

Executive Summary

India's oilseeds and oil meal prices extended gains as expected following renewed seasonal and festive demand in edible oils and oilmeals. Continued overseas soy meal shipments during the lean crushing period along with the parity on crushing remained encouraging for solvent extractors.

The demand is likely to further improve in the days ahead with festivities setting in along with falling weather temperature, when edible oil usage increases and soy meal demand picks-up on increased purchases from poultry feed industry.

Seasonal rise in poultry production with relative meal demand from poultry feed industry coupled with overseas demand for Indian soy meal lent support to the soy meal prices and are expected to further support the prices. Consistent demand of Indian soy meal from SE Asia, West Asia and Africa is attributed to logistic, freight and non-GMO meal advantage.

RM seed prices featured a gradual upward move in association with soybean backed by miller's demand and increase in RM oil usage. Waning seed supplies and stockists who have slowed down off-loading their stock kept prices bullish for the seed.

On the international front, concerns over a lower US soybean crop output and the increasing crude prices kept them bullish on the soybean and RM seed complex.

However, higher reported soybean area this season, in India, and FAO's alert on possible resurgence of bird flu in India may affect the domestic soy meal off-take are seen as the bearish factors for soybean complex in domestic front.

International

World: World soybean production in 2011/12 is projected at 258.1Mn T, a fall of 3% from last year, the fall is attributed to a smaller US outturn followed by lower yield potential. Higher demand from Asia (China) will bring growth in world trade in 2011/12, which is forecast to rise to a record 96.4Mn T (92.5 Mn), by IGC.

Global soy meal trade is estimated at 60.3Mn T (58.3Mn), the year-on-year expansion resulting from bigger purchases by the EU and Far East Asia as estimated by IGC.

As per Oil World, the global Aug. 31, 2011, soybean stocks are expected to exceed estimates and keep soybean supplies in the upcoming 2011/12 season.

"World ending stocks of the 2010/11 season will be higher than expected at a record 75.8 million tonnes (on Aug. 31), approximately 10.0 million tonnes above a year ago," Oil World said. "This will considerably moderate the prospective production shortfall and result in an increase in total soybean supplies by 7.1 million tonnes or 1.8 percent to 337.2 million tonnes in 2011/12."

Of the total soybean stocks as on Aug. 31, about 6.63 million tonnes held in the United States, up from 4.11 million tonnes in Aug. 2010, according to the Oil World.

About 26.03 million tonnes of the stocks are expected to be in Brazil, up from 18.66 million tonnes last year and 25.58 million tonnes in Argentina, up from 25.05 million tonnes last August.

Oil World has trimmed its estimate of global soybean production in the new 2011/12 season to 261.42 million tonnes, down 4.9 million tonnes from its estimate in July and down by 3.9 million tonnes against the 2010/11 harvest.

"The biggest decline will occur in the U.S., for which we are currently using a crop estimate of 84.37 million tonnes which is 1.2 million tonnes above the USDA (U.S. Department of Agriculture estimate of Aug. 11," Oil World said. This would be down from 90.61 million tonnes in the previous U.S. crop.

It is expected despite high stocks, the factors will still permit global 2011/12 soybean crushings to rise to 233.30 million tonnes from 222.78 in 2010/11, Oil World forecast.

US:

Private forecasters in US are consistently projecting lower yield potential due to dry weather – high temperature during the period of review. In the official US crop progress 'Setting Pods' are reported at 93 per cent vs 5 year average of 94 per cent, 'Dropping Leaves' is reported at 2 per cent against 5 year average of 6 per cent. The crop is rated at 'Good To Excellent Condition' at 57 per cent against 64 per cent last year.

The current temperature in US soybean growing belt is ranging between 60– 77 ° F.

