

**Executive Summary**

India's oilseeds and oil meal prices surged on renewed seasonal demand 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 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 to increase in near term. 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 backed by miller's demand ahead of festivals. Stockists have slowed down off-loading their stock in anticipation higher seed prices during festivities, which starts from August.

However, higher reported soybean acreage this season, and favourable weather conditions might brighten the soybean production prospect.

**International**

**World:** Larger than expected carry-in stocks shall ensure adequate supply for total oilseed in 2011/12, unless weather damage occurs or oilseeds lose acreage to grains as per IGC report. World exports of rapeseed and canola are likely to fall in the third consecutive year.

IGC pegged global soybean production at 263Mn T for 2011/12 down by nearly 1 per cent compared with previous year. Decline is primarily attributed to lower US soybean production estimates.

Asian demand for soybean and meal is projected to increase with major feed demand is expected to increase from China and other SE Asian nations. This stands encouraging for meal trade with projections showing global soy meal trade to rise by 2%, to 60.1Mn T, on larger deliveries to Far East Asia and the EU.

**US:**

Weather is expected to improve later this week with a cool front moving south from Canada bringing milder temps and scattered showers to the Central and eastern Midwest. The Northern Plains would get their reprieve from heat with rains in the next week. Moving forward, forecast for return to more normal temps and precipitation for mid-August is indicated which would help yield outlook. However, current drier and severe heat in the Southern Plains might take a toll in the final yield. In USDA's latest report the soybean crop rating has deteriorated with blooming reported at 77 per cent as against 5 year average of 81 per cent, setting pods reported at 34 per cent vs 5 year average of 45 per cent. The crop is rated Good to Excellent condition at 60 per cent against 66 per cent last year.

This is primarily attributed to dry weather conditions in some soybean growing regions posing threat to yield. The current temperature in US soybean growing belt is ranging between 64 –84 degrees. Forecast of high temperatures of 105 degrees or more will be commonplace especially across Kansas, Oklahoma and north Texas. Overall, strong old crop export sales (257,000 T), with weaker U.S. dollar remained supportive to US soybeans with spill over strength to the domestic soybean prices.

**US Soybean Crop – Expected WASDE Projection and Analysis**

Parameters	2010-11	2010-11		% Change
	Est	Jul'11	Aug11 (Proj)	
US				
Soybean planted acreage m.a.	77.4	75.2	75.2	0.00%
Soybean Harvested acreage m.a.	76.6	74.3	74.3	0.00%
Soybean yield, in b / a	43.5	43.4	41.8	-3.69%
Beginning Stocks, in m.b.	151	200	200	0.00%
Soybean production, in m.b.	3329	3225	3105.74	-3.70%
b / a – Bushels per acre; m.b. – Million bushels; m. t. – Million tons ; m.a. - Million acres				

The present weather conditions of a dry hot July will affect the crop yield considerably.. With G/E conditions in below 62% of acreage, the final US soy yield could stay close to 41.6 bushel per acre. if conditions are to improve by end of August in over 62% of acreage, we expect final US yield to stay close to 41.8 bushel per acre. However, actual yield estimates could only be known after Aug.

USDA might revise down its yield estimates in its August report to a range of 41.6 to 42 bushel per acre with a mean of 41.8 bushels per acre. This would bring the production down to 3106 million bushels.

