

**Executive Summary**

Domestic oilseeds and meal market featured gains as expected renewed seasonal domestic demand in edible oils and meals. In addition, parity in crushing the soybean remained encouraging for crushers and solvent extractors to continue bean crushing.

India's soy meal prices are getting competitive compared to the South American meal prices. The spread between Argentine soy meal price and Indian meal prices has narrowed down during the week under review. Soy meal demand is seen improving with rise in poultry production on seasonal demand. Poultry feed industry remained keen to buy more meal. Besides, continued demand of soy meal from SE Asia, West Asia and Africa remained supportive to exports.

RM seed prices remain in tandem with soybean seed prices on account of improved miller's demand and comparative lower supplies. Stockists are seen buying the seed at lower levels to fetch off-season premiums during Nov-Jan, when the usage increases.

However, favorable weather condition for domestic soybeans along with satisfactory planting progress, improved weather conditions in US and higher Malaysian palm oil stocks are some of the bearish factors which may limit excessive gains in oil complex. CPO production in Malaysia witnessed marked increase in June according to MPOB, raising stocks to an 18-month high of 2.05 Mn T.

**International**

**US:** In USDA's last report the soybean crop rating was discouraging primarily due to dry weather conditions in some soybean growing regions posing threat to yield. However, weather forecasts point to some cooling-down of temperatures in parts of the US Midwest. Any negative deviation from its trend line yield might push up the soybean price at benchmark CBOT. Overall, strong old crop export sales, with higher crude oil futures and a weaker U.S. dollar stands supportive to US soybeans with spill over strength to the domestic soybean prices.

**Soybean & Soy meal:** The global soybean output in 2010/11 may have totalled 264.12 million tons. The estimate was made by SAFRAS and Mercado, partly based on data from the United States Department of Agriculture (USDA), which estimated at 263.69 million. Last year, global production was projected at 260.84 million tons.

Oil World estimates world exports of soya meal at a new high of 43.6 Mn T in Oct/June 2010/11, representing an increase of 4.1 Mn T from a year ago. Reportedly the European Union alone is likely to increase soya meal imports by about 2.2 Mn T. This is likely to support the soymeal prices at higher levels. Soybean crushing and net exports of the USA, Argentina and Brazil (the G-3 countries) declined to a combined 17.5 Mn T in June.

Argentina's 2010-11 soy production is seen totaling 48.80 million tonnes, down from a previous estimate of 49.6 million tonnes as a result of severe dryness. Argentine farmers completed the 2010/11 harvesting a couple of weeks ago and the government forecast means production slipped by 7.4 percent from last year's record high.

**Rapeseed:** The international rapeseed complex has been supported by the recent uptrend of soybean and palm oil prices. Ukraine's rapeseed output prospects have deteriorated in contrast to the favourable outlook for grains and sunflowerseeds. Reportedly Canadian canola stocks will be unexpectedly low at around 750 Thd T when the 2010/11 season ends in July.

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

Centers	Ex-factory rates (Rs/ton)		
	23-07-11	16-07-2011	Parity To
Indore (MP)	16700	16400-16500	Gujarat, MP
Kota	16700-16800	16600	Rajasthan, Del, Punjab, Haryana
Akola	16700	16700	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	17700-17800	17500-17700	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	17700-17800	17500-17700	Andhra, AP, Kar, TN
Dhulia/Jalna	17900	17600	Mumbai, Maharashtra
Nagpur (42/46)	17200-17300	17100	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18600-18700	18600	Local and South
Solapur	18200-18300	18300	Local and South

**Soy DOC at Port**

Centers	Port Price	
	16-07-11	09-07-2011
Kandla (FOR) (INR/MT)	18100-18200	17600
Kandla (FAS) (USD/MT)	408-410	395

**International Soy DOC**

Argentina FOB \$/MT	23-07-11	16-07-2011	+/-
Soybean Pellets	384	378	+6
Soybean Cake Meal	384	378	+6
Soybean Meal	392	386	+6
Soy Expellers	392	386	+6

