

Executive Summary

Range-bound price movement was featured in domestic oilseeds and oilmeals market due to the lack of supportive news during the period. The market is looking for a direction and upside is likely in near-term on expected fresh demand in oil and meal.

Increasing parity in crushing soybean, likely surge in usage in edible oils and oilmeals will encourage the crushers and millers in processing the oilseeds. The domestic consumption pattern suggests renewed buying in edible oils and oilmeals towards the end of July with monsoon in full swing over the country.

Continued buying in soy meal by East and South-East Asian countries like Japan, Vietnam, Singapore, Indonesia and Thailand and West Asian and African countries like Iran and Kuwait, Kenya, Sudan, Cameroon remained positive factor for the Indian soy meal exports. This is due to proximity, logistic and freight advantage. These countries either prefer non-GMO soy meal or buy in small quantities supporting meal shipment of Indian origin.

RM seed is seen bullish with easing supplies and likely rise in the demand in RM oil in days ahead. The stockists are interested in purchasing the seed at lower price levels to book profit during lean season. A big portion of the stock with farmers has already been offloaded in March - April when arrivals were at their peak.

However, reports of acceleration in soybean sowing with increased precipitation over the country. India's imports of the major vegetable oils increased to a 6-month high of 0.86 Mn T in June. Soybean growers are seen liquidating stocks prior to start of the new season. All these factors may restrict the gains in domestic oilseeds and meals.

International

In the latest USDA monthly supply and demand report, global oilseed output for 2011/12 is projected at 455.5 million tons, down 1.4 million from last month estimates. Lower soybean, peanut, and rapeseed production estimates are only partly offset by increases for sunflowerseed. Global soybean production is projected at 261.5 million tons, down 1.3 million mostly due to fall in production in the United States. Higher soybean production for Russia resulting from increased area partly offsets the U.S. reduction.

US: In its latest official crop progress report blooming of the soybean is reported low at 21% compared with 5 year average of 33%. The crop condition is rated good to excellent at 52:14 compared to 50:15 per cent in the corresponding period last year.

Canada: Rapeseed production is reduced for Canada due to lower harvested area. Despite a record planted area estimate reported by Statistics Canada based on producer surveys conducted in late May and early June, much of the intended area in southeast Saskatchewan and southwest Manitoba did not get planted due to higher moisture through late June. As a result, the Canada rapeseed crop is projected at 12.6 million tons, down 0.4 million from last month.

China: China's soybean crushing demand soybean crushers this season has continued to stagnate. At the same time, the growth in soy meal usage has been too weak to compensate the losses in oil processing. So the soybean imports have slowed to avoid adding to surplus stocks at the country's ports. The soybean crush for 2010/11 would be scaled back 1 million tons to 55.1 million. China's soybean imports for 2010/11 are expected at 52 million metric tons (down 2 million tons from last month's forecast), which would shrink ending stocks by 1 million tons to 14.2 million.

The slowdown in China's soybean imports is affecting U.S. exports to some degree, with repercussions for Brazil and Argentina as well. For 2010/11, soybean exports from Brazil are forecast 1 million tons lower this month to 30.85 million tons, while shipments from Argentina are forecast down 500,000 tons to 8.5 million. The drop in

trade from Brazil is likely to push that country's September stocks to an all-time high of 20.3 million tons. China's new-crop imports of soybeans are forecast 1.5 million tons lower this month to 56.5 million.

Brazil: The outlook for canola demand in Canada is robust. Recent increase in crushing capacity will keep domestic processors busy, but a reduction in 2011/12 supplies could squelch export opportunities. The country's foreign trade in canola is forecast 200,000 tons lower this month to 6.7 million tons, just below the 2010/11 estimate of 6.75 million. With U.S. canola processors needing to supplement a smaller domestic supply with imports, even less will be available for other importing countries. Canola stocks in Canada could close out the season at an 8-year low of 840,000 tons.

