

**Executive Summary**

India's oilseeds market witnessed mixed trend on varied factors during the period of review. Soybean prices witnessed firm tone on crushing demand followed by rise in soy meal usage and lower inventories in beans. The RM seed prices slightly eased in several key markets pressured by weak global cues while prices of the seed slightly edged-up in few centers on supportive buying activity.

However, the market participants feel that the oilseeds and oilmeals prices will gain in on renewed seasonal buying in vegetable oils and oilmeals. Continued overseas soy meal demand even during lean season coupled with parity on crushing the beans remained encouraging factors for the solvent extractors.

Buying support in edible oils and oilmeals during Muslim holy month, *Ramadan*, and Hindu festivities during August will lend support to the soy and rapeseed complex in near-term.

Despite slight widening of the spread between Indian and Argentine soy meal prices, the overseas buyers are keen in Indian meal enquiries. We feel a gradual narrow down in the price spread between Indian and Argentine soy meal in days ahead. The domestic soy meal demand is improving with the rise in domestic poultry production on seasonal demand. The Far-East Asia, West Asia and Africa remained the hot destinations for Indian soy meal shipments which remain. The scenario is lending support to the local soy meal prices.

RM seed prices slightly eased pressured by weak international vegetable oil market. However, expected demand in the RM oil is likely to renew the uptrend in the seed prices. Millers are in the wait and watch situation since the prices of the seed were pressured by the international market. We feel renewed by activity will be featured in near-term. Stockists have slowed down off-loading their stock in anticipation higher seed prices during festivities, which starts in the month of August.

Conducive weather condition for Indian soybean crop and reported higher soybean acreage this season at 100.13 lha compared to 93.03 lha last year. Rise in Malaysian and Indonesian palm oil production in 2011 by trade bodies in association with raising stocks of CPO to an 18-month high of 2.05 Mn T by MPOB are likely to pressure the Indian soy and rapeseed complex. In addition, sharp fall in crude oil ( below US \$80/bl from US \$ 99.59/bl in 26 Jul), uncertainties in US economy after downward credit rating are considered to be bearish factors which will subsequently pressure the international soybean complex and vegoil markets resulting in the weakness in domestic soybean and RM seed complex in near-term. The only bullish factor seen is the US dry weather which is a threat to US soybean yield output. The US soybean crop condition is reportedly deteriorating since last 3 weeks.

**International**

**World:** World outturn of 7 oilseeds is estimated at 452.5 Mn T in 2011/12, just 1.8% above this season, of which soybeans 266.3 Mn T (up 0.5%), sunflowerseed 35.8 Mn T (up 8%) and rapeseed and canola 59.1 Mn T (down 1.5%), as per estimates of Oil World.

World supplies of rape oil are set to fall by about 0.9 Mn T in Oct/Sept 2011/12. This is virtually offset by a similar increase in sunflower oil, but this would just result in a stagnation of supplies for these two important oils, raising global dependence on soya oil and palm oil, increasing the crush demand in soybean.

**US:** The US soybean crop rating deteriorated in the 4th consecutive week indicating towards yield loss this season. In the official US crop progress report blooming was reported at 87 per cent as against 5 year average of 89 per cent, setting pods is reported at 51 per cent vs 5 year average of 63 per cent. The crop is rated Good to Excellent condition at 61 per cent against 66 per cent last year.

Dry weather in US leading to moisture stress to the crop is the prime factor for the crop deterioration. The current temperature in US soybean growing belt is recorded between 62 – 76 degrees Fahrenheit.

**Argentina:** As per the estimates of Oil World, Argentina's soybean crop in 2012 is expected to rise on the year. Argentina is expected to harvest 53.0 million tonnes of soybeans in early 2012, up from 49.2 million tonnes harvested in 2011. Argentine farmers are likely to cover the area under soybean to 19.3 million hectares of soybeans for the 2012 crop, up from 18.8 million hectares harvested in early 2011.