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	23-07-11	16-07-2011	Change
Adoni	14200	14200	Unch
Khamgaon	13200	13100	+100
Latur	13800	13600	+200
Parli	13800	13600	+200

**Groundnut Meal**

Groundnut Meal	23-07-11	16-07-2011	Chg
Basis 45% O&A, Saurashtra	15250	14700	+550
Basis 40% O&A, Saurashtra	14250	13900	+350
GN Cake, Gondal	16000	15000	+1000

**Mustard DOC/Meal**

Mustard DOC/Meal	2-07-11	16-07-2011	Chg
Jaipur (Plant Delivery)	7000	6500	+500
Kandla (FOR)	7950	7500	+450
Sri Ganganagar	930	890	+40

**Planting Progress – Oilseeds, India**

The overall area for *Kharif* oilseeds is still trailing due to deficit in rains in Gujarat and some parts of Maharashtra. The event has negatively affected the groundnut planting in Gujarat, Karnataka, Andhra Pradesh and Maharashtra. The lag in GN planting varies from 40% - 56% in different growing states.

However, the monsoon rainfall has improved in central India which helped in boosting soybean sowing in M P and subsequently improving the crop prospects.

Currently, the overall area covered under various oilseeds is reported at 129.75lakh hectares compared to about 129.49lakh hectares in the corresponding period last year (as on 22 July 2010).

Soybean planting is nearing completion in all the major growing states with total area covered so far is 91.21 lha which is 98 per cent of the area covered last year. In Madhya Pradesh the covered area is reported at 54.77 lha. In Maharashtra the planting is done in 93 per cent area at 23.47 lha. In Rajasthan the area is covered in 8.16 lha which is above last year's estimated area of 7 lha,. Soybean planting in Andhra and Karnataka is almost close to the last year's coverage. In Chhattisgarh planting is slightly delayed due to heavy rains since last couple of weeks.

The planting progress in some of the *kharif* oilseed growing states is as follows:

Sowing Progress - Oilseeds		Area in lha.	
Andhra Pradesh (As on 20.07.11)	Current	Corresponding Period Last Year	% Change
Groundnut	4.32	9.92	-56%
Sesamum	0.3	0.72	-58%
Castor	1.1	1.48	-26%
Sunflower	0.04	0.14	-71%
Soybean	1.3	1.16	12%
Other oilseeds	0.002	0	
<b>Total</b>	<b>7.062</b>	<b>13.42</b>	<b>-47%</b>
Maharashtra (As on 22.07.11)			
Groundnut	1.34	2.21	-39%

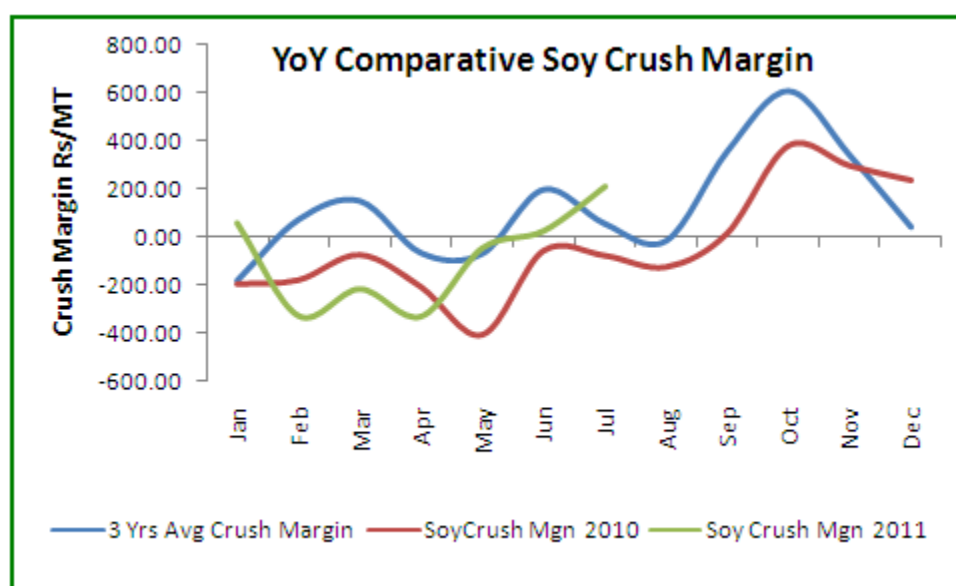
Sesamum	0.22	0.44	-51%
Sunflower	0.07	0.38	-81%
Soybean	20.92	23.22	-10%
Nigerseed	0.10	0.18	-45%
Other Oilseeds	0.07	0.04	63%
<b>Total</b>	<b>22.72</b>	<b>26.47</b>	<b>-14%</b>
<b>Rajasthan (As on 19.07.11)</b>			
Groundnut	3.670	2.650	38%
Sesamum	2.960	1.560	90%
Soybean	8.160	5.290	54%
Castorseed	1.030	0.600	72%
<b>Total</b>	<b>15.82</b>	<b>10.1</b>	<b>57%</b>

