

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.

RM seed is also improved during the week under review with lean season demand to pick up during coming couple of week. At the same time lower fresh supply from growers help RM seed prices steady to firm. 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 better soybean sowing progress y-o-y with increased precipitation over the growing regions might keep soy seed prices range bound with selling seen at higher levels. 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 40% compared with 5 year average of 52%. Good to excellent condition stay close to 64 compared with 67 during previous year. Crop was rated lower (G/Ex) by nearly 2% when compared with previous week. Dry weather condition especially in southern states might threat the crop yield. US GFS model continues to suggest hot/dry weather will be around till the end of July. However, recent rains and adequate soil moisture in principal soy growing region of Mid-West might negate any immediate crop loss however it will depend on the next 10-15 days of rainfall as there is divergent view for US weather forecast to rely on.

Canada: Rapeseed production estimate is trimmed for Canada due to lower harvested area. Despite a higher sown 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 was left unplanted owing to excess moisture through late June. Consequently, the Canada rapeseed crop is projected at 12.6 million tons, down 0.4 million from last month.

China: China's soybean crushing demand this season has continued to remain sluggish. 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 ease in China's soybean imports is affecting U.S. exports to some extent, with spillover effect for Brazil and Argentina as well. For 2010/11, soybean exports from Brazil are forecast 1 million tons lower in June to 30.85

million tons, while exports 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.

Oilseed Prices at Key Spot Markets:

| Commodity | Centre | Prices (Rs/Qtl) | | Change |
|-------------------------|--------------------|-----------------|-------------------|-------------|
| Soybean | | 16-07-11 | 09-07-2011 | |
| | Indore –Plant | 2300-2330 | 2280-2310 | +20 |
| | Indore –Mandi | 2200-2250 | 2190-2200 | +50 |
| | Nagpur-Plant | 2370-2475 | 2375-2450 | +25 |
| | Nagpur – Mandi | 2300-2340 | 2270-2310 | +30 |
| | Kota-Plant | 2290-2330 | 2280-2310 | +20 |
| | Kota – Mandi | 2220-2260 | 2200-2260 | Unch |
| Rapeseed/Mustard | Jaipur – C | 2925 | 2880 | +45 |
| | Alwar – C | 2800 | 2800 | Unch |
| | SriGanganagar (NC) | 2400 | 2460 | -60 |
| | Kota | 2575-2600 | 2550 | +50 |
| | Neewai | 2880 | 2860 | +20 |
| | Delhi– C | 2875 | 2875 | Unch |
| | Hapur (UP) | 2975 | 2935 | +40 |
| Groundnut Seed | Rajkot | 800 | 800 | Unch |
| | Junagarh | - | - | |
| Sunflower Seed | Latur | 2900-3200 | 2750-3150 | +50 |
| | Gulbarga | - | - | - |
| | Solapur | 3100-3300 | 3250 | +50 |

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C – Condition (42%), *Groundnut seed inRs/20 kg, Sunflower Seed in Rs/Qtl

Oilseed Arrivals in Key Centers

| Commodity | Centre | Arrivals in Bags/Qtl | | Change |
|------------------|----------------|----------------------|------------|--------|
| Soybean | | 16-07-11 | 09-07-2011 | |
| | Madhya Pradesh | 30000 | 45000 | -15000 |
| | Maharashtra | 10000 | 12000 | -2000 |
| | Rajasthan | 4000 | 6000 | -2000 |
| | | | | |
| Rapeseed/Mustard | Rajasthan | 90000 | 60000 | +3000 |
| | | | | |

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 regions 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, a major thrust to the soybean planting in MP and adjoining regions.