Pro Farmer US Soybean Crop Estimate – Crop Tour

States	Yield (bushel per acre)	Remark
Ohio	45	The crop needs time and water to finish strong.
Indiana	44	Disease and bug pressure were limited.Rains required.
Illinois	49	The northern half of the crop has adequate plenty of moisture to finish with a good yield.
Iowa	53	Record yield expected if the crop gets a rain.
Minnesota	39	The crop is under moisture stress since pod-set.
Nebraska	52.5	The crop is disease-free.
South Dakota	39	Crop needs one more rain to recover the health.
Avg. US Yield	41.8	-

Source: Pro Farmer

The US 2011 soybean output is estimated at 3.08 billion bushels with projected yield of 41.8 bushel per acre by Pro Farmer after a recent crop tour.

However, Pro Farmer experts believe USDA will eventually lower the harvested area for soybean which stands at 73.8 million acres. Pro Farmer has used USDA's harvested acreages to estimate the total soybean output.

The yield estimate (41.8 bu/acre) is slightly up compared to USDA's 41.4 bu/acres projected in August 1, this is attributed to one of the most disease free soybean crop found by the tour team.

Variation of +/- 2% will result in 40.96 bu. to 42.64 bu. per acre with subsequent change in production at 3.02 billion to 3.14 billion bushels.

China: 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 into 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.

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

Centers	Ex-factory rates (Rs/ton)		
	31-08-2011	30-07-2011	Parity To
Indore (MP)	17500-17700	17000	Gujarat, MP
Kota	17100	17000	Rajasthan, Del, Punjab, Haryana
Akola	17700-17800	17400	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Hingoli	18800-18900	18000	Andhra, Chattisgarh, Orrisa, Jharkhand, WB
Nanded/Latur	18800-18900	18000	Andhra, AP, Kar, TN
Dhulia/Jalna	18700	18500	Mumbai, Maharashtra
Nagpur (42/46)	18800	17500-17700	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	19700	18800	Local and South
Solapur	19400	18500	Local and South

Soy DOC at Port

Centers	Port Price	
	31-08-2011	30-07-2011
Kandla (FOR) (INR/MT)	18500-18800	18200
Kandla (FAS) (USD/MT)	402-407	412

International Soy DOC

Argentina FOB \$/MT	31-08-2011	30-07-2011	+/-
Soybean Pellets	393	378	+15
Soybean Cake Meal	393	378	+15
Soybean Meal	401	386	+15
Soy Expellers	401	386	+15

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	31-08-2011	30-07-2011	Change
Adoni	14400	14300	+100
Khamgaon	13400	13300	+100
Latur	13900	13800	+100
Parli	13900	13900	Unch

Groundnut Meal

Groundnut Meal	31-08-2011	30-07-2011	Chg
Basis 45% O&A, Saurashtra	16100	15400	+700
Basis 40% O&A, Saurashtra	15100	14400	+700
GN Cake, Gondal	17100-17200	16500	+700

Mustard DOC/Meal

Mustard DOC/Meal	31-08-2011	30-07-2011	Chg
Jaipur (Plant Delivery)	7000	7000	Unch
Kandla (FOR)	8200	8000	+200
Sri Ganganagar	960	950	+10

Planting Progress – Oilseeds, India

All India *Kharif* oilseeds coverage area were up 3% ending August 2011, the overall area covered under various oilseeds is reported at 174.31lakh hectares compared to about 169.79lakh hectares in the corresponding period last year.

The *Kharif* oilseeds planting are almost done and the planting progress is relatively slow now. The planting was initially hit in Gujarat, Karnataka and Andhra Pradesh affecting Groundnut plantings, but it slightly recovered with later rains. Overall the GN planting is still lagging by 14%.

Soybean planting is heading among all the *Kharif* oilseeds by 11% and reported at 103.1lha compared to 93.27 during the same period last year.