**Brazil:** Brazil's soybean exports in July reached 3.74 million tonnes, down from the 4.55 million tonnes shipped in June and 4 million tonnes exported in July last year. Soymeal exports during July stood at 1.179 Mn T 1.48 Mn T during the same period last year. The soybean output of Brazil is expected to fall below the record 2011 crop. Brazil's soybean output in 2012 is expected to decline to 73.50 million tones, which is below the record production of 75.04 in 2011. Brazil's soybean planting in 2012 will rise to 24.7 million hectares from 24.1 million hectares in 2011.

Sufficient South American crops will be needed to ensure world soybean supplies in the 2011/12 season in the face of expected poor northern hemisphere soybean crops including uncertainty about the U.S. harvest.

As per Oil World, in the 2011/12 season as well as in years ahead, consumers worldwide will become increasingly dependent on a further expansion of South American soybean plantings and production.

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

Centers	Ex-factory rates (Rs/ton)		
	06-08-11	30-07-2011	Parity To
Indore (MP)	17200	17000	Gujarat, MP
Kota	17200	17000	Rajasthan, Del, Punjab, Haryana
Akola	17600	17400	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	19000	18000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	18300	18000	Andhra, AP, Kar, TN
Dhulia/Jalna	18000-18300	18500	Mumbai, Maharashtra
Nagpur (42/46)	17500-17600	17500-17700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	19000	18800	Local and South
Solapur	18600	18500	Local and South

**Soy DOC at Port**

Centers	Port Price	
	06-08-11	30-07-2011
Kandla (FOR) (INR/MT)	18250-18450	18200
Kandla (FAS) (USD/MT)	406-410	412

**International Soy DOC**

Argentina FOB \$/MT	06-08-11	30-07-2011	+/-
Soybean Pellets	372	378	-6
Soybean Cake Meal	372	378	-6
Soybean Meal	380	386	-6
Soy Expellers	380	386	-6

**Sunflower Meal Rates**

Centers	Ex-factory rates (Rs/ton)		
	06-08-11	30-07-2011	Change
Adoni	14200	14300	-100
Khamgaon	13200	13300	-100
Latur	13800	13800	Unch
Parli	13800	13900	-100

**Groundnut Meal**

Groundnut Meal	06-08-11	30-07-2011	Chg
Basis 45% O&A, Saurashtra	15300	15400	-100
Basis 40% O&A, Saurashtra	14300	14400	-100
GN Cake, Gondal	16000	16500	-500

**Mustard DOC/Meal**

Mustard DOC/Meal	06-08-11	30-07-2011	Chg
Jaipur (Plant Delivery)	6700	7000	-300
Kandla (FOR)	7000	8000	-1000
Sri Ganganagar	918	950	-32

**Planting Progress – Oilseeds, India**

All India *Kharif* oilseeds planting acreage were up 3.18% as on 05th August 2011, the overall area covered under various oilseeds is reported at 157.92 lakh hectares compared to about 153.06 lakh hectares in the corresponding period last year. However, there are exceptions with regards to lower reported plantings in groundnut (-18% – 35%) and sunflower (-50% - 64%) due to deficit rain over the key growing states. The planting progress improved in recent past which was initially negatively hit due to scarcity of rainfall over oilseeds growing region.

Area under soybean has significantly gained about 108% and reported at 100.13 lha compared to 93.03 lha last year. In Madhya Pradesh the covered area is reported at 57.25 lha. In Maharashtra planting is done in 28.26 lha. In Rajasthan the area covered so far is 8.7 lha, soybean planting in Andhra and Karnataka combined together reported 3.61 lha slightly above last year's area. In Chhattisgarh the planting is slightly lower compared to last year.