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 to complete by 85% 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. The following table reveal oilseed sowing progress in major growing regions:

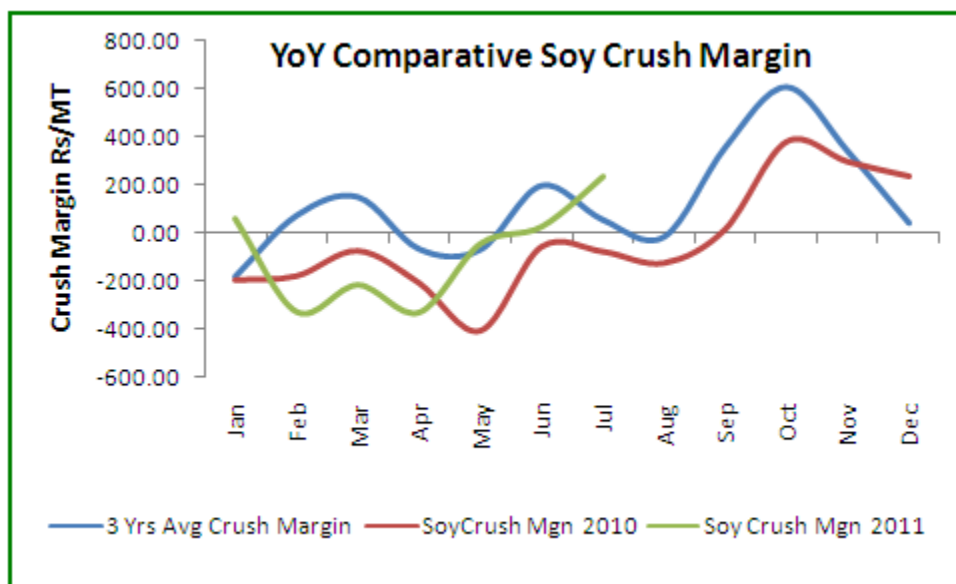
| Sowing Progress - Oilseeds | | Area in lha. | |
|---------------------------------|---------------|--------------------------------|-------------|
| Andhra Pradesh (As on 13.07.11) | Current | Corresponding Period Last Year | % Change |
| Groundnut | 3.2 | 7.51 | -57% |
| Sesamum | 0.27 | 0.68 | -60% |
| 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. While Castor seed and Sesame witness marked improvement y-o-y thereby brightening the prospect of these oilseeds from Rajasthan.

Sowing is lagging in Andhra Pradesh when compared to previous *khari*f 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. Sluggish oilseed progress from AP might results into overall decline in oilseed acreage with special reference to soybean and groundnut. However, sowing might pick up for sunflower and sesame as these crops are planted during late Kharif.

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.

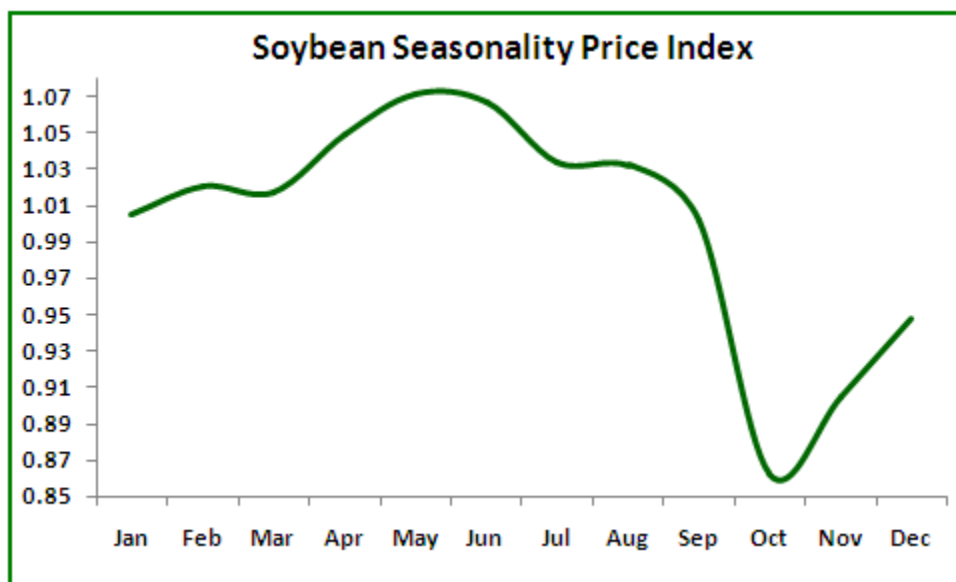
The above chart reveals that the current crush margin is above 3 year average and last year average crush margin, this is primarily attributed to better crushing this season. This remains a supportive factor in boosting the soybean crushing in near-term. The expected crush margin next week is projected at Rs230-235/MT.