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

Sowing Progress - Oilseeds		Area in lha.	
Andhra Pradesh	Current	Corresponding Period Last Year	% Change
Groundnut	10.01	13.46	-26%
Sesamum	0.34	0.81	-58%
Castor	2.24	1.86	20%
Sunflower	0.13	0.44	-70%
Soybean	1.55	1.39	12%
Other oilseeds	0.008	0.11	-93%
Total	14.28	18.07	-21%

Maharashtra			
Groundnut	2.20	2.57	-14%
Sesamum	0.39	0.49	-20%
Sunflower	0.28	0.48	-42%
Soybean	30.46	25.92	18%
Nigerseed	0.36	0.38	-5%
Other Oilseeds	0.77	0.93	-17%
Total	34.46	30.77	12%
Rajasthan			
Groundnut	4.240	3.470	22%
Sesamum	4.100	5.470	-25%
Soybean	8.820	7.650	15%
Catorseed	1.600	1.490	7%
Total	18.76	18.08	4%

The oilseeds planting progress in Rajasthan and Maharashtra is higher than last year's coverage followed by timely and adequate rains over the states.

Oilseeds planting in Andhra Pradesh have been already affected due to poor rains over the state when planting was ideal. Groundnut (-26%), Sesamum (-58%) and Sunflower (-70%) plantings have suffered in the state. However, Soybean and Castor seed plantings were satisfactory in AP.

First Crop Production Forecast

State	Area (lha)	Yield (kg/ha)	Production (L MT)	% Change
Madhya Pradesh	59	1191	69.63	14.17
Maharashtra	30	1148	34.97	26.97
Rajasthan	9	1352	11.92	56.16
Total India	103.09	1192	123.00	21.45

In the extension of our telephonic survey in key soybean growing states, the standing crop is reported to be in Good to Excellent condition and free from disease and pest. In Maharashtra the crop is under pod-filling stage, it is in flowering/pod-filling stage in Madhya Pradesh and vegetative/ flowering in Rajasthan.

Considering our last projection of seed and germination rate followed by plant density, we project India's soybean yield at 1192 kg/ha.

Soybean Production Outlook- Projections: Considering the soybean sown area of about 103.09 lha and projected yield at 1192kg/ha. The total India's soybean output is estimated at around 12.3Mn T (123 lt).

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

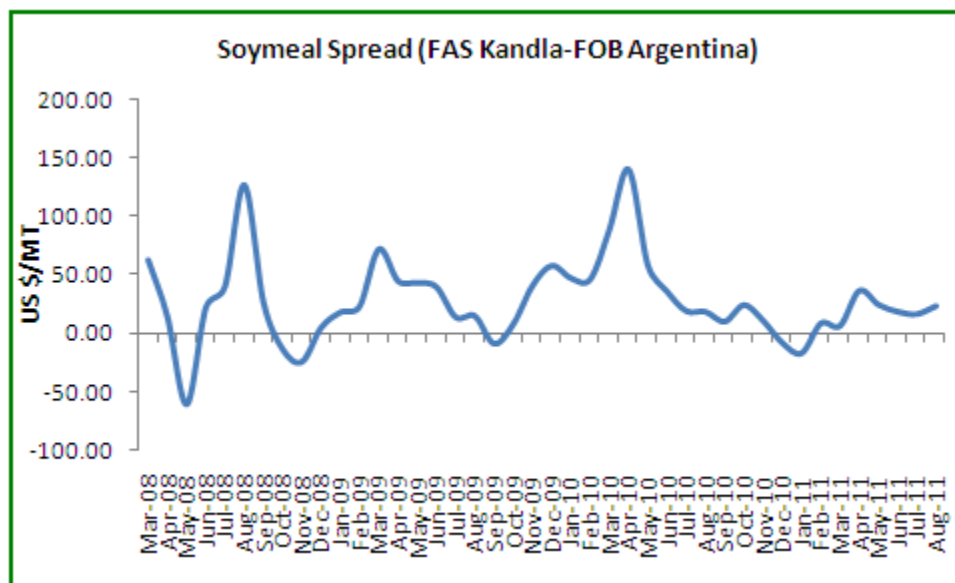
Renewed seasonal domestic demand coupled with good overseas shipments remained key supportive factors for the domestic soy meal prices during the period of review. The poultry feed industry is the major buyer of the meal to meet the poultry feed demand, with seasonal rise in poultry production.