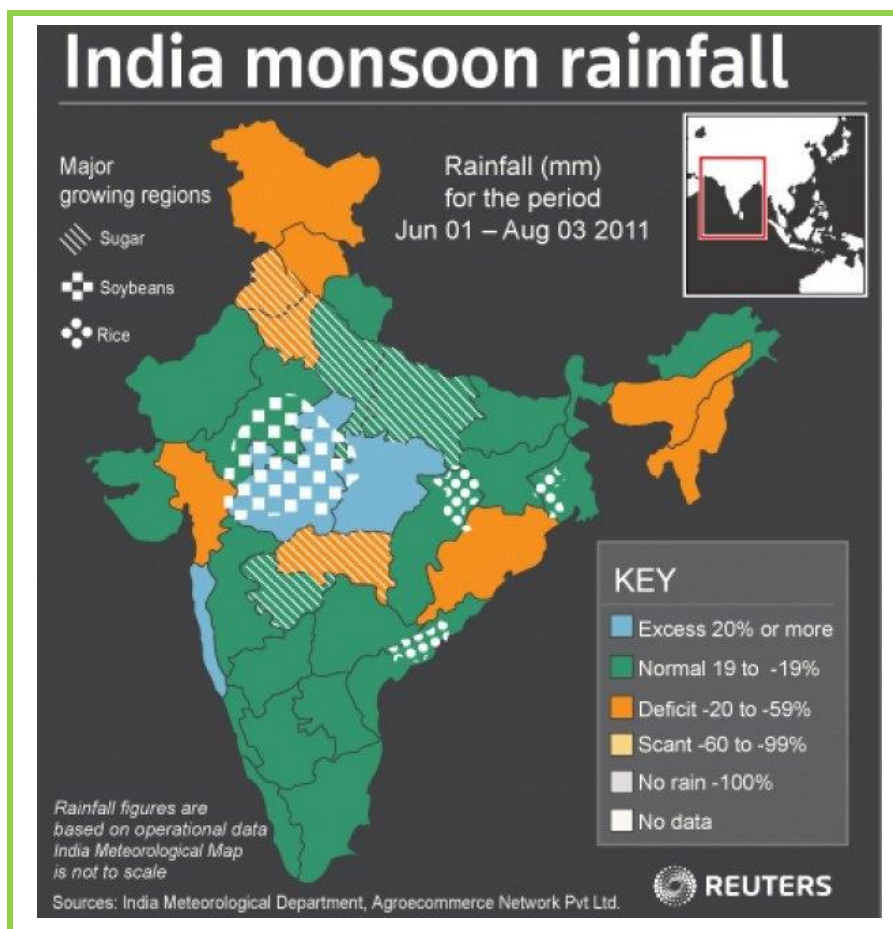
**All India Soybean Planting Status As On 05 August 2011**

State	Area 2010 (In lha)	Area 2011 (In lha)	Sowing %
Madhya Pradesh	55.19	57.25	103.73
Maharashtra	26.03	28.26	108.57
Rajasthan	6.92	8.709	125.85
Andhra Pradesh	1.41	1.52	107.80
Karnataka	1.80	2.09	116.11
Chhattisgarh	1.49	1.44	96.64
Rest of India	0.19	0.862	453.68
<b>TOTAL</b>	<b>93.03</b>	<b>100.13</b>	<b>107.52</b>

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 03.08.11)</b>	<b>Current</b>	<b>Corresponding Period Last Year</b>	<b>% Change</b>
Groundnut	8.18	12.57	-35%
Sesamum	0.31	0.81	-62%
Castor	1.51	1.67	-10%
Sunflower	0.08	0.22	-64%
Soybean	1.52	1.34	13%
Other oilseeds	0.002	0.04	-95%
<b>Total</b>	<b>11.602</b>	<b>16.65</b>	<b>-30%</b>
<b>Maharashtra (As on 02.08.11)</b>			
Groundnut	2.03	2.47	-18%
Sesamum	0.36	0.48	-25%
Sunflower	0.21	0.42	-50%
Soybean	27.94	25.06	11%
Nigerseed	0.32	0.39	-18%
Other Oilseeds	0.05	0.76	-94%
<b>Total</b>	<b>30.90</b>	<b>29.58</b>	<b>4%</b>
<b>Rajasthan (As on 02.08.11)</b>			
Groundnut	4.120	3.080	34%
Sesamum	4.080	3.510	16%
Soybean	8.710	6.620	32%
Castorseed	1.220	0.610	100%
<b>Total</b>	<b>18.13</b>	<b>13.82</b>	<b>31%</b>

