

Executive Summary

India's oilseeds market featured mixed trend consecutive second week on variety of reasons, demand and supply fundamentals. Soybean prices extended gains on lower inventories in beans and higher demand from crushers on the face of good soy meal demand at domestic and international front. The RM seed prices marked slight losses as buyers refrained from buying activity due to continued fall on bearish global factors.

The underlying fundamental of the soy and rapeseed complex remain bullish with Expected good buying in edible oils and oilmeals during Muslim holy month, *Ramadan*, and Hindu festivities during August.

The price spread between Indian and Argentine soy meal has further widened but overseas trade inquiries in meal remained an encouraging factor for the solvent extractors. We feel a gradual narrow down in the price spread between Indian and Argentine soy meal in days ahead. The domestic seasonal soy meal demand is picking-up with the rise in domestic poultry outturn on seasonal demand.

RM seed prices slightly eased consecutive second week 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 have once again entered in the market after last week's chaos in the vegetable oil market followed by uncertainty in world economy. We feel renewed buying activity will be featured in near-term. Lower supplies and good demand from the millers will push up the seed prices in near-term.

The Indian soybean crop is in good condition with relatively favourable weather conditions with some exception in few districts of Madhya Pradesh. Continued rains and cloudy weather has posed some threat to yield and crop diseases. However, there are no major negative reports on the crop development in any of the major soybean growing states.

Gains in crude oil after recent fall remain a positive factor for the domestic soybean and RM seed complex. Besides, fall in Malaysian palm oil production this month as estate workers in Malaysia take extended leave for the Muslim fasting observance of *Ramadan*, which will end with Eid celebrations in late-August indicate another bullish factor for the Indian oilseeds market. However, of the bearish factor, a slight improvement in US weather conditions could prove beneficial for the US soybean crop.

International

World: As per USDA monthly supply and demand report the global oilseed outturn for 2011/12 is projected at 451.4 million tons, down 4.1 million tons from last month mostly due to a reduction in the US soybean crop. Reductions for soybeans, rapeseed, and cottonseed are only partly offset by increased sunflowerseed and peanut production. Lower soybean production is projected for the United States, China, and Ukraine.

Soybean disposals of the USA, Brazil and Argentina are expected to fall 3.2 Mn T from last year in June/Aug 2011. But renewed Chinese is buying picking-up and this is likely to lead to a recovery in G-3 exports of soybeans in August.

US: In the official US monthly demand and supply report, the US oilseeds production for 2011/12 is projected at 91.7 million tons, down 4.7 million from last estimate. Soybean, canola, and sunflowerseed production are all projected lower. Soybean supplies for 2011/12 are reduced as lower forecast production is only partly offset by higher beginning stocks.

US soybean production for 2011/12 is projected at 3.056 billion bushels, down 169 million owing to lower harvested area and yields. Harvested area is projected at 73.8 million acres, down 0.5 million primarily indicating reductions for South Dakota.

The first survey-based soybean yield forecast of 41.4 bushels per acre is 2.0 bushels below last month's trend yield projection and 2.1 bushels below last year's yield. Soybean ending stocks are projected at 155 million bushels, down 20 million from July due to reduced exports and crush. The US soybean shipments are reduced 95 million bushels to 1.4 billion mainly due to the lower crop and increased projected supplies in South America. Soybean crush is reduced 20 million bushels on lower domestic soybean meal use.

US soybeans crop ratings improved with slight ease in temperature in recent days. In the official US crop progress report blooming was reported at 94 per cent which is at par with 5 year average of 94 per cent, setting pods is reported at 70 per cent vs 5 year average of 78 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 – 73 degrees Fahrenheit.

China: China, has reportedly bought 5.35 million tonnes of soybeans in July, up 24.4 percent from 4.30 million tonnes in June. Imports of vegetable oils in July were 700,000 tonnes, up 48.9 percent from the previous month. China is the world's largest soy buyer.

As per sources China is expected to add 12.3 million tonnes of soy crushing capacity this year to boost the country's total soy processing capacity to around 100 million tones.

It is also estimated that China will process 55 million tonnes of soybeans in 2011, which translates a fall of an operational ratio of 9.1 per cent compared to 2010 and a fall of 6.9 per cent in compared with 2009 operation ratio.

As per the estimates of Oil World, Argentina's soybean crop in 2012 is expected to rise this 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: In central Brazil there is an urgent need for rainfall as current new-crop prospects of oilseeds are quite delicate owing to the increased soil moisture deficits created by a long period of dryness (which already started in April).

