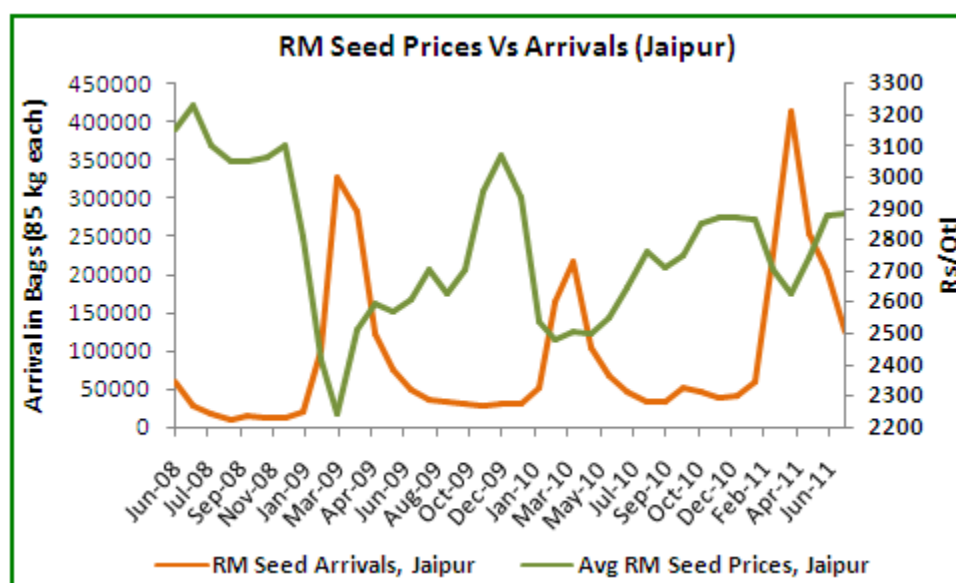
Trade Recommendation (Soybean) – 1 Week: Sell on rise towards 2350 – 2355 levels. T1 – 2285; T2 – 2260; SL - 2377

Spot: We recommend **Buy** on dips towards 2200 to 2250 levels.

Rapeseed - Mustard Seed

The domestic RM seed prices featured gains on buying support from millers backed by rainy season demand. The mustard oil demand improves during monsoon.

RM Seed Prices Vs Arrivals, Jaipur/Rajasthan

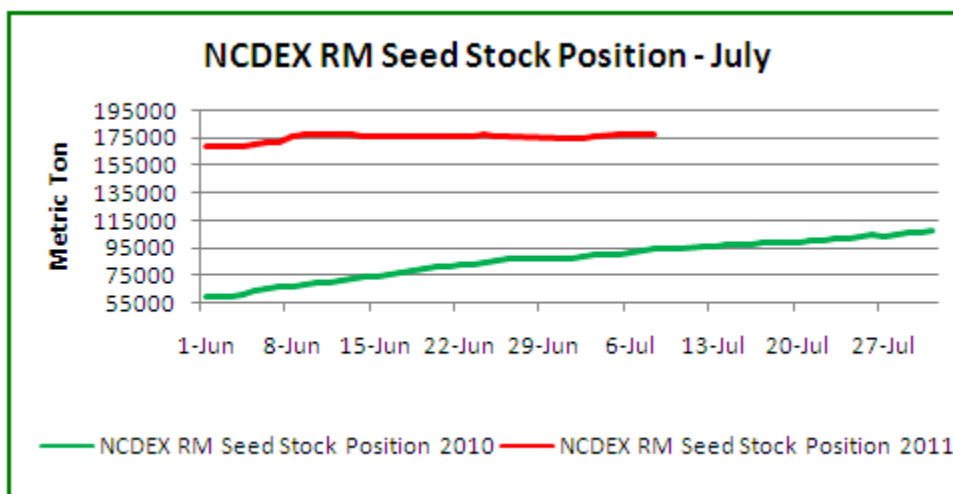


The stockists were seen holding their stock in anticipation of higher prices in near-term with the increase in RM oil demand at retail. Consequently the arrivals fell in one hand while the stock position in big warehouses are seen improving. The past trend suggests that the seed prices will gain in day ahead with the rise in demand in RM oil at retail. It is recommended to buy seed at any major decline..

