

Executive Summary

India's oilseeds market witnessed mixed tone as the market was looking for a direction towards end of the month. The market participants anticipate the oilseeds and oilmeals prices will gain in on renewed seasonal buying in vegetable oils and oilmeals. Supportive soy meal shipments even during lean season coupled with parity on crushing the beans remained encouraging factors for the solvent extractors.

Expected fresh buying activity in edible oils and oilmeals during Muslim holy month, *Ramadan*, will lend support to the soy and rapeseed complex in near-term.

India's soy meal prices are getting attractive compared to the Latin American meal prices. A gradual narrow down in the price spread between Indian and Argentine soy meal was featured in recent days, which is further expected to narrow down warranting Indian meal shipments in more comfortable situation in days ahead. Soy meal demand is seen improving with rise in domestic poultry production on seasonal demand. Poultry feed industry remained keen to buy more meal. In addition, continued demand of soy meal from SE Asia, West Asia and Africa remained supportive to shipments.

RM seed prices continued its gradual upward move followed by improved miller's demand ahead of demand in RM oil and waning seed supplies. Stockists have slowed down off-loading their stock in anticipation higher seed prices during festivities, which starts from August.

However, factors like higher reported soybean acreage this season, 97.82 lha compared to previous years. Favourable weather conditions for domestic soybean crop. Setting up of huge soybean crushing plant in Vietnam by an agriculture processor giant with 3,000 tonnes crush capacity per day and CPO production in Malaysia witness marked increase in June according to MPOB, raising stocks to an 18-month high of 2.05 Mn T are likely to pressure the Indian soy and rapeseed complex.

International

World: Larger than expected carry-in stocks are expected to result in sufficient world supplies of oilseeds in 2011/12, unless weather damage occurs or oilseeds lose acreage to grains. World exports of rapeseed and canola are likely to fall in the third consecutive year. Higher imports into the EU-27 and the USA will sharply reduce supplies for other importers.

As per IGC report at 263 Mn T, world soybean production in 2011/12 is estimated to fall by 1% from last year's record, with US production set to fall because of reduced plantings. A further expansion in feed demand in Asia, notably in China, is expected to further boost world trade in 2011/12 to 97.3 m. tons, 2.9 Mn higher than in the last year. Global soy meal trade is forecast to rise by 2%, to 60.1 Mn T, on larger deliveries to Far East Asia and the EU.

US: In USDA's latest report the soybean crop rating deteriorated in which blooming was reported at 60 per cent as against 5 year average of 68 per cent, setting pods is reported at 16 per cent vs 5 year average of 27 per cent. The crop is rated Good to Excellent condition at 62 per cent against 67 per cent last year.

This is primarily attributed to dry weather conditions in some soybean growing regions posing threat to yield. However, weather forecasts point to some ease in temperatures in parts of the US Midwest. Any negative deviation from its trend line yield will push up the soybean price at benchmark CBOT. Overall, strong old crop export sales (257 Thd T), with higher crude oil futures in recent days and a weaker U.S. dollar remained supportive to US soybeans with spill over strength to the domestic soybean prices.

Argentina: Soybean disposals in Argentina were smaller than expected in June and July, plummeting by 2.0 Mn T from last year to 9.6 Mn T. Acreage competition between corn and soybeans is likely to intensify this season in Argentina.

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

Centers	Ex-factory rates (Rs/ton)		
	30-07-2011	23-07-11	Parity To
Indore (MP)	17000	16700	Gujarat, MP
Kota	17000	16700-16800	Rajasthan, Del, Punjab, Haryana
Akola	17400	16700	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	18000	17700-17800	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	18000	17700-17800	Andhra, AP, Kar, TN
Dhulia/Jalna	18500	17900	Mumbai, Maharashtra
Nagpur (42/46)	17500-17700	17200-17300	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18800	18600-18700	Local and South
Solapur	18500	18200-18300	Local and South