Oil Meal Prices at Key Spot Markets:

Soy DOC Rates at Different Centers

Centers	Ex-factory rates (Rs/ton)		
	13-08-11	06-08-11	Parity To
Indore (MP)	17300	17200	Gujarat, MP
Kota	17200	17200	Rajasthan, Del, Punjab, Haryana
Akola	17700	17600	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	18100	19000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	18300-18500	18300	Andhra, AP, Kar, TN
Dhulia/Jalna	18400	18000-18300	Mumbai, Maharashtra
Nagpur (42/46)	17900-18000	17500-17600	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	18900-19000	19000	Local and South
Solapur	18600-18700	18600	Local and South

Soy DOC at Port

Centers	Port Price	
	13-08-11	06-08-11
Kandla (FOR) (INR/MT)	18200-18500	18250-18450
Kandla (FAS) (USD/MT)	401-407	406-410

International Soy DOC

Argentina FOB \$/MT	13-08-11	06-08-11	+/-
Soybean Pellets	369	372	-3
Soybean Cake Meal	369	372	-3
Soybean Meal	377	380	-3
Soy Expellers	377	380	-3

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	13-08-11	06-08-11	Change
Adoni	14300	14200	+100
Khamgaon	13300	13200	+100
Latur	13800	13800	Unch
Parli	13900	13800	+100

Groundnut Meal

Groundnut Meal	13-08-11	06-08-11	Chg
Basis 45% O&A, Saurashtra	15400	15300	+100
Basis 40% O&A, Saurashtra	14400	14300	+100
GN Cake, Gondal	16000	16000	Unch

Mustard DOC/Meal

Mustard DOC/Meal	13-08-11	06-08-11	Chg
Jaipur (Plant Delivery)	6600	6700	-100
Kandla (FOR)	7700	7000	+700
Sri Ganganagar	895	918	-23

Planting Progress – Oilseeds, India

The official report on the *Kharif* planting progress was not reported last week. A marginal improvement in sown area is seen in the planting reports released by some of the states last week. Hence, as per last planting report, all India *Kharif* oilseeds planting acreage were up 3.18% compared with last year, the overall area covered under various oilseeds was reported at 157.92 lakh hectares compared to about 153.06 lakh hectares in the corresponding period last year. Groundnut and sunflower planting is still trailing by -15% to -35% and -41% to -58% respectively due to deficit rains in the major growing states. This indicates the overall area in these crops will remain low this season with consequently lower production in the same supporting the prices of groundnut and sunflower seed at the higher levels.

Area under soybean has registered gain of about 108% and reported at 100.13 lha compared to 93.03 lha last year. In Madhya Pradesh the covered area is stands at 57.25 lha. In Maharashtra planting is reported in 28.26 lha. In Rajasthan the area under soybean stands at 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. The major soybean growing states have received adequate rains which is a supportive factor for the soybean crop.

All India Soybean Planting

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
TOTAL	93.03	100.13	107.52

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

Sowing Progress - Oilseeds			Area in lha.
Andhra Pradesh (As on 10.08.11)	Current	Corresponding Period Last Year	% Change
Groundnut	8.85	13.69	-35%
Sesamum	0.32	0.83	-61%
Castor	1.82	1.71	6%
Sunflower	0.11	0.26	-58%
Soybean	1.55	1.35	15%
Other oilseeds	0.002	0.04	-95%
Total	12.65	17.88	-29%
Maharashtra (As on 09.08.11)			
Groundnut	2.13	2.50	-15%
Sesamum	0.39	0.48	-19%
Sunflower	0.26	0.44	-41%
Soybean	29.99	25.46	18%
Nigerseed	0.34	0.34	0%
Other Oilseeds	0.57	0.77	-26%
Total	33.68	29.99	12%
Rajasthan (As on 09.08.11)			
Groundnut	4.120	3.290	25%
Sesamum	4.080	3.740	9%
Soybean	8.710	6.760	29%
Catorseed	1.230	0.950	29%
Total	18.14	14.74	23%

The area coverage under oilseeds in Rajasthan and Maharashtra has gone up compared to last year's coverage area.

Rainfall activity in the state of Andhra Pradesh has slightly deteriorated compared to the previous week but overall it is reported normal in the major provinces. The oilseeds planting in the state is still trailing by about 29 per cent compared to the coverage during the same period last year. Eventually, delayed and scanty rains have hit the oilseeds plantings in AP.