**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. Lower export m-o-m might lead Argentinean exporters to lower their offered quotes to boost soy meal export.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>30-07-2011</b>	<b>30-06-2011</b>	
	Indore –Plant	2350-2380	2260-2290	<b>+90</b>
	Indore –Mandi	2240-2270	2160-2210	<b>+60</b>
	Nagpur-Plant	2350-2500	2350-2390	<b>+110</b>
	Nagpur – Mandi	2300-2450	2250-2350	<b>+100</b>
	Kota-Plant	2340-2380	2240-2280	<b>+100</b>
	Kota – Mandi	2270-2310	2200-2250	<b>+60</b>
<b>Rapeseed/Mustard</b>	Jaipur – C	3020-3025	2890	<b>+135</b>
	Alwar – C	2910-2915	2800	<b>+115</b>
	SriGanganagar	2530	2530	<b>Unch</b>
	Kota	-	2500	<b>-</b>
	Neewai	2980	-	<b>-</b>
	Delhi– C	2970	2880	<b>+90</b>
	Hapur (UP)	3055	2925	<b>+130</b>
<b>Groundnut Seed</b>	Rajkot	800	775	<b>+25</b>
	Junagarh	-	-	<b>-</b>
<b>Sunflower Seed</b>	Latur	2900-3200	3000-3200	<b>Unch</b>
	Gulbarga	-	-	<b>-</b>
	Solapur	3200-3400	3000-3150	<b>+250</b>

Soybean Prices are in INR per Qtl ,Arrivals(1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR per Qtl, Arrival (1 bag=85 kg) 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
<b>Soybean</b>		<b>30-07-2011</b>	<b>30-06-2011</b>	
	Madhya Pradesh	40000	40000	<b>Unch</b>
	Maharashtra	5000	10000	<b>-5000</b>
	Rajasthan	4000	3500	<b>-500</b>
<b>Rapeseed/Mustard</b>	Rajasthan	38000	170000	<b>-132000</b>
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

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

Centers	Ex-factory rates (Rs/ton)		
	30-07-2011	30-06-2011	Parity To
Indore (MP)	17000	16300	Gujarat, MP
Kota	17000	16400	Rajasthan, Del, Punjab, Haryana
Akola	17400	16200	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	18000	17700	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Nanded/Latur	18000	17700	Andhra, AP, Kar, TN
Dhulia/Jalna	18500	17900-18000	Mumbai, Maharashtra
Nagpur (42/46)	17500-17700	16500-16800	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18800	17800-18000	Local and South
Solapur	18500	17600	Local and South

**Soy DOC at Port**

Centers	Port Price	
	30-07-2011	30-06-2011
Kandla (FOR) (INR/MT)	18200	17400-17500
Kandla (FAS) (USD/MT)	412	387-389

**International Soy DOC**

Argentina FOB \$/MT	30-07-2011	30-06-2011	+/-
Soybean Pellets	378	353	+25
Soybean Cake Meal	378	353	+25
Soybean Meal	386	361	+25
Soy Expellers	386	361	+25

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	30-07-2011	30-06-2011	Change
Adoni	14300	14300	Unch
Khamgaon	13300	13000	+300
Latur	13800	13400	+400
Parli	13900	13400	+500

**Groundnut Meal**

Groundnut Meal	30-07-2011	30-06-2011	Chg
Basis 45% O&A, Saurashtra	15400	15200	+200
Basis 40% O&A, Saurashtra	14400	14400	Unch
GN Cake, Gondal	16500	16000	+500

**Mustard DOC/Meal**

Mustard DOC/Meal	30-07-2011	30-06-2011	Chg
Jaipur (Plant Delivery)	7000	7000	Unch
Kandla (FOR)	8000	8000	Unch
Sri Ganganagar	950	913	+37

**Planting Progress – Oilseeds, India**

All India Kharif oilseeds planting acreage were 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.

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 is between 28%-35% in different growing states.

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 planting is done in 26.39 lha. In Rajasthan the area covered so far is 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 due to heavy rains in recent days.

**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	1.30	1.85	-30.0
Seasamum	11.72	8.32	40.87
Castor	3.72	2.79	33.33
<b>Total</b>	<b>150</b>	<b>142</b>	<b>5.63</b>

Source: Ministry of Agriculture

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

<b>Sowing Progress - Oilseeds</b>		<b>Area in lha.</b>	
<b>Andhra Pradesh (As on 27.07.11)</b>	<b>Current</b>	<b>Corresponding Period Last Year</b>	<b>% Change</b>
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%
<b>Total</b>	<b>10.932</b>	<b>15.62</b>	<b>-30%</b>
<b>Maharashtra (As on 26.07.11)</b>			
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%
<b>Total</b>	<b>28.70</b>	<b>27.62</b>	<b>4%</b>
<b>Rajasthan (As on 26.07.11)</b>			
Groundnut	3.940	3.000	31%
Sesamum	4.000	2.700	48%
Soybean	8.700	6.200	40%
Catorseed	0.810	0.250	224%
<b>Total</b>	<b>17.45</b>	<b>12.15</b>	<b>44%</b>