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.

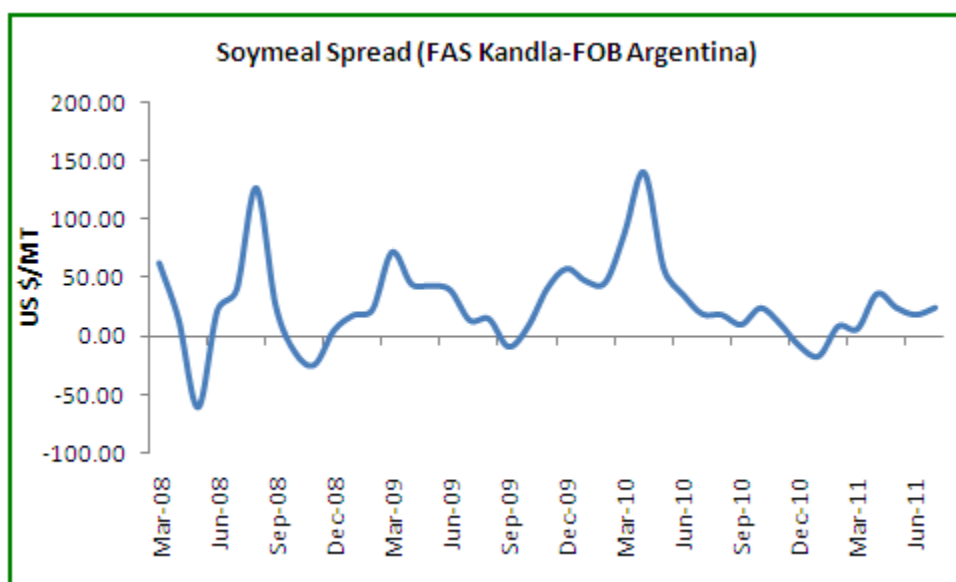
Soybean Seasonality Price Index



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 with edible oils followed by new crop arrivals will tend to pressure domestic soybean market, as evident in the soybean seasonality price index chart of last 5 years. The spot soybean prices bottoms out in the month of October and thereafter starts to move up.

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.

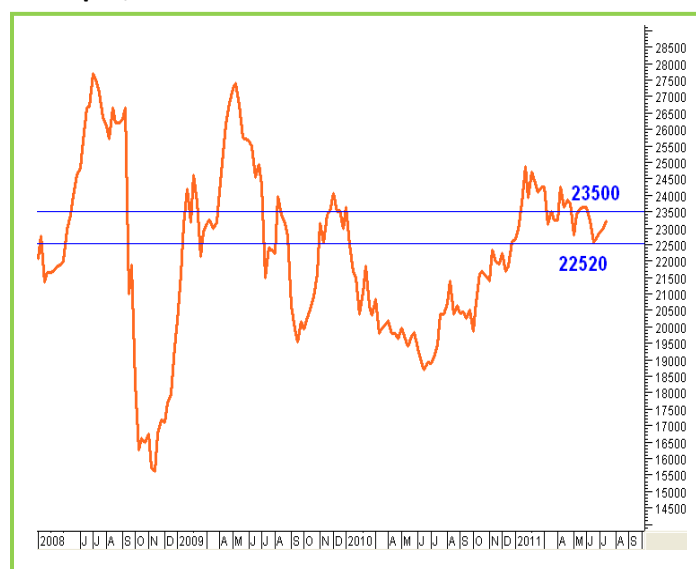
Reportedly several vessels are at anchor awaiting berth, at various Indian ports, for about 27500 MT of soy meal for shipment to various destinations of SE Asian and West Asian countries. While several vessels are expected to arrive at various ports to load 48000 MT of soy meal for exports.