On the other side, in Rajasthan the oilseeds planting is ahead of its schedule and has witnessed marked improvement for soybean, groundnut, sesamum and castorseed y-o-y.

Planting is slow in Andhra Pradesh due to deficit rains over Rayalseema (-42% deviation of normal) and Telangana (-15% deviation of normal rainfall) regions of the state.

Coastal Andhra Pradesh is reported to have received normal rains (with -8% deviations from its normal). Overall status of the monsoon in AP is deficit with -18% deviation of the normal rainfall. Slow planting in Andhra Pradesh and Karnataka has already negatively affected the soybean, groundnut and sunflower acreages. Soybean and groundnut planting is expected to finish by Aug, though there may still be time for sunflower which is usually planted late. Any sharp improvement during this time period might brighten the production prospect of Kharif oilseed for the season. Besides, there are reports that groundnut area may improve in Tamil Nadu.

### YoY Comparative Soybean Crush Margin



Increase in soy meal shipments and improving crush parity encouraged solvent extractors to crush the beans. The soybean crush parity entered in the positive zone in mid-June and since then the parity remained intact in positive zone.

The weekly crush margin is ruling around Rs164/MT compared to Rs226/MT previous week and Rs-96/MT in the corresponding period last month.

The above chart reflects that the ruling crush margin is above its 3 year average and well above its previous year, primarily supported by better meal exports resulting good revenue in soy meal this season.

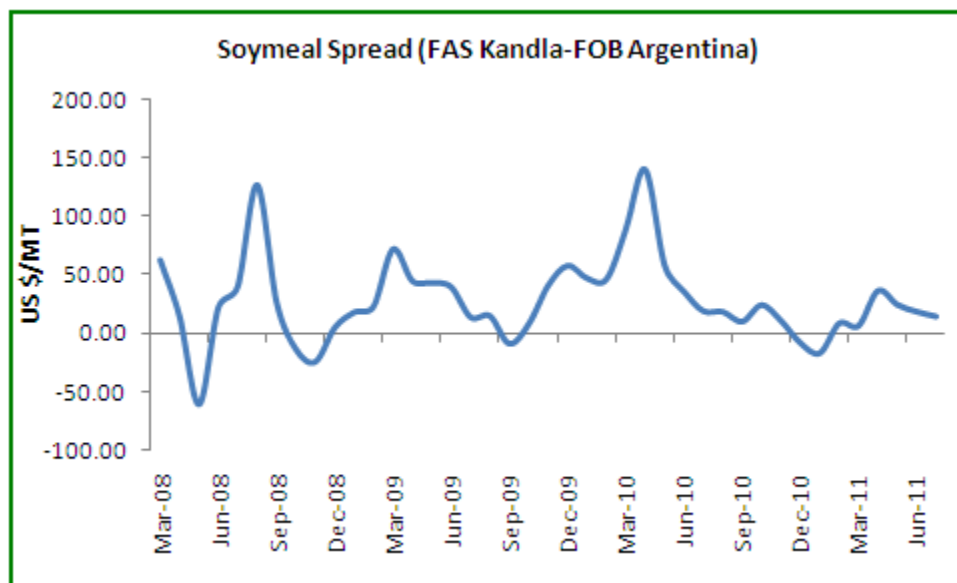
The scenario is supportive for soybean crush in near-term. The crush margin next week is projected at Rs150-200/MT.