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 recently, boosting the planting progress, but total oilseeds planting is still lagging as shown in the above table. However, sunflower acreage is likely to pick up during Aug. Sluggish planting in AP is primarily attributed to deficit rains over Rayalseema (-9%),Telangana (-19%) and Coastal Andhra Pradesh (-13%). Overall status of the monsoon in AP is deficit with -18% deviation of the normal rainfall.

Considering overall normal to near normal precipitation over soybean growing region of India and information of normal crop outlook we expect yield to stay normal as that of previous year.

**Findings of a small farmer survey by Agriwatch**

State	Variety	Seed Rate	Plant Density	Area 2011	Yield kg/ha
Madhya Pradesh	JS9560, Samrat, JS335, NRC7	86	432338	57	1191
Maharashtra	JS335, 9305, 9560	65	324000	26	1148
Rajasthan	JS 335, 9305 and 9560	72	362070	9	1352
*Note: Yield calculated on the basis of Weighted Average.					1194

For the study, the total sample size of farmers covered was 20; about 8 farmers from Madhya Pradesh, 7 from Maharashtra and 5 from Rajasthan out of various districts of these states. These farmers were telephonically interviewed to get the actual crop condition and the status.

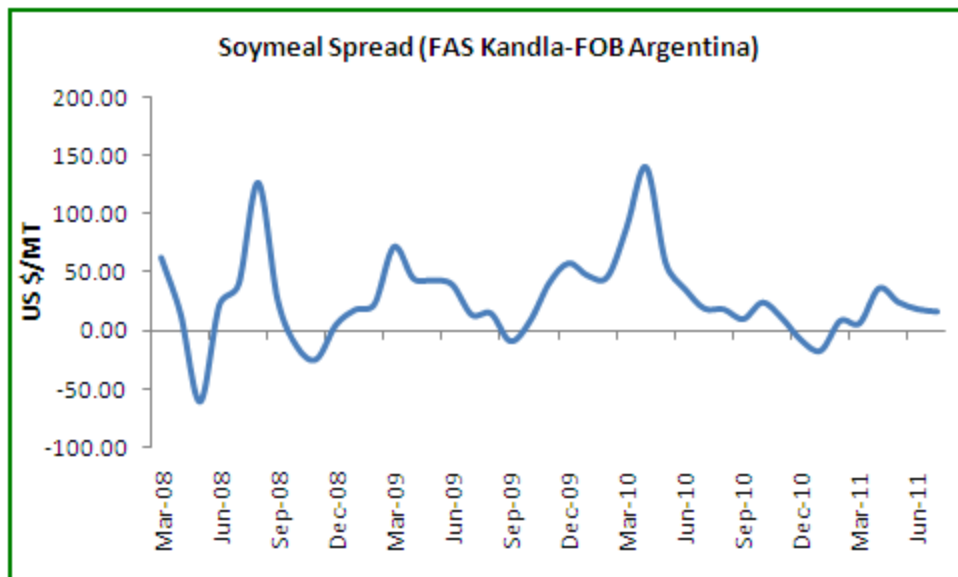
Farmers in MP, Maharashtra and Rajasthan are reported to have maintained average seed rate of 86, 65 72 kg/ha respectively. Standard soybean seed rate is at 75 to 80 Kg/Hec. There is no marked variation of seed rate y-o-y in all the three states.

With normal rainfall and other weather conditions, at a 80% germination rate, at this plant density, we project average soybean yield at 1194 kg/ha. However, final soybean yield might depend on actual rainfall during Aug and subsequent weather condition.