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg.		
CurrentWeekly Arrivals	1 Week Ago	Corresponding Period Last Year
1,05,000	2,07,500	47,000

RM Seed Stock Position at Various NCDEX Warehouses



Source: NCDEX

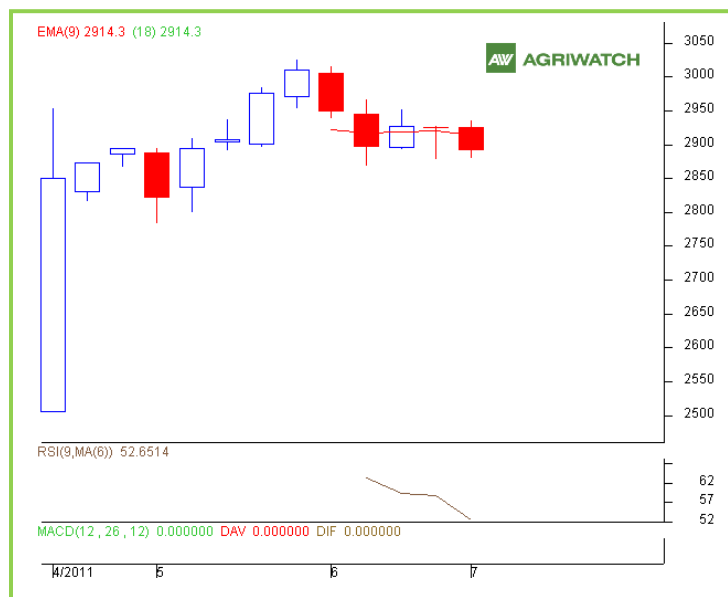
It is evident from the above chart that the stockpiling of RM seed ahead of demand y-o-y reveals limited availability of stocks at spot which means growers with limited stocks to play the market. Stocks are with major players having high holding capacity and likely to liquidate stocks while fetching off-season premium.

Currently, the RM seed stocks at various NCDEX warehouses are on higher levels compared with the corresponding period last year. This rise is due to the higher production in RM seed this season. Looking at the previous trend in July we expect the stocks of the seed to gradually improve with better delivery intentions at exchange warehouses.

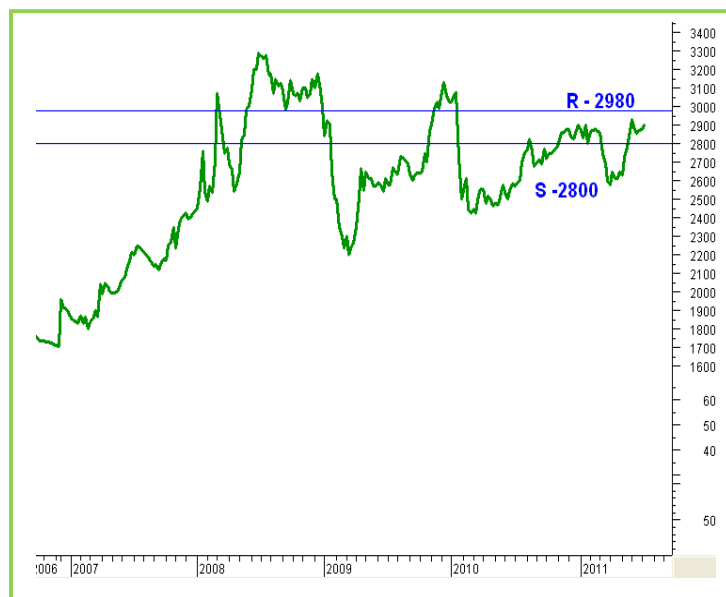
In spot, we suggest buying RM seed and oil at dip levels before start of festivals to optimize gains in the near and medium term.

Technical Analysis:

NCDEX RM Seed Futures (Aug)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX RM Seed - Aug				
S2	S1	PCP	R1	R2
2805	2848	2891	2968	3026

- RM seed charts pattern indicates existing consolidative phase with selling is expected at higher levels. The weekly price closed below 9-day EMA supporting bears in near -term. Price indicators and oscillators reflect prices might find strong resistance at higher levels. The RM seed prices are expected to ease and move towards 2830–2820 levels.

Trade Recommendation (RM SEED) – 1 Week: Sell on rise towards 2950– 2960 levels. T1 - 2840; T2 - 2800; SL - 3000.

Spot: In spot, we suggest **Buy** on dips towards 2750 levels.

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