Overall the rainfall in AP has is within normal condition with slight deviation of -12% in Rayalseema, -12% in Telangana and -7% in Coastal Andhra Pradesh. Overall status of the monsoon in AP is normal with -15% deviation of the normal rainfall.

The oilseeds planting in Tamil Nadu is reportedly lagging by about 26 per cent at 1.69 lakh ha compared to 2.30 lakh ha in the corresponding period last year. This is due to the less sowing in castor seed, Sesamum and Groundnut in Tamil Nadu.

Soybean Crop Condition

Soybean Crop Condition	Stage	Condition
Madhya Pradesh	Vegetative	Good
Maharashtra	Flowering	Excellent
Rajasthan	Vegetative	Excellent
*Condition with respect to disease, pest and abiotic stress		

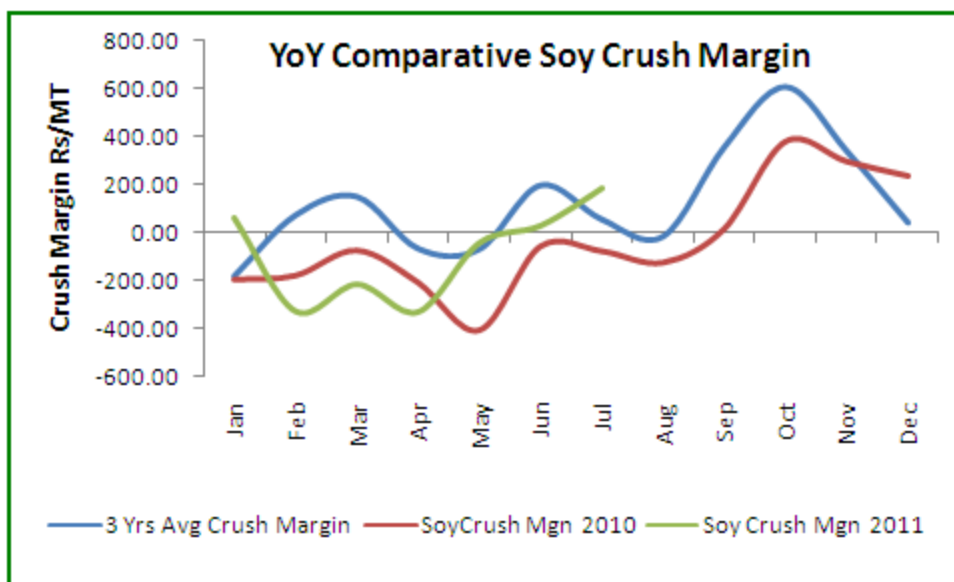
Continued rainfall with cloudy sky in Madhya Pradesh for last couple of weeks has raised concern for soybean yield in some districts like Shehore in the South to Guna in the North of Madhya Pradesh. Excess soil moisture condition and absence of sunlight may pose threat to the soybean crop leading to diseases and pest attacks.

Soybean crop condition in rest of MP is reported to be in good condition and early varieties are reported either at flowering or in pod-filling stage. The normal sown variety is expected to flower in the last week of August. Prolong rainfall in the region may obstruct in pod-formation due to flower droppings in the region. Clear sky and dry spell in near-term in the region will help to improve the crop conditions.

The crop in Maharashtra is in flowering stage (45%-50%) and reportedly in excellent condition. In Rajasthan the crop is under vegetative stage and is reportedly in excellent condition.

No reports of any disease or pests reported in the crop in any of the key growing states. Overall the weather remains normal with exception in some parts of Madhya Pradesh for the crop.

Soy meal Dynamics and Crush Margin



Higher soy meal exports and subsequent better revenue in meal this season lend support to the soybean crush parity this season. Currently, the soybean crush margin is intact in positive zone and it is above last year's monthly average when soybean crushing was in disparity. The current parity is even above 3 year monthly average.

The average weekly crush margin fell and recorded at Rs119/MT compared to Rs676/MT a week ago. This due to the wait and watch situation among crushers during the week.