The oilseeds planting progress in Rajasthan and Maharashtra has surpassed the previous year's sowing figure and Y-o-Y improvement for soybean, groundnut, sesamum and castorseed featured in the latest official planting report.



As of now the major soybean growing regions (*Malwa, Vidharwa and Hadoti*) have received normal rains which are positive factor for the standing soybean crop.

Rainfall activity in the state of Andhra Pradesh has improved in all the three provinces in recent days but the oilseeds planting in the state is still lagging by about 30 per cent. Deficit rains initially over the AP is attributed to the slow planting progress in the state. Rainfall activity in AP has much improved as of now and it is reported normal in the state with slight deviation of -3% in Rayalseema, -11% in Telangana and just 1% in Coastal Andhra Pradesh. Overall status of the monsoon in AP is deficit with -9% deviation of the normal rainfall.

The oilseeds planting in Tamil Nadu is reportedly trailing by 21 per cent at 1.44 lakh ha compared to 1.82 lakh ha in the corresponding period last year. Castor seed is lagging by -81 per cent followed by Sesamum by -37 per cent and by Groundnut -16 per cent in Tamil Nadu.

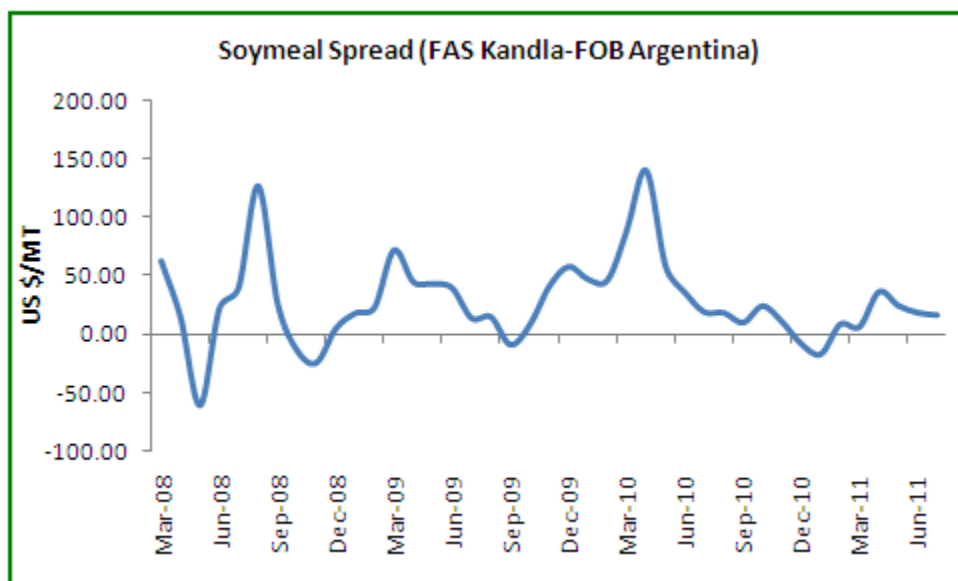
### Soy meal - FAS Kandla Vs FOB Argentina (Spread)

India's exports of soy meal during July, 2011 was 1,39,551 tonnes as compared to 1,60,622 tonnes in July, 2010 showing a fall of 13.12% over the last year.

The meal export during April 2011 to July 2011 is 7,37,522 MT as compared to 3,74,135 MT in the same period of previous year showing an increase of 97.13%.