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%. 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.

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

Growing demand of non-GMO soy meal from Far-East, and SE Asian countries and logistics and freight advantage remained a supportive factor for Indian soy meal exports. Emerging markets like West Asia and Africa could be seen as long-term buyers.



*FAS, Kandla less FOB Argentina

The price spread between Indian and Argentine soy meal has slightly widened once again due to the higher Indian soy meal quotes. The monthly, Aug. spread between FAS Kandla and FOB Argentina is hovering around US \$24/MT compared to US\$17/MT in Jul. and US \$19/MT in Jun.

Looking at the previous trend we expect a gradual narrow down in the spreads towards US \$10/MT in days ahead (September), the level at which the active trade and shipments takes place.

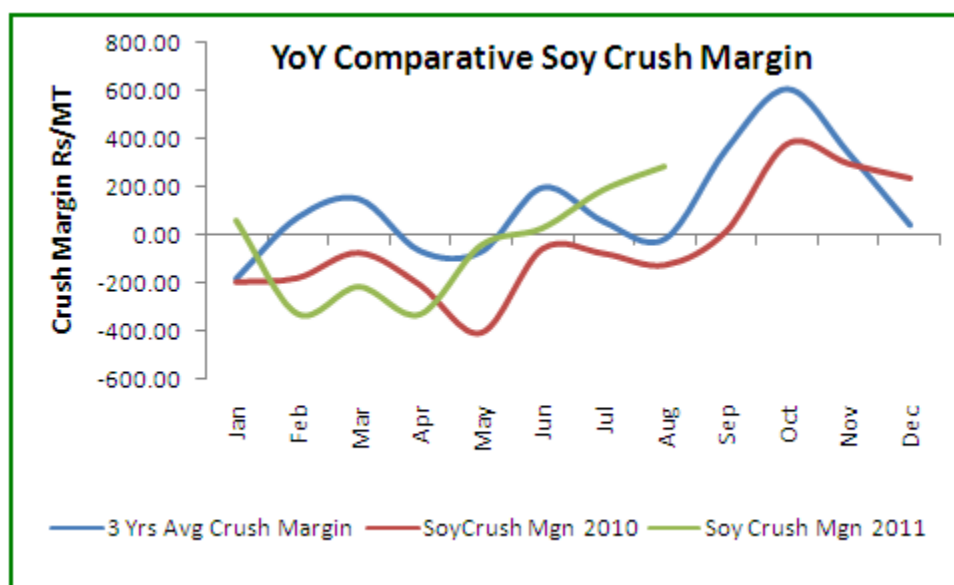
Continued surge in soybean crush parity and good overseas soy meal inquiries continue to remain encouraging to the solvent extractors.

It is recommended that the meal exporters aggressively look towards 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 1.8 lakh tonnes of soybean crushed by September, which will in turn result in the production of 1.44 lakh tonnes of meal and about 0.32 lakh tonnes of soy oil. Considering the facts we feel that the Indian soy meal shipments will stay at higher levels during Sep which will lend underlying support to meal prices in particular and subsequently soybean.

We expect domestic soy meal prices to stay slightly firm in near-term on renewed buying support from feed industry.

Soy meal Dynamics and Crush Margin



Soybean crush parity significantly improved m-o-m as reflected in the chart above. This is primarily attributed to the good overseas soy meal exports. Currently, the parity is well above last year's monthly average and even above 3 year monthly average.

The monthly crush margin is ruling around Rs284/MT compared to Rs187/MT last month and Rs-122/MT in the corresponding month last year. This is supportive for soybean crush in near-term.