**Soybean Production Outlook- Projections:** Considering the soybean sown area of about 98 lha and projected yield at 1194kg/ha. The total India's soybean output is estimated at around 12 Mn T.

**Soy meal- FAS Kandla Vs FOB Argentina (Spread)**

The domestic soy meal demand consistently remained steady in the previous month and a renewed demand featured in the market. The poultry feed industry is the major buyer with seasonal rise in poultry production. Besides, overseas demand remained strong this year, despite the lean crushing season. Growing demand of non-GMO soy meal from Far-East and SE Asian countries remained a supportive factor for Indian soy meal exports. Emerging markets like West Asia and Africa could be long-term buyers.



\*FAS, Kandla less FOB Argentina

The price spread between Indian and Argentine soy meal has narrowed in the recent past warranting a comfortable situation for soy meal exports of Indian origin. Current monthly spread between FAS Kandla and FOB Argentina is 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.

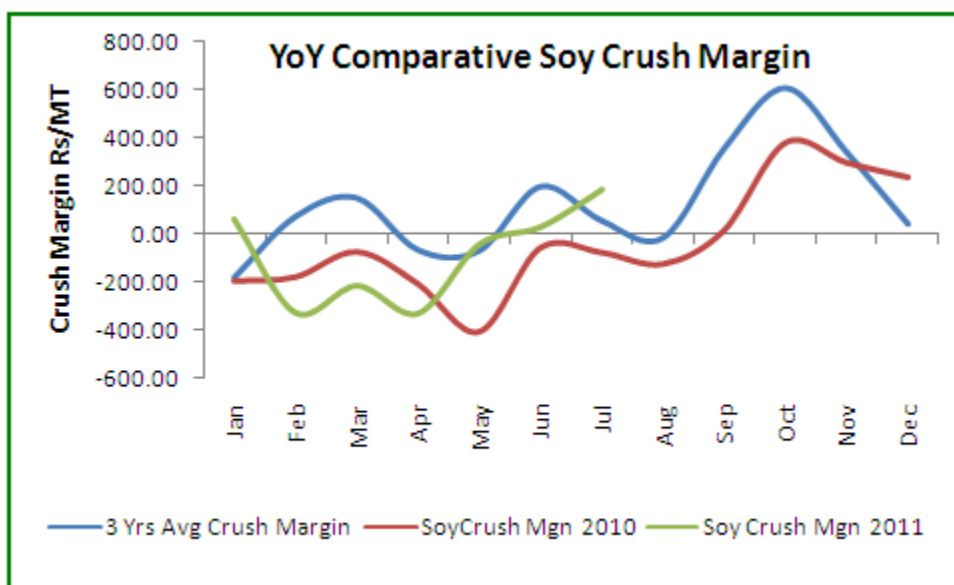
Competitive Indian soy meal prices in conjunction with surge in crushing parity remain encouraging to the solvent extractors. It is advisable that the meal exporters aggressively look for the potential markets like SE Asia, West Asia and Africa to increase the soy meal shipments.

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 are believed will be operating till September. This translates to about 4 lakh tonnes of soybean 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 exports to stay at higher levels during Aug – Sep which might lend underlying support to meal prices in particular and soybean in general.

We expect domestic soy meal prices might gain in near-term with buying support from feed industry.



## Soy meal Dynamics and Crush Margin



Soybean crush parity improved m-o-m as depicted in the above chart. 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 from meal and oil.