Soy DOC at Port

Centers	Port Price	
	30-07-2011	16-07-11
Kandla (FOR) (INR/MT)	18200	18100-18200
Kandla (FAS) (USD/MT)	412	408-410

International Soy DOC

Argentina FOB \$/MT	30-07-2011	23-07-11	+/-
Soybean Pellets	378	384	-6
Soybean Cake Meal	378	384	-6
Soybean Meal	386	392	-6
Soy Expellers	386	392	-6

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	30-07-2011	23-07-11	Change
Adoni	14300	14200	+100
Khamgaon	13300	13200	+100

Latur	13800	13800	Unch
Parli	13900	13800	+100

Groundnut Meal

Groundnut Meal	30-07-2011	23-07-11	Chg
Basis 45% O&A, Saurashtra	15400	15250	+150
Basis 40% O&A, Saurashtra	14400	14250	+150
GN Cake, Gondal	16500	16000	+500

Mustard DOC/Meal

Mustard DOC/Meal	30-07-2011	23-07-11	Chg
Jaipur (Plant Delivery)	7000	7000	Unch
Kandla (FOR)	8000	7950	+50
Sri Ganganagar	950	930	+20

Planting Progress – Oilseeds, India

The *Kharif* oilseeds planting has reportedly picked-up in recent days with improved rainfall in the Central, Western and North-western parts of India. Sowing was initially hit due to deficit rains in oilseeds growing states like Gujarat, Karnataka, Andhra Pradesh and Maharashtra where Groundnut planting was negatively affected. The lag in GN planting could still be noticed between 28%-35% in different growing states.

All India Kharif oilseeds planting acreage up 5.63% as on 28th July 2011, the overall area covered under various oilseeds is reported at 150 lakh hectares compared to about 142 lakh hectares in the corresponding period last year.

All India Oilseeds Sowing Status As On 28th July 2011

Oilseed	Current year	Last year	% Change
Groundnut	34.4	43.02	-20.04
Soybeans	97.82	85.34	14.62
Sunflower	1.3	1.85	-
Seasamum	11.72	8.32	40.87
Castor	3.72	2.79	33.33
Total	150	142	5.63

The national soybean planting has surpassed the last year's sown area of 93.03 lha and recorded at 97.82 lha (105%) as of 28 July 2011. In Madhya Pradesh the covered area is reported at 57.20 lha. In Maharashtra the planting is done in 26.39 lha. In Rajasthan the area is covered in 8.69 lha, Soybean planting in Andhra and

Karnataka is almost close to the last year's coverage at 1.5 lha and 1.9 lha respectively. In Chhattisgarh planting is slightly trailing due to excess moisture followed by heavy rains in recent days.

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

Sowing Progress - Oilseeds			Area in lha.
Andhra Pradesh (As on 27.07.11)	Current	Corresponding Period Last Year	% Change
Groundnut	7.85	11.69	-33%
Sesamum	0.3	0.76	-61%
Castor	1.24	1.61	-23%
Sunflower	0.04	0.19	-79%
Soybean	1.5	1.33	13%
Other oilseeds	0.002	0.04	-95%
Total	10.932	15.62	-30%
Maharashtra (As on 26.07.11)			
Groundnut	1.67	2.32	-28%
Sesamum	0.32	0.45	-30%
Sunflower	0.16	0.39	-59%
Soybean	26.22	24.19	8%
Nigerseed	0.24	0.22	8%
Other Oilseeds	0.09	0.05	77%
Total	28.70	27.62	4%
Rajasthan (As on 26.07.11)			
Groundnut	3.940	3.000	31%
Sesamum	4.000	2.700	48%
Soybean	8.700	6.200	40%
Catorseed	0.810	0.250	224%
Total	17.45	12.15	44%

The oilseeds planting progress in Rajasthan is ahead of its schedule and has witnessed significant Y-o-Y improvement for soybean, groundnut, sesamum and castorseed.