Expected Price Range in Soy Complex During September:

Commodity	Price Range	Crush Margin
Soybean	23900-24000	660
Soy Meal	17700-17800	
Soy Oil	63500-64000	

Considering the expected average soybean, meal and oil we expect the soybean crush margin to stay around Rs650-660/MT. While the, August average crush margin was around Rs284/MT, it is expected to be Rs660/MT in September. The rise in parity will encourage the solvent extractors in days ahead.

The Food and Agriculture Organisation - United Nations has warned India and some other Asian countries of the possible resurgence of the bird flu. However, no reports in the case reported in India yet. The latest case is registered in Cambodia with 8 other during the year, all of them fatal.

The Indian poultry industry is a bit concerned after the alert. Any news in the outbreak will negatively affect the Indian poultry output which will consequently impact in the domestic soy meal consumption. Poultry feed industry is the biggest local soy meal buyer.

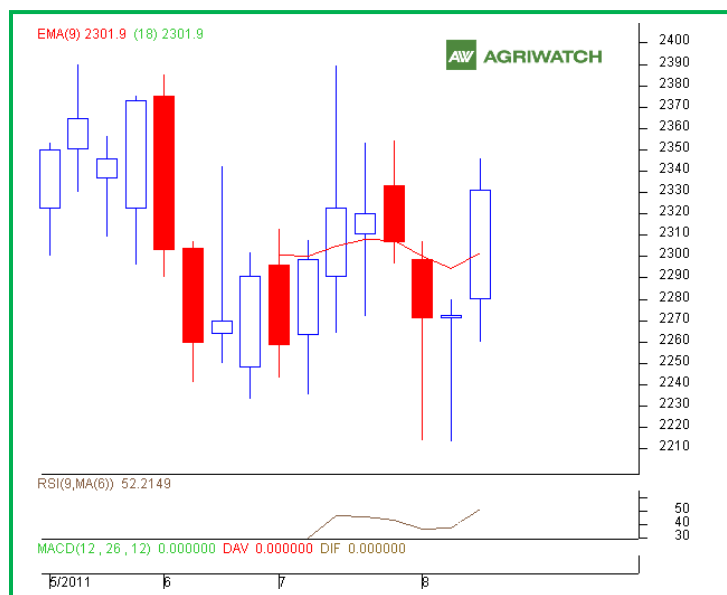
India's new soybean crop arrivals is expected to pick-up towards late September or early October, subsequently crushing will gain momentum during the same period. Indian poultry industry is closely monitoring their birds.

India first reported the Bird Flu outbreak in 2003 when millions of birds, mainly chickens, were culled and buried to control its spread in human and the Indian poultry Industry suffered during the year. The outbreak had claimed 331 lives and about 565 people were infected by the H5N1 virus.

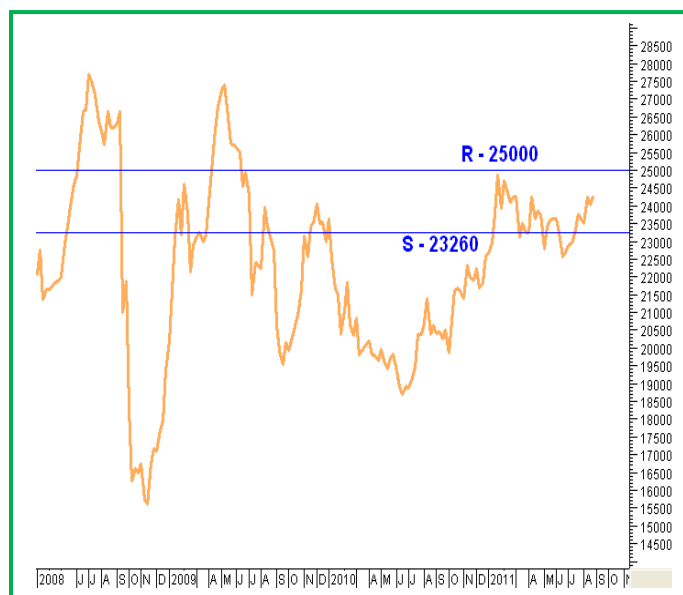
Any news on the outbreak of the flu will affect the domestic poultry industry and subsequently affect in the soy meal off-take in domestic front.