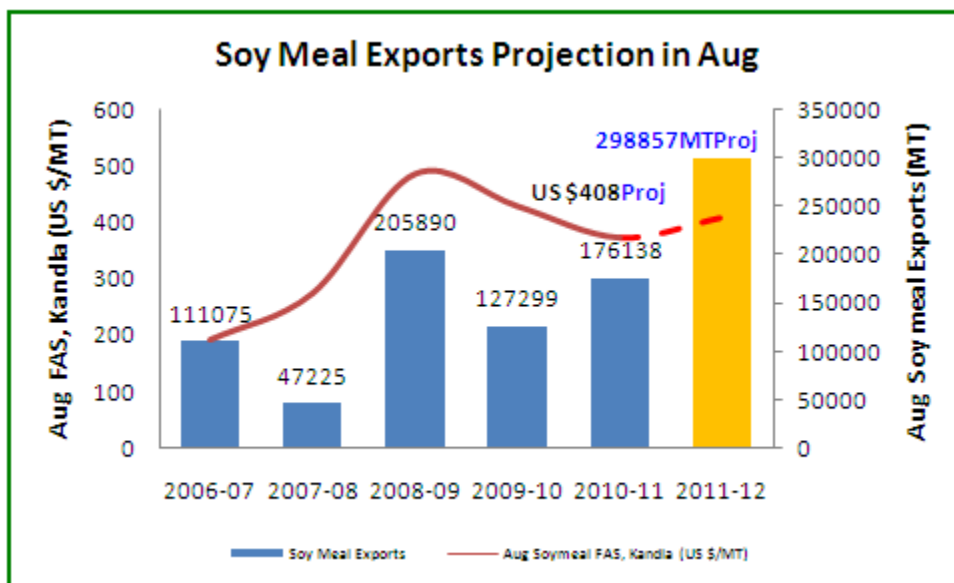
The monthly crush margin is ruling around Rs183/MT compared to Rs29/MT last month and Rs-74/MT in the corresponding month last year. The scenario is supportive for soybean crush in near-term.

### Expected Price Range in Soy Complex During August:

Commodity	Price Range	Crush Margin
Soybean	24000-24200	263
Soy Meal	17300-17400	
Soy Oil	64200-64500	

Taking the expected average price of soybean, meal and oil we feel the soybean crush margin will stay around Rs250-260/MT. While the, July average crush margin was around Rs183/MT, it is expected to be Rs. 263/MT in August. The rise in parity will encourage the solvent extractors in days ahead.

## Soy meal Exports Projection in Aug



We expect India's August soy meal shipment to stay close to 298,857 MT as against 176,138 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. For the month of June we had projected the meal shipment at 1,40,417 MT, the actual shipment was recorded 1,17,600 MT (deviation of -16%).

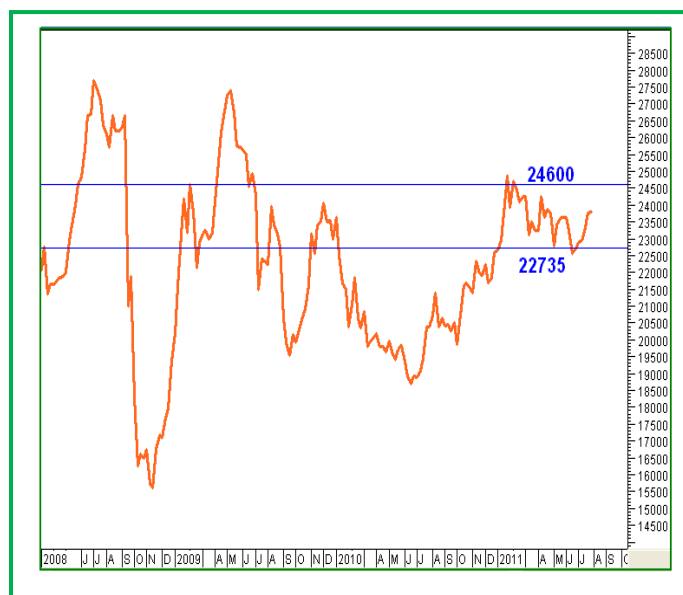
With expectation of increase in exports from Indian ports, we expect offered FAS Kandla prices (USD/MT) to improve marginally to USD 408/MT from average current prices of USD 400.