### Soy meal Dynamics

Domestic soy meal prices improved as expected on rise in fresh domestic demand from poultry industry coupled with continued overseas demand attributed to proximity, logistic and freight advantage.

The soy meal price of Indian origin stood close to our competitor Argentina during the period of review. The spread between meal price FAS Kandla Vs FOB Argentina is seen gradually narrowing.

### Soy meal spread – FAS Kandla Vs FOB Argentina



\*FAS, Kandla less FOB Argentina

Current price spread between FAS Kandla and FOB Argentina is recorded around US \$15/MT compared to US\$23/MT last week. The spread is narrowing warranting comfortable situation for Indian meal exports in the days ahead. The spread is close to its 3 years average spread of USD 10/MT when active trade and exports takes place. We further expect the spread to narrow down towards US \$10/MT.

The narrowing of the spread has further made our meal price competitive in unison with rise in parity in crushing, consequently encouraging the crushers to crush the beans. We recommend the meal exporters to aggressively look for the potential markets to increase the soy meal shipments.

SE Asia, West Asia and Africa remain our potential markets for meal exports. It is viable to explore the exports opportunity in African countries to supply our non-GMO meal to meet their growing demand.

Currently, about 20-23 crushing plants with 500 MT of crush capacity per day are in operation for 20 days a month in the *Malwa* region of Madhya Pradesh. Looking at the current scenario, it can be concluded that an average of about 16 crushing units will be operation till September. This translates about 4 lakh tonnes of soybean to be crushed till September, which will result in the production of 3.2 lakh tonnes of meal and about 0.72 lakh tonnes of soy oil. Considering the facts we project soy meal export to stay firm during Aug – Sep which is likely to keep soybean seed and meal prices on encouraging note moving forward.

## Technical Analysis:

NCDEX Soybean Futures (Aug)



Soybean Spot, Indore



\*In Rs/MT

Supports & Resistances NCDEX Soybean- Aug				
S2	S1	PCP	R1	R2
2275	2299	2437	2486	2523

- Candlestick chart pattern indicates a strong buying support in the market. Prices closed above 9-day and 18-day EMA supporting bullish 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 2470–2480 levels.

**Trade Recommendation (Soybean) – 1 Week:** Buy on dips towards 2300 – 2310 levels. T1 – 2480; T2 – 2520; SL - 2210

**Spot:** We recommend **Buy** on dips towards 2320 - 2300 levels.

### Rapeseed - Mustard Seed and RM Oil

The domestic RM seed prices extended gains on supportive buying from millers with renewed seasonal demand in RM oil. The mustard oil usage improves with the increase in snacks consumption during monsoon.

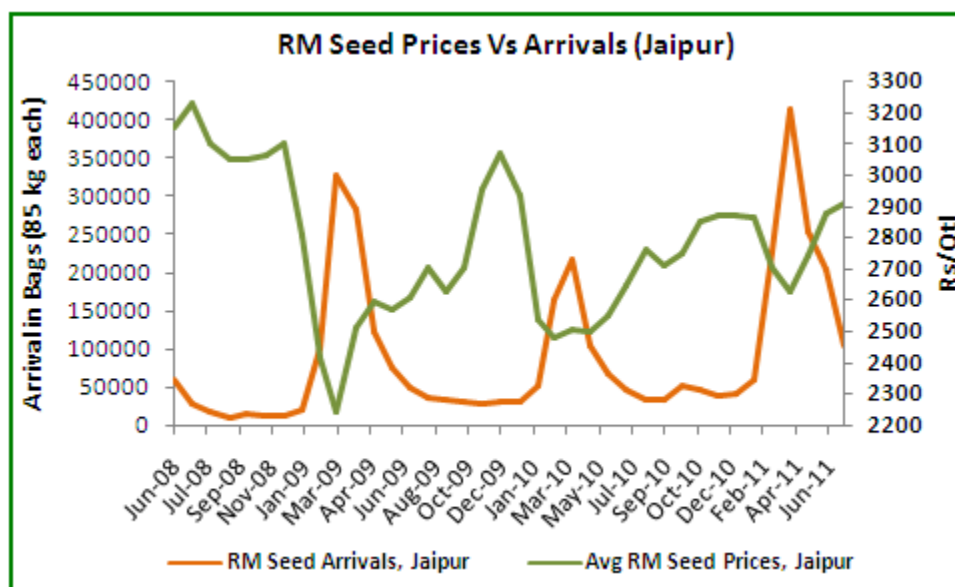
Given that RM seed at Alwar, are quoted at 2875/Qtl (inclusive of all taxes) and meal at 6600/T, the cost of expeller oil works out to 767/10 kg (exclusive of profit margin).