Rainfall activity in Andhra Pradesh has slightly increased boosting the planting progress to some extent, but the oilseeds planting is still lagging around 30 per cent compared with last year's sowing.

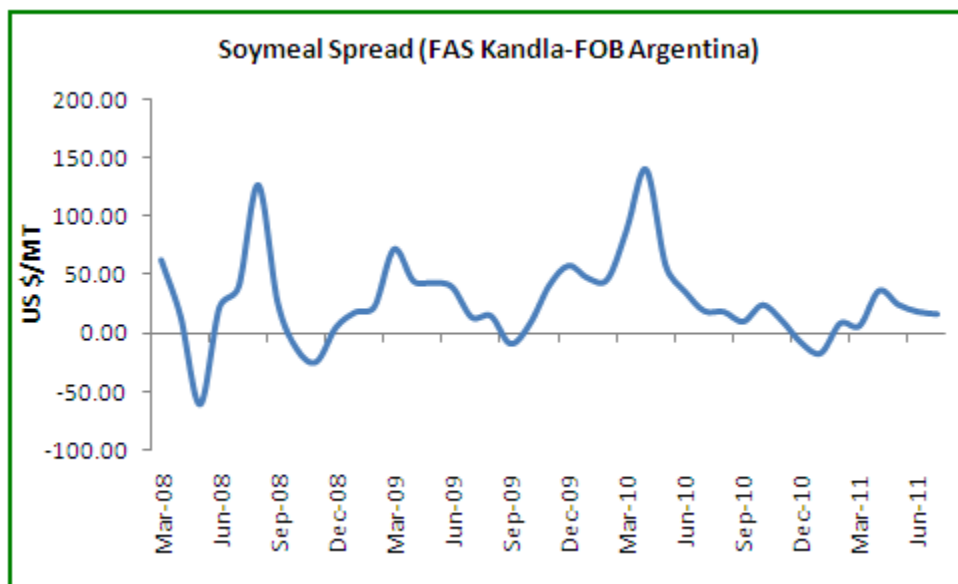
Planting in Andhra Pradesh remained slow due to deficit rains over Rayalseema (-9% deviation of normal), Telangana (-19% deviation of normal rainfall) and Coastal Andhra Pradesh (with -13% deviations from its normal). Overall status of the monsoon in AP is deficit with -18% deviation of the normal rainfall. Sluggish planting activity in Karnataka and Andhra Pradesh has already negatively affected the soybean, groundnut and sunflower acreages. But improved rains over these states are expected to boost the sowing in due course.

For the country as a whole, cumulative rainfall during this year's monsoon (1 Jun to 27 Jul) has been 04% below the LPA. The cumulative seasonal rainfall continues to remain near normal over the four meteorological regions.

In East and North Eastern Indian it is 15% below the LPA, in South Peninsula 3% below LPA. However, in North-West India and Central Indian it remained above 1% and 2 % of LPA respectively.

Soybean Spot

Soy meal - FAS Kandla Vs FOB Argentina (Spread)



*FAS, Kandla less FOB Argentina

The price spread between Indian and Argentine soy meal has narrowed in recent past warranting comfortable situation for soy meal exports of Indian origin. Towards the end of the month, spread between FAS Kandla and FOB Argentina stay around US \$17/MT compared to US\$19/MT in Jun and US \$25/MT in May.