During current oil year, (October – September), the meal exports during October 2010 to July 2011 is 37,35,369 MT as against 18,78,501 MT last year, an increase by 98.85%.

Countries like Japan, Vietnam, Indonesia, China and Thailand remained the major destinations for Indian soy meal exports.



\*FAS, Kandla less FOB Argentina

The soy meal price spread between Indian and Argentine soy meal has slightly widened during the week owing to higher quotes of Indian soy meal.

The spread between FAS Kandla and FOB Argentina is registered around US \$30/MT during the period of review compared to US\$25/MT previous week.

Though the current spread got wider to its 3 years average spread of USD 10/MT when active trade and shipments takes place but we expect a gradual narrow down in the spread towards US \$10/MT in days ahead.

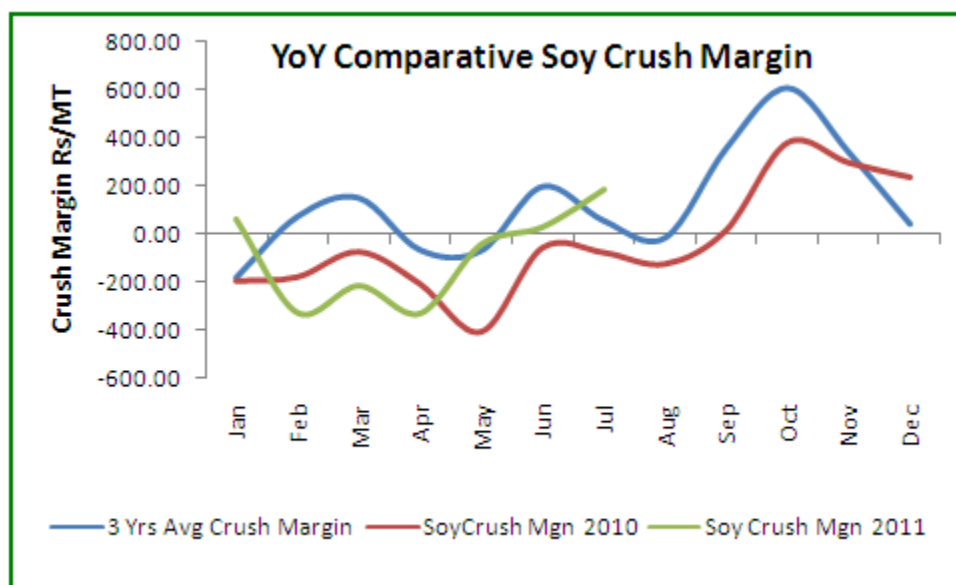
Continued overseas demand of Indian origin in association with rise in parity in crushing the beans continues to remain encouraging factors for the soybean crushers. India's non-GMO meal is gradually getting popular in several countries other than Japan (Japan is the largest buyer of Indian soy meal). Besides, logistic and freight advantage remain supportive for the Indian meal export. Far-East Asia, West Asia and African countries consistently place soy meal orders primarily due to their small quantity requirement, Indian vessels are small compared to that of US, Brazil and Argentina.

Currently, 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 3.2 lakh tonnes of soybean will be crushed by September, which will in turn result in the production of 2.56 lakh tonnes of meal and about 0.58 lakh tonnes of soy oil. We expect that the Indian soy meal export to stay intact during Aug – Sep which is likely to keep soybean seed and meal prices on firm note.

We feel the domestic soy meal prices will witness slight gains in near and medium-term with seasonal demand from poultry feed industry followed by increased poultry output.

### Soy meal Dynamics and Crush Margin



Currently, the soybean crush parity is above last year's monthly average (which was in negative territory) and has even breached the 3 year monthly average in recent past. The increase in parity is attributed to higher soy meal shipments and better revenue in meal this season.

The average weekly crush margin has jumped up and recorded around Rs676/MT compared to Rs101/MT previous week. The scenario is encouraging for soybean crushers in near-term.