## Technical Analysis:

### NCDEX Soybean Futures(Sep.)



### Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Sep Soybean

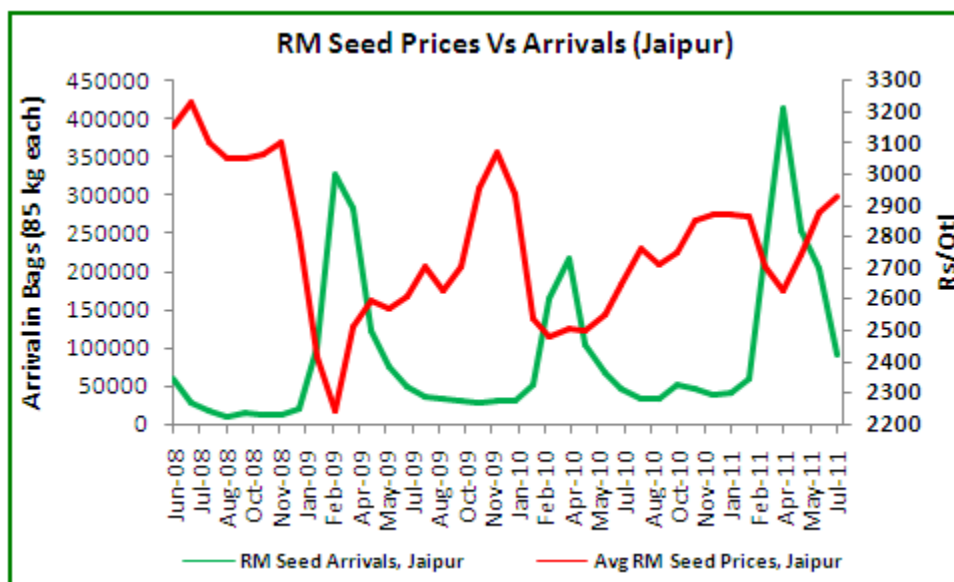
S2	S1	PCP	R1	R2
2190	2333	2475	2561	2647

- The NCDEX soybean futures featured gains during the month.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Oscillators and price indicators indicate prices to gain during the month. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2530–2550 levels.
- **Trade Recommendation (NCDEX Soybean - Sep) – 1 Month:** Buy on dips towards 2400– 2390 levels. T1 – 2530; T2 - 2575; SL - 2335
- **Spot:** We recommend **Buy** on dips towards 2320 –2310 levels.

## Rapeseed - Mustard Seed

The domestic RM seed prices extended gains during July on supportive buying from millers ahead of renewed seasonal demand in mustard oil. With both the start of Muslim and Hindu festivities in August, Mustard Oil sales are expected to increase lending support to RM Seed in the near term.

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

**RM Seed Prices Vs Arrivals, Benchmark - Jaipur**


This resulted in fall in the seed supplies towards the month end. Arrivals during July declined by around 35,000 – 40,000 bags per day from 190,000 - 200,000 bags a day during the month. M-o-M change in arrivals is shown in the following table:

**RM Seed Supply, Rajasthan**

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Current Monthly Arrivals - Jul	1 Month Ago	Corresponding Period Last Year
21,75,000	5,530,000	11,70,000