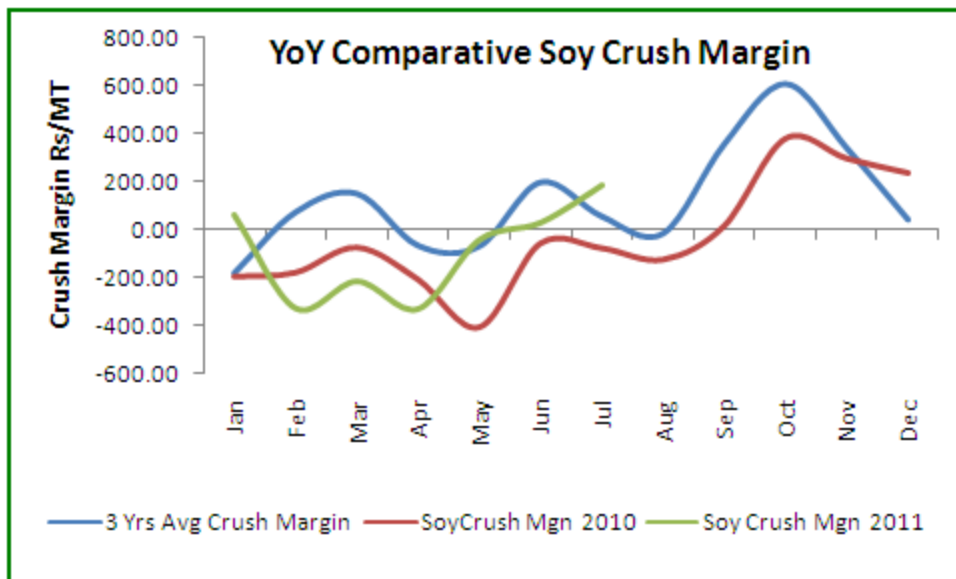
The current spread is getting closer to its 3 years average spread of USD 10/MT when active trade and shipments takes place. We expect a gradual narrow down in the spread towards US \$10/MT in days ahead.

Competitive Indian soy meal prices in conjunction with rise in parity in crushing the beans remain encouraging factors for the solvent extractors. Other than Japan several other countries prefer the non-GMO meal to meet their demand. It is advisable that the meal exporters to aggressively look for the potential markets like SE Asia, West Asia and Africa to increase the soy meal shipments.

As per sources, about 20-23 soybean crushing units with 500 MT of crush capacity per day are in operation for 20 days a month in the *Malwa* region of Madhya Pradesh. Out of these about 16 crushing units is believed will be operation till September. This translates about 4 lakh tonnes of soybean will be crushed by September, which will in turn 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 intact during Aug – Sep which is likely to keep soybean seed and meal prices on encouraging note moving forward.

We feel the domestic soy meal prices will witness some gains in near-term with seasonal demand from poultry feed industry followed by increased poultry output from late July onwards.