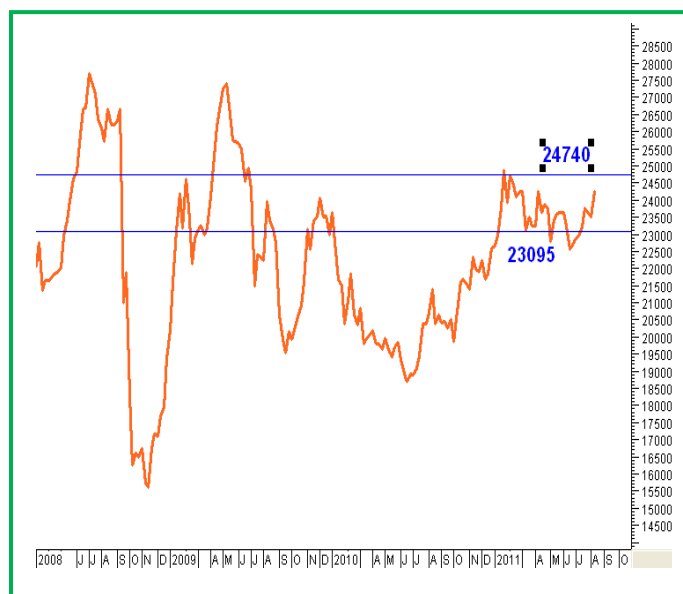
Though the parity has slightly eased but good soy meal exports enquiries remain encouraging factor to solvent extractors to go for crushing soybean. The soybean crush margin featured positive trend in mid-June and since then the parity remained intact and featured gradual rise.

Technical Analysis:

NCDEX Soybean Futures (Sep.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Sep Soybean				
S2	S1	PCP	R1	R2
2346	2385	2453.5	2532	2580

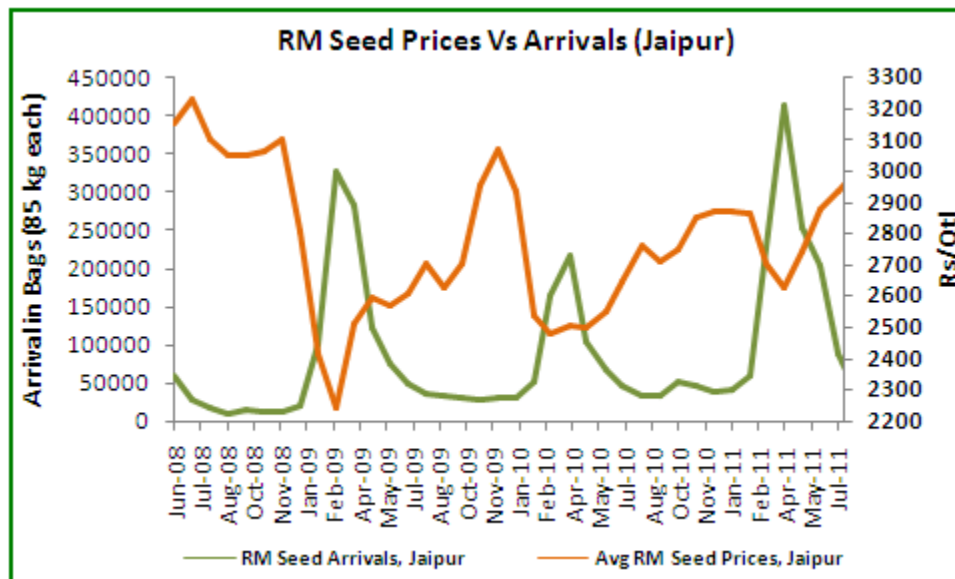
- The NCDEX soybean futures closed above 9-day and 18-day EMA supporting bullish momentum.
- Oscillators and price indicators indicate prices to gain during the week. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2550 –2560 levels.
- **Trade Recommendation (NCDEX Soybean - Sep) – 1 Week:** Buy on dips towards 2400 – 2410 levels. T1 – 2515; T2 - 2530; SL - 2342
- **Spot:** We recommend **Buy** on dips towards 2350 –2360 levels.

Rapeseed - Mustard Seed

The RM seed prices slightly eased during the period of review on sluggish buying activity followed by wait and watch situation among millers. However, the underlying fundamentals of the RM seed remains strong as the RM oil usage increases during the period. Recovery in crude oil during the week is expected to lend support the international vegoil market.

Declining RM seed arrivals in association with continued demand in the vegetable oils owing to the Muslim holy month, *Ramadan*, and *Krishna Janmasthanmi* during the month is expected to lend support the RM seed prices at higher levels. Millers are keen in buying and crushing the seed in anticipation of good demand in the RM oil.