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.

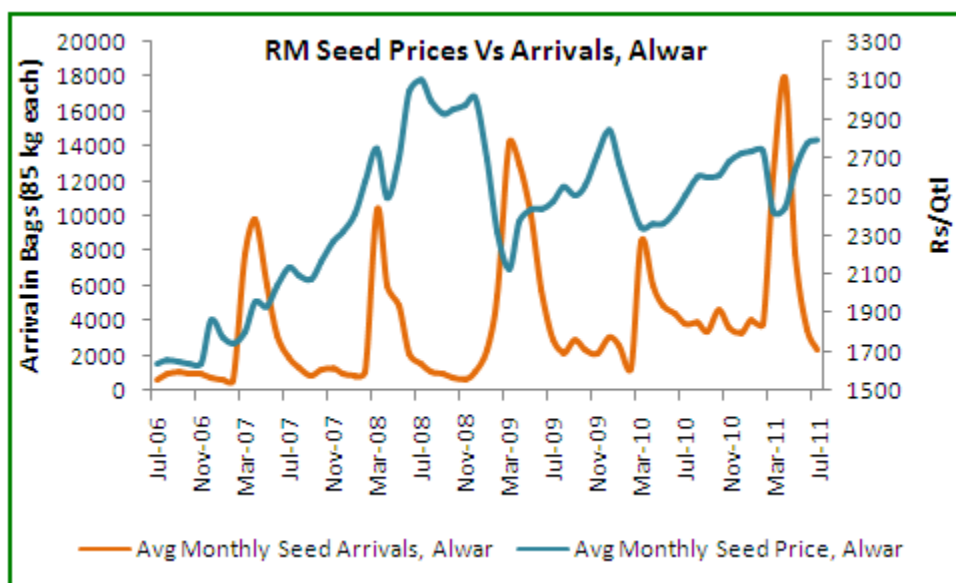
Trade Recommendation (Soybean) – 1 Week: Buy on dips towards 2320– 2330 levels. T1 – 2340; T2 - 2360; SL - 2300

Spot: We recommend **Buyon** 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

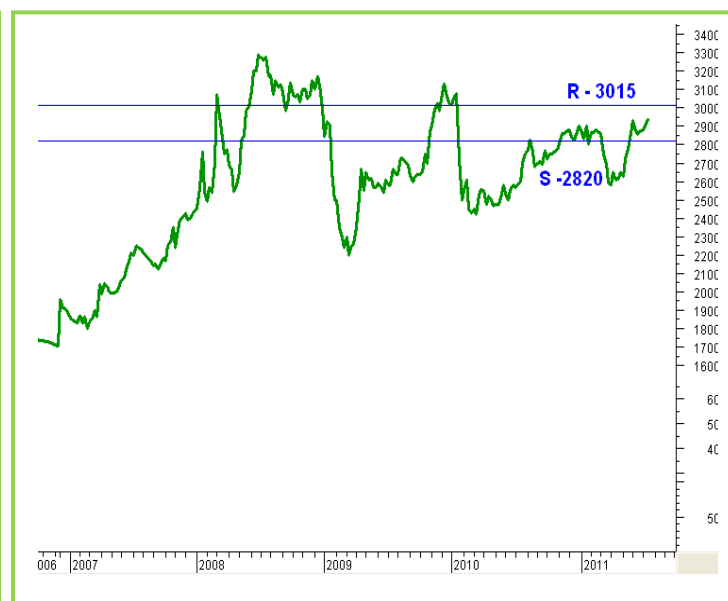
| RM Seed Arrivals in Rajasthan in Bags (85 kg each) Wkly Avg. | | |
|--|------------|--------------------------------|
| Current Weekly Arrivals | 1 Week Ago | Corresponding Period Last Year |
| 93,300 | 1,05,000 | 40,000 |

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 – 2890levels. T1 - 2950; T2 - 3000; SL - 2875.

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

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