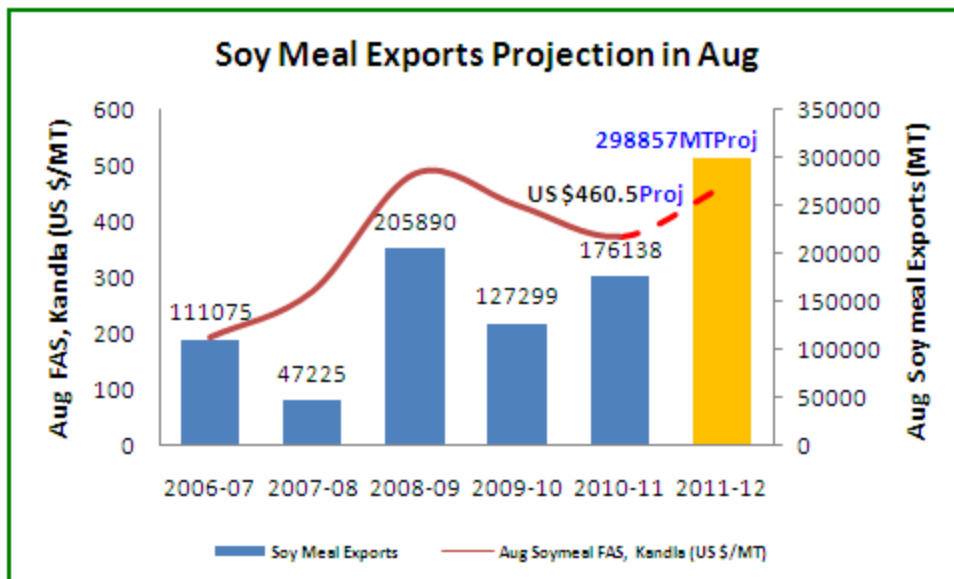
Soy meal Dynamics and Crush Margin



Strong soy meal shipments in tandem with improving crush parity encouraged solvent extractors to in crushing soybean. The soybean crush parity witnessed positive trend in mid-June and since then the parity remained intact in positive territory. Currently, the parity is above last year's monthly average and even above 3 year monthly average. This is primarily attributed to higher soy meal shipments and supportive revenue in meal this season.

The weekly crush margin is ruling around Rs65/MT compared to Rs164/MT previous week and Rs-85/MT in the corresponding week last year. The scenario is supportive for soybean crush in near-term.

Soy meal Exports Projection in Aug



We expect India's August soy meal shipment to stay close to 298857 MT as against 176138 MT during same period last year. Rise in soybean output, higher crushing even during lean season and competitive Indian prices remained supportive factors for higher soy meal shipments this season.

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%.

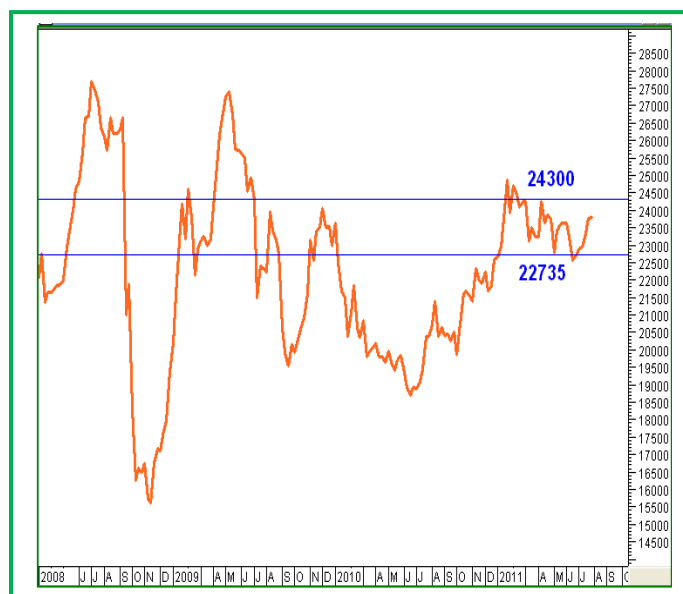
During current Oil year, (October – September), country's exports during October 2010 to June 2011 is 35,95,818 MT as against 17,17,879 MT last year, an rise by 109.31%.

Technical Analysis:

NCDEX Soybean Futures (Sep.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Sep Soybean				
S2	S1	PCP	R1	R2
2355	2385	2475	2535	2580

- The NCDEX soybean futures featured gains during the week.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Oscillators and price indicators indicate prices to gain during the week. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2530 – 2535 levels.
- **Trade Recommendation (NCDEX Soybean - Sep) – 1 Week:** Buy on dips towards 2395 – 2390 levels. T1 – 2515; T2 - 2525; SL - 2335
- **Spot:** We recommend **Buy** on dips towards 2320 – 2310 levels.