However, the local prices of expeller oil is at 634/10 kg which is below the crushers cost. This indicates either severe revenue loss to the crushers or they may be blending other low cost edible oils to bring its cost down.

After adding profit margin, total cost of crude rape oil to refiner stays close to 805/10 kg which is higher than the local rape oil. Therefore RM oil prices may not see any sharp price movement. However, any significant rise in other edible oils might give an edge for pure RM oil which utmost required by the refiners at present.

The RM seed crush margin to stay negative around -1670/MT during the week, considering the processing cost at Rs1500/MT, RM meal recovery at 58% and RM oil at 40%, Jaipur basis.

### RM Seed Prices Vs Arrivals, Jaipur/Rajasthan



It is evident that the big stockists in RM seed are keen to hold the seed as there is a fall in the seed supplies. This is in anticipation of rise in the seed prices close to the festive season when seasonal demand picks-up starting end July.

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

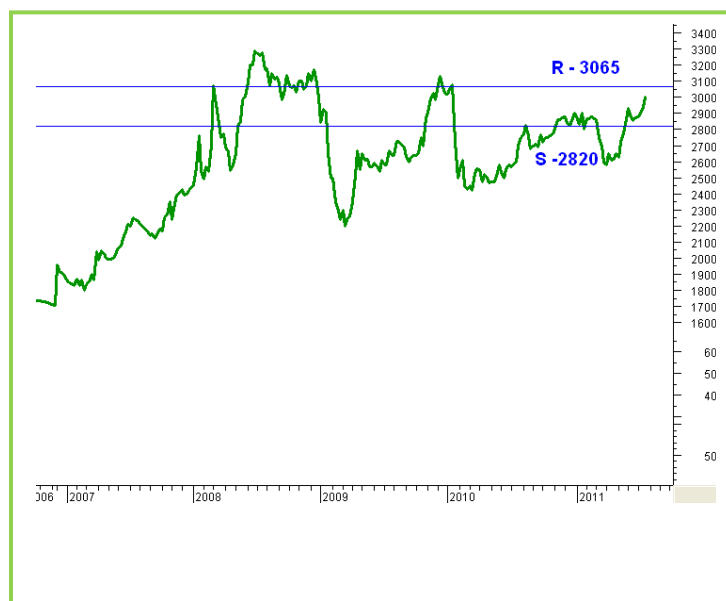
RM Seed Arrivals in Rajasthan in Bags (85 kg each)Wkly Avg.		
CurrentWeekly Arrivals	1 Week Ago	Corresponding Period Last Year
80,000	90,000	41,500

## Technical Analysis:

### NCDEX RM Seed Futures (Aug)



### RM Seed Spot, Jaipur



### Supports & Resistances NCDEX RM Seed - Aug

S2	S1	PCP	R1	R2
2867	2910	2998	3030	3050

- RM seed charts pattern indicates continued buying support in the market. The weekly price closed above 9-day and 18-day EMA supporting bulls in near and medium-term. Price indicators and oscillators reflect prices might move up. The RM seed prices are expected to rise and move **towards 3010 –3020 levels**.

**Trade Recommendation (RM SEED) – 1 Week:** Buy on dips towards 2930 – 2900 levels. T1 - 3020; T2 - 3030; SL - 2885.

**Spot:** In spot, we suggest **Buy** on dips towards 2830levels.

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