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	16-07-11	09-07-2011	Parity To
Indore (MP)	16400-16500	16400	Gujarat, MP
Kota	16600	16400-16500	Rajasthan, Del, Punjab, Haryana
Akola	16700	16800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	17500-17700	17800-17900	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	17500-17700	17800-17900	Andhra, AP, Kar, TN
Dhulia/Jalna	17600	17400-17700	Mumbai, Maharashtra
Nagpur (42/46)	17100	17000-17100	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18600	18200-18400	Local and South
Solapur	18300	18200	Local and South

Soy DOC at Port

Centers	Port Price	
	16-07-11	09-07-2011
Kandla (FOR) (INR/MT)	17600	17500
Kandla (FAS) (USD/MT)	395	394

International Soy DOC

Argentina FOB \$/MT	16-07-11	09-07-2011	+/-
Soybean Pellets	378	365	-
Soybean Cake Meal	378	365	-
Soybean Meal	386	373	-
Soy Expellers	386	373	-

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	16-07-11	09-07-2011	Change
Adoni	14200	14300	-100
Khamgaon	13100	13100	Unch
Latur	13600	13600	Unch
Parli	13600	13700	-100

Groundnut Meal

Groundnut Meal	16-07-11	09-07-2011	Chg
Basis 45% O&A, Saurashtra	14700	15500	-800
Basis 40% O&A, Saurashtra	13900	13800	+100
GN Cake, Gondal	15000	15500	-500

Mustard DOC/Meal

Mustard DOC/Meal	16-07-11	09-07-2011	Chg
Jaipur (Plant Delivery)	6500	6700	-200
Kandla (FOR)	7500	7700	-200
Sri Ganganagar	890	891	-1

Planting Progress – Oilseeds, India

The *Kharif* oilseed planting is progressing but behind its schedule in several oilseeds growing when compared to previous year. This is primarily due to the scanty and uneven distribution of rainfall in states like Karnataka, Maharashtra, Andhra Pradesh and Gujarat. However, the monsoon rainfall has improved recently in central India, allowing an acceleration of soybean sowing and improving the crop prospects in the region.

Currently, the overall area covered under various oilseeds is reported at 98.79 lakh hectares compared to about 100 lakh hectares in the corresponding period (as on 15 July 2010).

The groundnut sowing is negatively affected due to the deficit rains over the growing region. The data indicate a lag of about 50 - 55 per cent in major groundnut growing states.

Soybean sowing in Maharashtra is nearing completion while it is expected above 85% done in Madhya Pradesh. Last year the area coverage under soybean in Maharashtra and Madhya Pradesh stood at 26.03 lha and 55.19 lha respectively.

Sowing Progress - Oilseeds			Area in lha.
Andhra Pradesh (As on 13.07.11)	Current	Corresponding Period Last Year	% Change
Groundnut	3.2	7.51	-57%
Sesamum	0.27	0.68	-60%
Castor	0.97	1.19	-18%
Sunflower	0.03	0.13	-77%
Soybean	1.05	0.83	27%
Other oilseeds	0	0	
Total	5.52	10.34	-47%
Maharashtra (As on 15.07.11)			
Groundnut	0.97	1.89	-49%
Sesamum	0.09	0.36	-75%
Sunflower	0.01	0.33	-98%
Soybean	12.85	20.96	-39%
Nigerseed	0.03	0.15	-80%
Other Oilseeds	0.00	0.03	-92%
Total	13.95	23.72	-41%
Rajasthan (As on 12.07.11)			
Groundnut	3.423	2.380	44%
Sesamum	1.907	0.790	141%
Soybean	7.575	4.530	67%
Catorseed	0.049	0.020	145%
Total	12.954	7.72	68%

However, In Rajasthan the soybean planting has significantly picked-up and surpassed the area coverage compared to the corresponding period last year.

The sowing progress in Andhra Pradesh is relatively slow when compared to previous *kharif* sowing due to deficit rains over Rayalseema (-32% deviation of normal) and Telangana (-25% deviation of normal rainfall) regions of the state.

However, coastal Andhra Pradesh is reported to have received normal rains (with -1% deviation of normal rainfall). The overall status of the monsoon rainfall in AP is Deficit with -19% deviation of the normal rainfall.