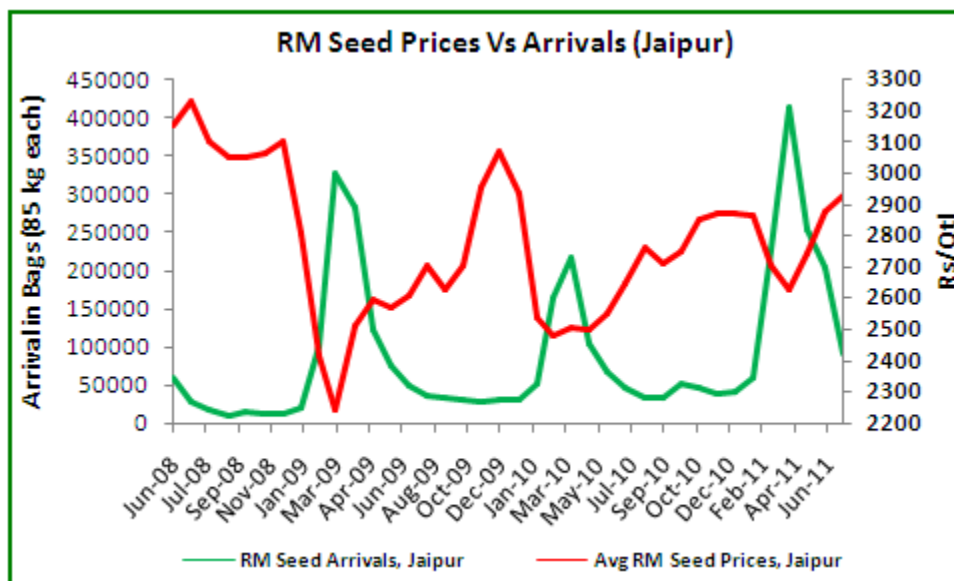
Rapeseed - Mustard Seed

The domestic RM seed prices witnessed mixed tone during the period of review, last week of the month. The market was looking for a direction. The millers and stokists are anticipating the seed demand to rise in days ahead.

The mustard oil usages increased during monsoon and thereafter followed by festivities in months ahead. Expected seasonal demand in RM oil in conjunction with Muslim holy month, *Ramadan*, when the oil usage improves is expected to lend support to RM seed prices in near-term.

In key RM seed cash markets in Rajasthan the stockists are seen holding their stock in anticipation of higher seed prices in days ahead.

RM Seed Prices Vs Arrivals, Benchmark - Jaipur



This resulted in fall in the seed supplies toward the end of the month, July, to around 35,000 – 40,000 bags per day from 190,000 - 200,000 bags a day initially in the month. In July the total seed arrivals in various markets of Rajasthan is reported at 2,175,000 bags against 5,530,000 bags in the month of June.

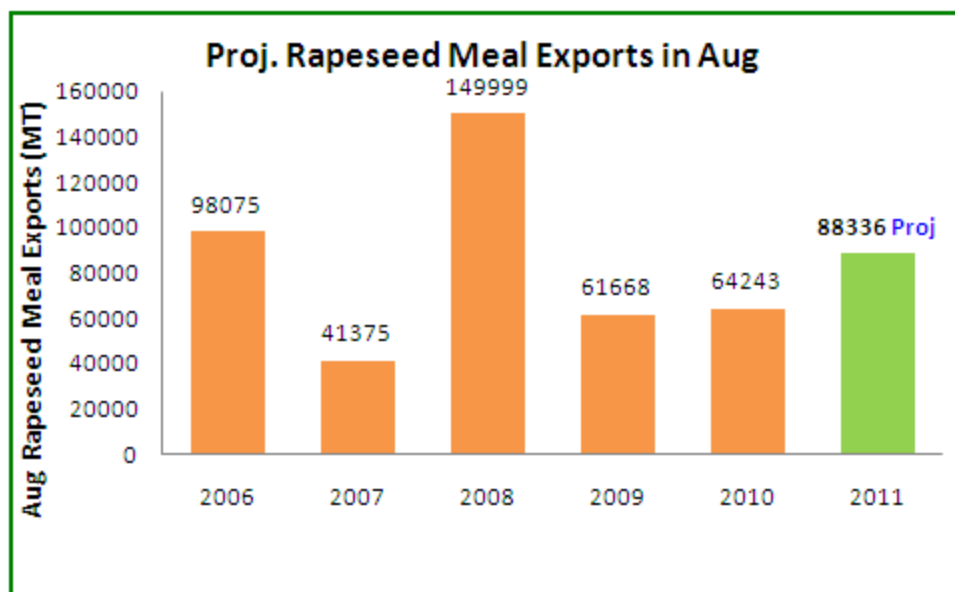
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Current Weekly Arrivals	1 Week Ago	Corresponding Period Last Year
3,58,000	4,00,000	2,65,000