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

**Expected Price Range and Crush Margin – RM Seed Complex (Rs per MT)**

**Jaipur**

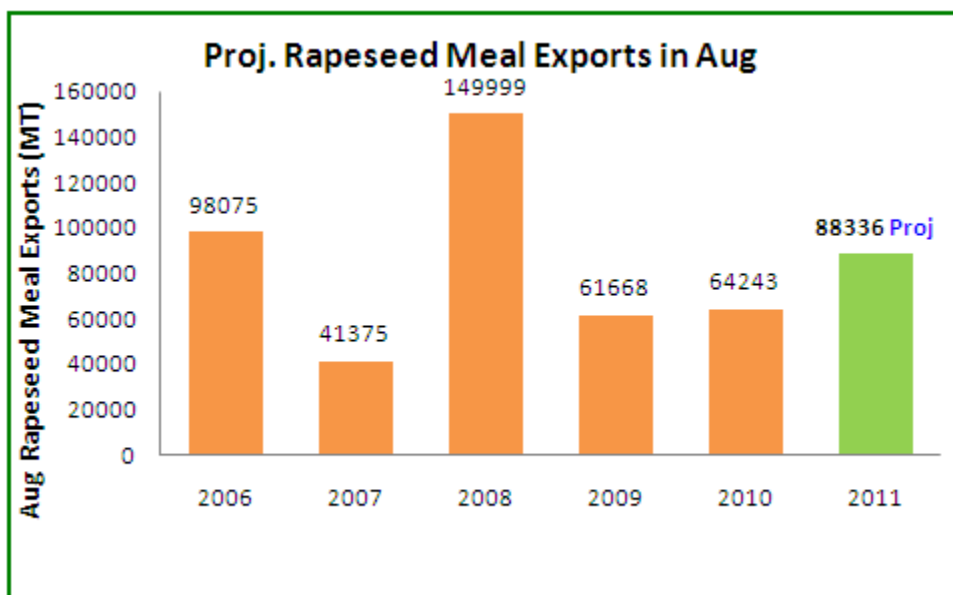
Commodity	Price Range	Crush Margin
RM Seed	30500-30600	-1987
Rape Extract	7300-7400	
RM Oil	64000-65000	

**Sri Ganganagar**

Commodity	Price Range	Crush Margin
RM Seed	26500-27000	2805
Rape Extract	9700-9800	
RM Oil	65000-65500	

**Alwar**

Commodity	Price Range	Crush Margin
RM Seed	29500-30000	-1106
Rape Extract	6700-6900	
RM Oil	65000-65500	

**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 June. 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. Moving forward, rape meal export to SE destinations is projected to stay firm which might lend additional support to RM seed prices moving forward.

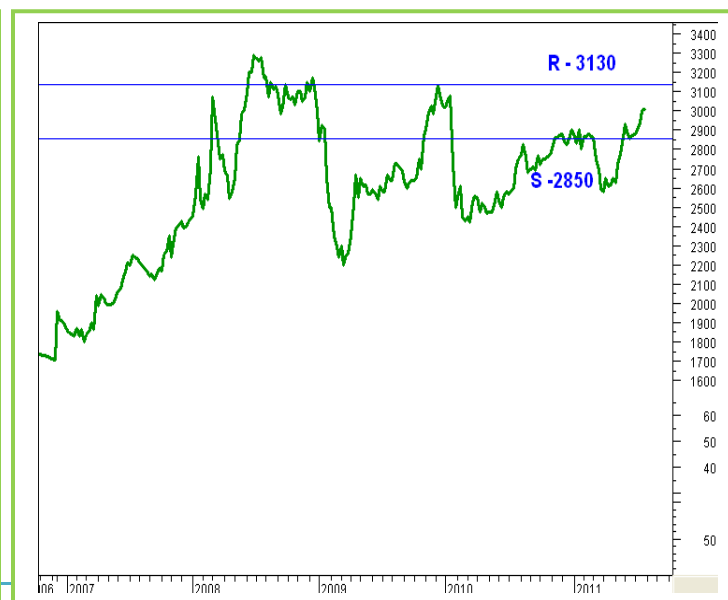
With expected rise in mustard oil demand during August and consequent improved crushing in the seed, the millers are advised aggressively explore the exports opportunity in the destinations like Japan, Cambodia and Philippines. Improved crushing will subsequently increase the production of rape extract.

## Technical Analysis:

### NCDEX RM Seed Futures (Sep)



### RM SeedSpot, Jaipur



### Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2842	2930	3017	3075	3132

- Buying support was witnessed in RM seed futures during the period. The monthly price closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices will slightly move upwards during the month. The RM seed prices are expected to gain and move towards 3045 –3060 levels.
- **Trade Recommendation (NCDEX RM SEED - Sep) – 1 Month:** Buy on dips towards 2940– 2950 levels. T1 – 3060; T2 - 3080; SL - 2895.

**RM Seed Spot:** In spot the RM seed prices are expected to move slightly higher towards 3100 level and. We recommend buyers to go for buy towards 2900 levels and increase further buying towards 2850level.

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