Crop Condition and Farmers Preliminary Indicative Yield

Soybean Crop Condition	No. of leaf	Condition
Madhya Pradesh	5-10	Excellent
Maharashtra	15-20	Good
Rajasthan	3-5	Fair
With respect to disease, pest and stress		

The farmer survey in major soybean growing states viz. Madhya Pradesh, Maharashtra and Rajasthan indicate 100% soybean emergence which indicate the adequate plant density.

The crop condition is reportedly good with 5-10 leaf in Madhya Pradesh, 15-20 leaf in Maharashtra and 3-5 leaf in Rajasthan.

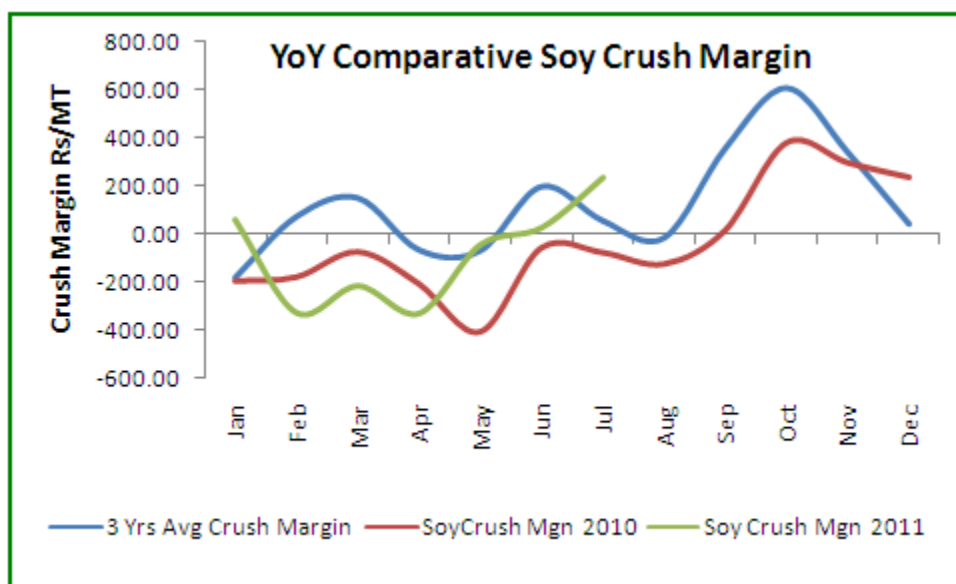
However, mild soil moisture stress reported in Maharashtra but a normal regular rain in a day or two will compensate the same.

There are no reports of insect, pest or any disease in soybean crop mainly due to better farming practice this year in Rajasthan and Maharashtra.

Farmers Preliminary Indicative Yield (Kg/hect)			
States	2011	2010	% Change
Madhya Pradesh	1160	1105	5.00%
Maharashtra	1016	1058	-4.00%
Rajasthan	1158	1103	5.00%
Farmers were interviewed to get preliminary idea for soybean yield based on current crop condition			

Though it is premature to comment on yield but an interview with the soybean farmers in major growing state reveal a fall of about 4 per cent in Rajasthan but an increase in yield of about 5 per cent in Madhya Pradesh and Maharashtra. The figures are indicative and the actual yield estimate could only be concluded after flowering and pod formation stage. Overall, the soybean crop condition seems good which imply Indian normal output.

YoY Comparative Soybean Crush Margin



Supportive soy meal exports and increasing crush parity has encouraged the solvent extractors to crush the beans. The soybean crush parity entered in the positive zone in mid June and since then the parity is increasing in the positive region. The weekly crush margin is ruling around Rs204/MT compared with Rs269/MT previous week and Rs-96/MT in the corresponding period last month.