Good soy meal exports in sync with improving crush parity in positive region remained encouraging to solvent extractors to in crushing soybean. The soybean crush parity moved in positive territory in mid-June and since then the parity remained intact and featured gradual rise.

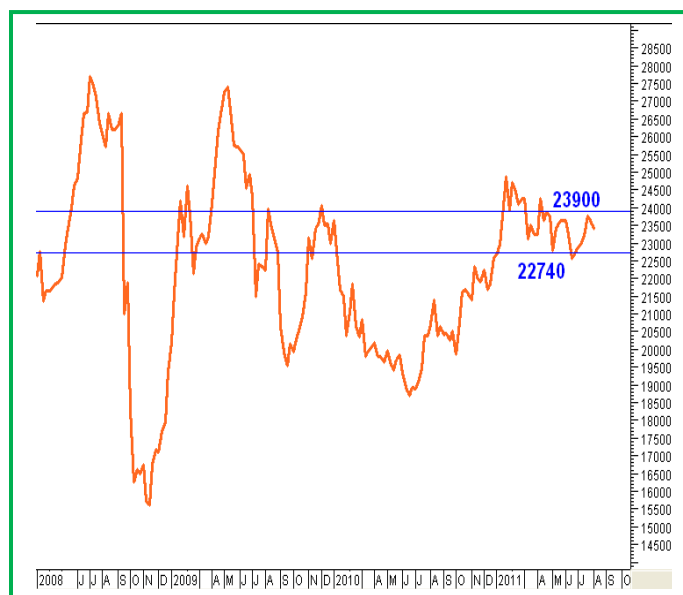


## Technical Analysis:

### NCDEX Soybean Futures (Sep.)



### Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Sep Soybean

S2	S1	PCP	R1	R2
2420	2453		2580	2600

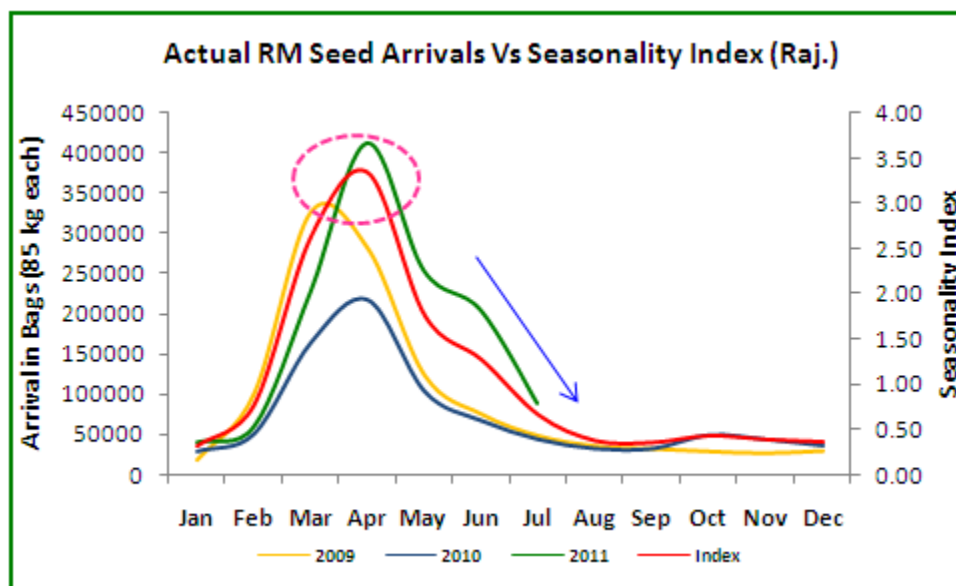
- The NCDEX soybean futures featured gains during the week.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Oscillators and price indicators indicate prices to gain during the week. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2550 – 2560 levels.
- **Trade Recommendation (NCDEX Soybean - Sep) – 1 Week:** Buy on dips towards 2460 – 2460 levels. T1 – 2535; T2 – 2545; SL – 2498
- **Spot:** We recommend **Sell** on rise towards 2380 – 2370 levels.