RM Seed Prices Vs Arrivals, Benchmark - Jaipur



Currently, the weekly arrivals stands around 2,26,000 bags which is slightly below previous week's arrivals of 2,53,000 bags.

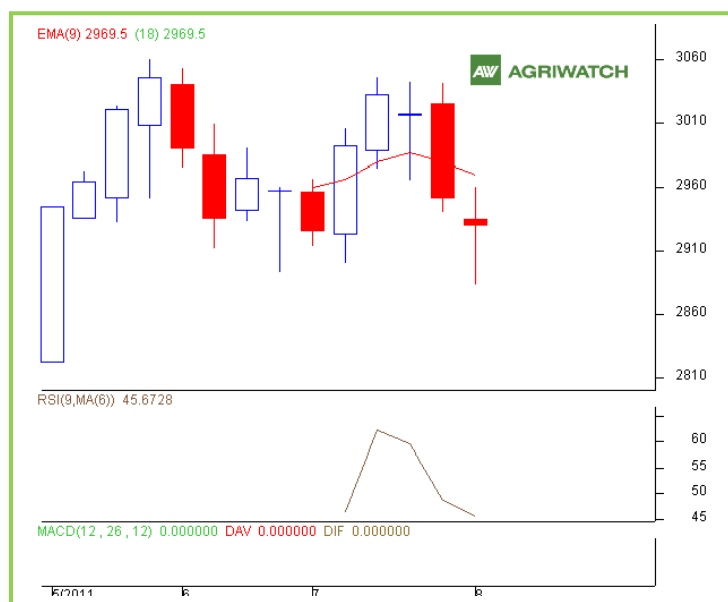
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Current Weekly Arrivals	1 Week Ago	Corresponding Period Last Year
2,26,000	2,53,000	2,10,000

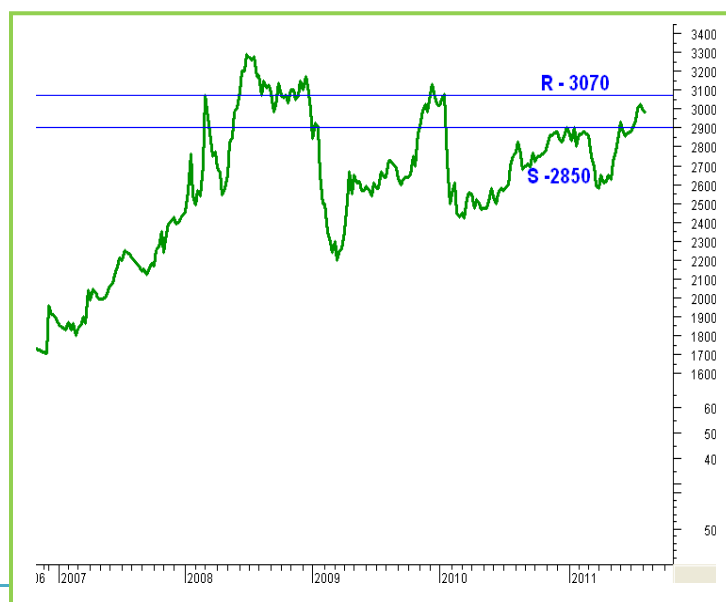
The RM seed prices are expected to regain on supportive gains in Malaysian palm oil followed by gains in crude oil and fall in palm oil production this month as estate workers in Malaysia take extended leave for the Muslim fasting observance of *Ramadan*, which will end with Eid celebrations in late-August. This will consequently prove to be a bullish factor for the RM seed in the domestic market. We suggest millers to buy the seed on major dips in the seed prices.

Technical Analysis:

NCDEX RM Seed Futures (Sep)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX RM Seed

S2	S1	PCP	R1	R2
2847	2888	2929	2965	3001

- Candlestick chart pattern reveals prices are on down-trend, but prices could sustain at lower levels. The weekly price closed below 9-day and 18-day EMA reflecting bearish momentum in near and medium-term.
- The RM seed prices are expected to improve towards 2955 – 2960 levels.
- **Trade Recommendation (NCDEX RM SEED - Sep) – 1 Week:** Buy on dips towards 2900 – 2890 levels. T1 – 2950; T2 - 2960; SL - 2875.

RM Seed Spot: In spot the RM seed prices are expected to slightly gain towards 3015 – 3030 level. We recommend BUY on dips towards 2990 – 3010 levels.

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