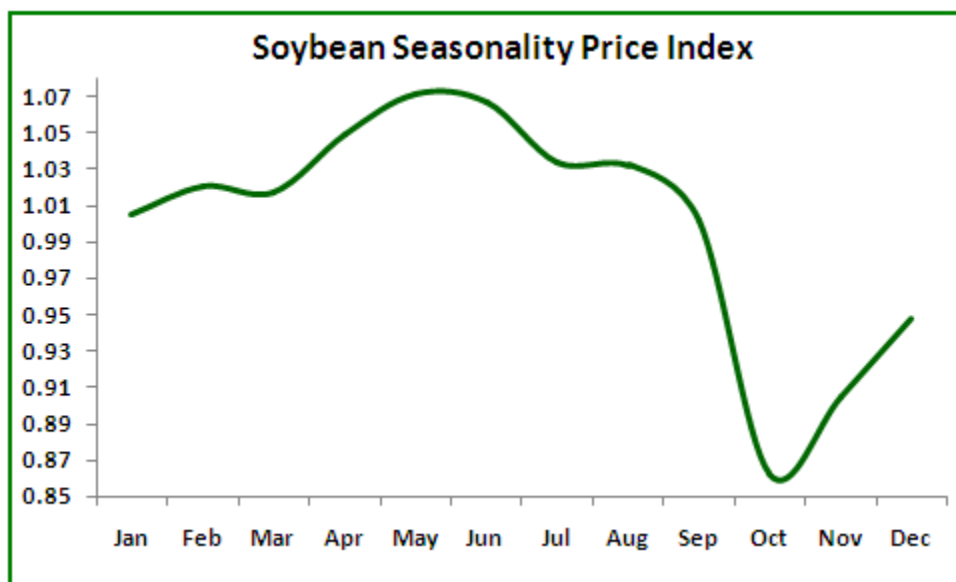
The above chart reveals that the current crush margin is above 3 year average and last year average crush margin, this is primarily attributed to better crushing this season. This remains a supportive factor in boosting the soybean crushing in near-term.

The weekly soybean arrivals in Madhya Pradesh were recorded at around 39000 bags compared to 49200 bags last week. We expected farmers and stockists to continue off-loading their stocks with a view of greater demand from crushing units. Any surge in soybean price will encourage stockists to offload their stock.

Soymeal

Domestic meal prices remained steady during the week under review with no fresh domestic demand at higher levels. Besides, scattered soy meal export enquiry kept the exports market dull during the week.

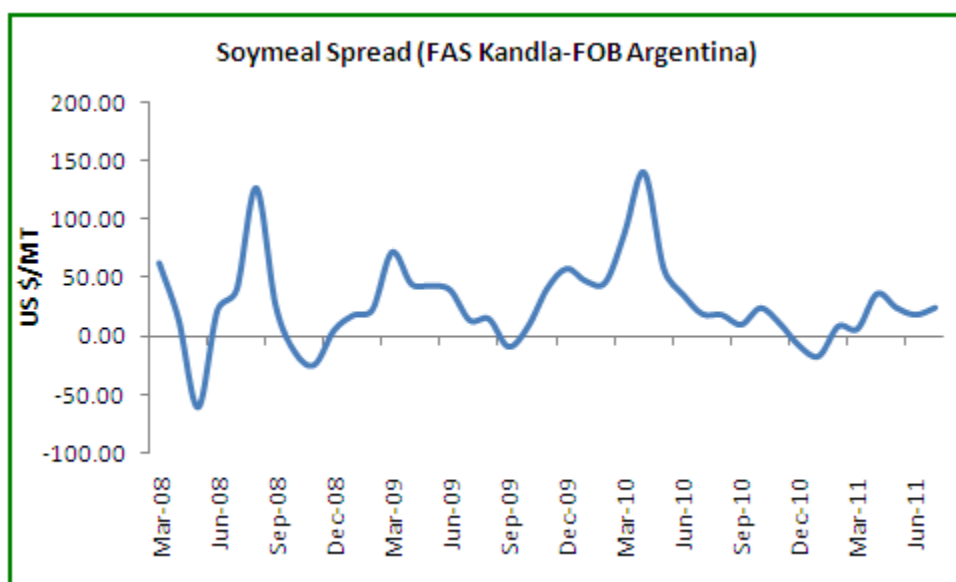
Soybean Seasonality Price Index



Though we expect fresh seasonal demand in edible oils in association with soy meal but increased off-loading in the beans from farmers and stockists and availability of rice bran oil in September, which is used in blending RM oil, and domestic new crop arrivals followed by US crop will tend to pressure domestic soybean market, as evident in the soybean seasonality price index chart of last 6 years. The spot soybean prices bottoms out in the month of October and thereafter starts to move in northward direction.