## Rapeseed - Mustard Seed

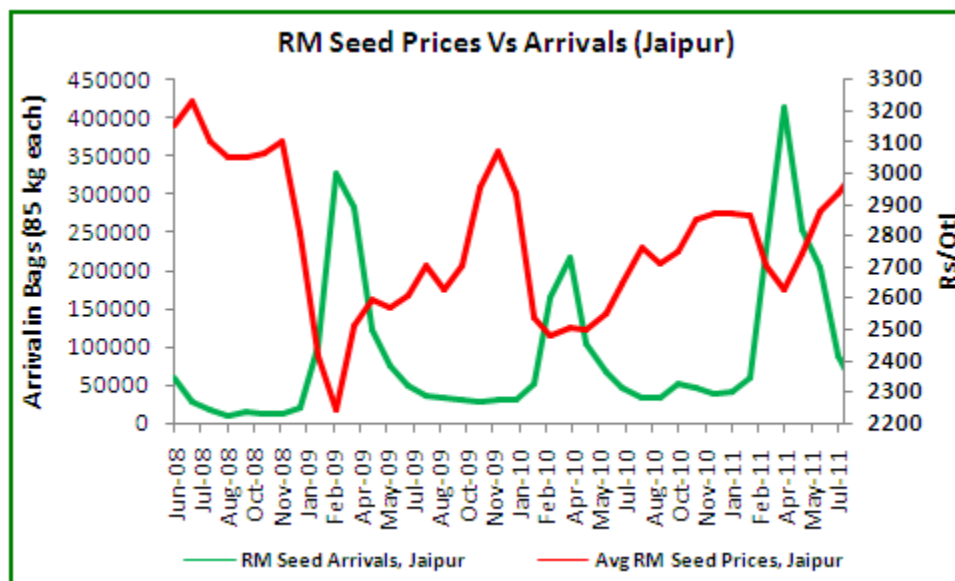
The RM seed prices featured side-ways movement in cash market as the market was looking for a direction after the international vegoil market fell on global bearish factors, during the period of review.

The seed supplies are gradually waning while overall the prices are at the higher levels. The millers and stokists are anticipating the seed demand to rise in days ahead. The Rapeseed oil usages increase during monsoon in association with festivities in months ahead. The Muslim holy month, *Ramadan*, and Rakshabandhan in the month of August is expected to improve the RM oil usage and subsequent millers demand in the seed during the month. Currently millers and stockists are in the wait and watch situation and no aggressive buying reported during the period of review.

## Seasonality Index – Arrivals



A 3 year seasonality index chart of the RM seed arrivals reveal that the current arrivals are still above the Index, but it is quite close to it mirroring the index. Currently, the daily arrivals in Rajasthan are reported between 40000 – 45000 bags which is somewhat close to the arrivals during the corresponding period last year, we feel the arrival to fall further in tandem with the Index.

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


Currently, the weekly arrivals stands around 2,53,000 bags which is slightly above previous week's arrivals of 2,28,000 bags.