Besides mustard oil demand, the export and domestic usage of rapeseed-mustard extract also drives the RM seed market. Better the exports and domestic usage of extract demand, higher would be the crushing demand in the seed, which might underline the RM seed prices going ahead.

In Sri Ganganagar the RM seed buyers are small local millers unlike in April and May when the seed demand comes from the millers of Morena, Madhya Pradesh, the non-condition seed prices in Ganganagar are ruling around Rs2500/Qtl. RM expeller oil is quoted at Rs700/10kg and rapeseed-mustard seed oilcake in the same center is quoted at Rs953/Qtl.

Projected India's Rapeseed Meal Exports in Aug



We expect India to export around 88336 MT of RM seed extract in August. China and South Korea together bought 62640 MT of rape extract in July. Both the countries remain big and consistent buyers of rape extract of Indian origin. However, no delivery to Philippines, Japan and Cambodia reported in the month of June due to fall in usage in cattle-feed in these destinations.

In June 2011 Indian mustard extract exports stood at 102437 MT (+127%) compared to 45152 MT during the same period 2010. India exported about 130082 MT (+101%) of mustard extract in April 2011 compared to just 64583 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.

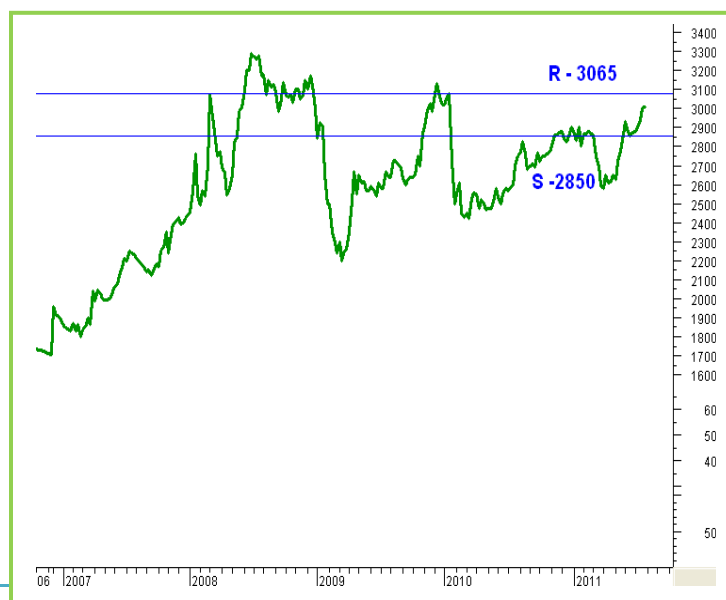
With expected rise in mustard oil demand during August and thereafter and consequent improved crushing in the seed, the millers are advised aggressively explore the exports opportunity in the destinations like Japan, Cambodia and Philippines. Improved crushing will subsequently increase the production of rape extract.

Technical Analysis:

NCDEX RM Seed Futures (Sep)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2963	2961	3017	3052	3060

- Side-ways price movement was witnessed in RM seed futures during the period. The weekly price closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices will slightly move upwards during the week. The RM seed prices are expected to gain and move towards 3040 –3045 levels.
- **Trade Recommendation (NCDEX RM SEED - Sep) – 1 Week:** Buy on dips towards 2990 – 2980 levels. T1 – 3040; T2 - 3050; SL - 2965.

RM Seed Spot: In spot the RM seed prices are expected to move slightly higher towards 3060 level. We recommend buyers to go for buy towards 2920 – 2960 levels.

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