We suggest the farmers and stockist to offload their old crop beans in July – August period with every major gain in the bean price.

Soy meal spread – FAS Kandla Vs FOB Argentina



*FAS, Kandla less FOB Argentina

Current spread between FAS Kandla and FOB Argentina is recorded near US \$23/MT compared to US\$25/MT last week. The spread is 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 will discourage the Indian meal shipments, temporarily. Eventually, we expect narrowing down of spread towards USD 12-15/MT which shall encourage the export demand from SE and West Asian countries.

It is viable to explore the exports opportunity in Africa to supply our non-GMO meal to meet their growing demand.

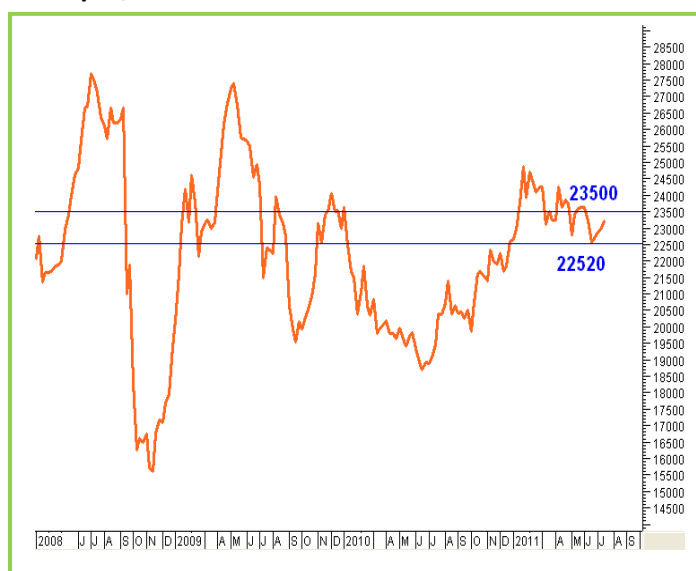
Reportedly several vessels are at anchor awaiting berth, at various Indian ports, for about 27500 MT of soy meal for shipment to various destinations of SE Asian and West Asian countries. While several vessels are expected to arrive at various ports to load 48000 MT of soy meal for exports.

Technical Analysis:

NCDEX Soybean Futures (Aug)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Soybean- Aug				
S2	S1	PCP	R1	R2
2255	2272	2346.5	2367	2385

- Candlestick chart pattern reveal buying interest in the market. Prices closed below 9-day and 18-day EMA supporting bearish momentum. Oscillators and price indicators reflect prices to gain during the week. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2350 – 2360 levels.