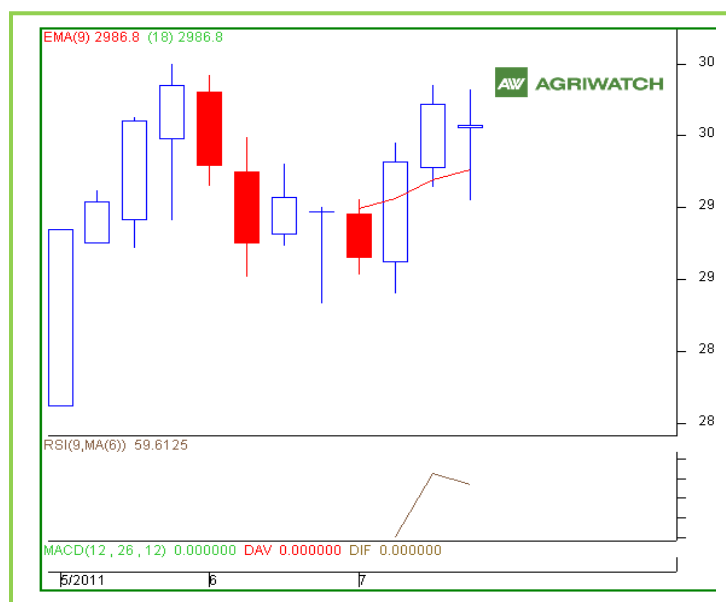
**RM Seed Supply, Rajasthan**

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Current Weekly Arrivals	1 Week Ago	Corresponding Period Last Year
2,53,000	2,28,000	2,07,000

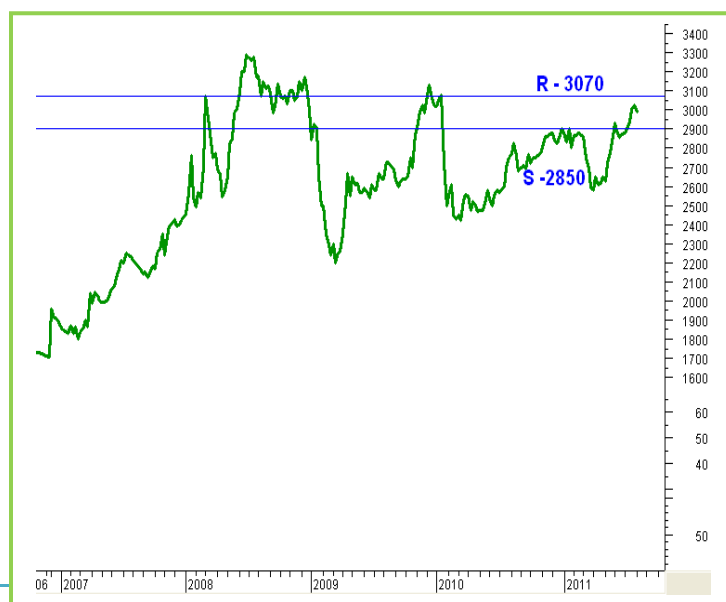
The RM seed prices are unlikely to fall sharply due to recent rise in demand in RM oil. However, a temporary dip inevitable due to weak global cues, sharp fall in crude followed by Malaysian Palm Oil and uncertainties in US economy. The domestic rapeseed-mustard oilcake prices fell due to decline in the demand. Jaipur plant delivery price of the Mustard DOC is quoted at Rs6600/MT compared to Rs7000/MT initially during the month August. The rapeseed-mustard seed oilcake prices in Sri Ganganagar eased and quoted around Rs9400/MT compared to Rs9600/MT a week ago. However, temporary slow down in demand in Mustard DOC will be offset by rising RM oil demand, hence RM seed prices to stay strong in near-term.

## Technical Analysis:

### NCDEX RM Seed Futures (Sep)



### RM Seed Spot, Jaipur



### Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2900	2924		3045	3060

- Candlestick chart pattern depicts selling pressure in the market. The weekly price closed below 9-day and 18-day EMA reflecting bearish momentum in near and medium-term.
- Price indicators and oscillators reflect prices will fall during the week. The RM seed prices are expected to decline and move towards 3040 – 3045 levels.
- **Trade Recommendation (NCDEX RM SEED - Sep) – 1 Week:** Sell on rise towards 3040 – 3050 levels. T1 – 2930; T2 – 2935; SL – 3095.

**RM Seed Spot:** In spot the RM seed prices are expected to slightly fall towards 2950 -2940 level. We recommend SELL on rise towards 3030 – 3040 levels.

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