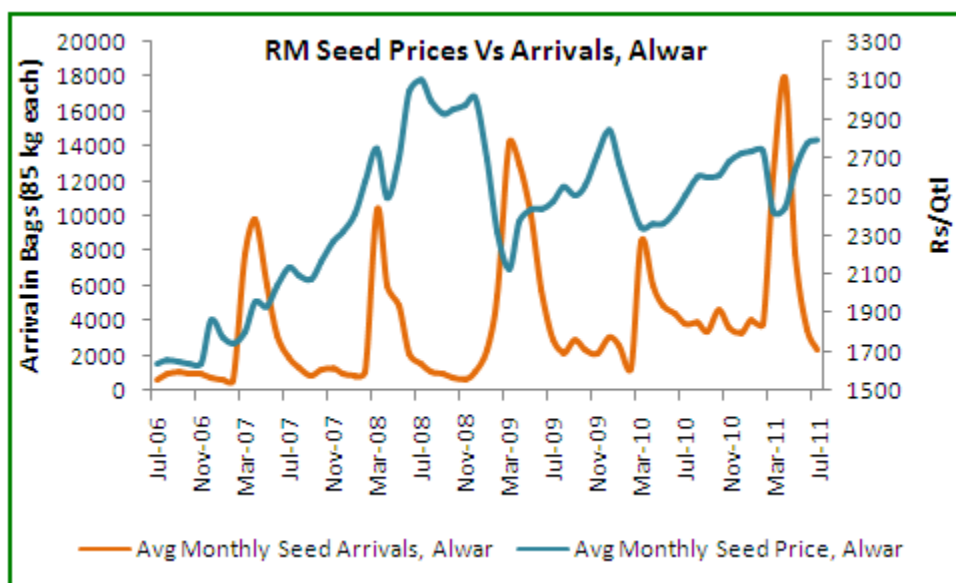
Trade Recommendation (Soybean) – 1 Week: Buy on dips towards 2320 – 2330 levels. T1 – 2340; T2 – 2360; SL - 2300

Spot: We recommend **Buy** on dips towards 2220 to 2250 levels.

Rapeseed - Mustard Seed

The domestic RM seed prices extended gains on continued buying support from millers supported in anticipation of by seasonal demand - monsoon. The mustard oil usage improves with increase in snacks consumption during monsoon.

RM Seed Prices Vs Arrivals, Alwar/Rajasthan



However, the recent supply scenario suggests that the stockists have held their stock on expectation of higher prices in near-term with the fresh demand in RM oil demand at retail. The affect is clearly visible looking at the current seed supplies. The stock position in big warehouses is gradually seen improving. It is viable and suggested to buy RM seed at major fall in the price to log in the profit in near-to-medium-term.

RM Seed Supply, Rajasthan

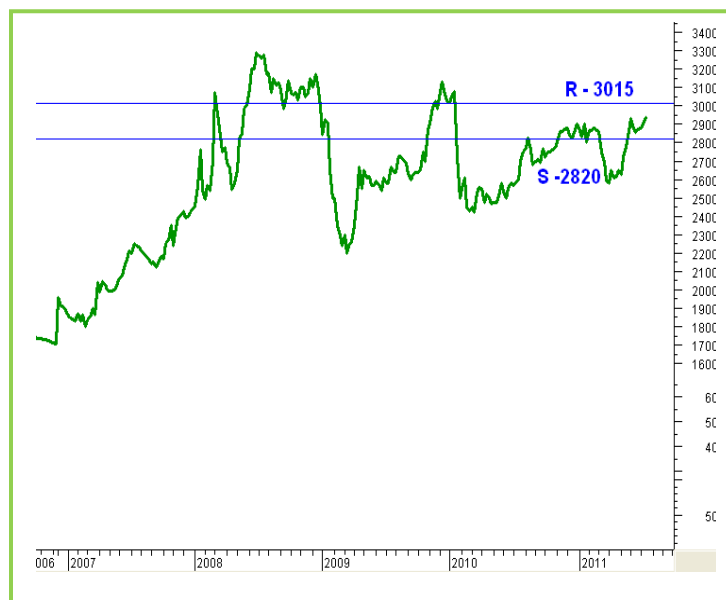
RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg.		
CurrentWeekly Arrivals	1 Week Ago	Corresponding Period Last Year
93,300	1,05,000	40,000

Technical Analysis:

NCDEX RM Seed Futures (Aug)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX RM Seed - Aug

S2	S1	PCP	R1	R2
2785	2817	2955	3018	3040

- RM seed charts pattern indicates gain in the price. The weekly price closed above 9-day EMA supporting bulls in near -term. Price indicators and oscillators reflect prices might find strong support at lower levels. The RM seed prices are expected to rise and move **towards 2830–2820 levels**.

Trade Recommendation (RM SEED) – 1 Week: Buy on dips towards 2900 – 2890 levels. T1 - 2950; T2 - 3000; SL - 2875.

Spot: In spot, we suggest **Buy** on dips towards 2790 levels.

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