Technical Analysis:

NCDEX Soybean Futures(Oct.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX OctSoybean

S2	S1	PCP	R1	R2
2159	2246	2332	2386	2440

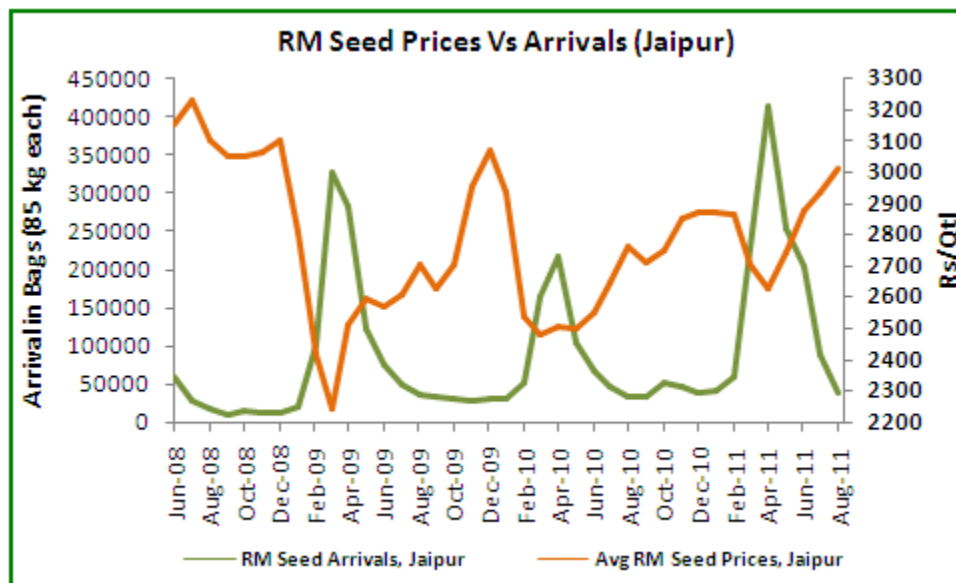
- The Monthly candlestick chart pattern featured indecision in the market.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Oscillators and price indicators indicate prices to gain during the month. The soybean prices are likely to remain range-bound with firm-bias and are expected to move towards 2360 – 2370 levels.
- **Trade Recommendation (NCDEX Soybean - Oct) – 1 Month:** Buy on dips towards 2270–2260levels.T1 – 2360; T2 - 2380; SL - 2218
- **Spot:** We recommend **Sell** on rise towards 2490 –2500 levels.

Rapeseed - Mustard Seed

The domestic RM seed prices extended gains during August followed by supportive buying from millers on renewed seasonal demand in RM oil. However, the RM seed prices tend to get mild pressure with the commencement of the early soybean crop arrivals during September which again gain in October.

Stockists have slowed down offloading the seed in anticipating of higher prices during winter. The RM oil demand surges in between Nov – Jan.

RM Seed Prices Vs Arrivals, Benchmark - Jaipur



Arrivals during August declined to 9,29,000 bags compared to 22,13,000 bags in July.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Aug	1 Month Ago	Corresponding Period Last Year
9,29,000	22,13,000	8,39,000

Besides, RM oil and rapeseed-mustard extract demand drives the RM seed complex. Better exports and domestic usage of extract and rise in RM oil usage remain supportive to the RM seed prices. Overall, the underlying RM seed fundamentals remain strong in days ahead on seasonal demand.

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

Jaipur

Commodity	Price Range	Crush Margin
RM Seed	29600-29700	-2177
Rape Extract	6800-6900	
RM Oil	62000-63000	

Sri Ganganagar

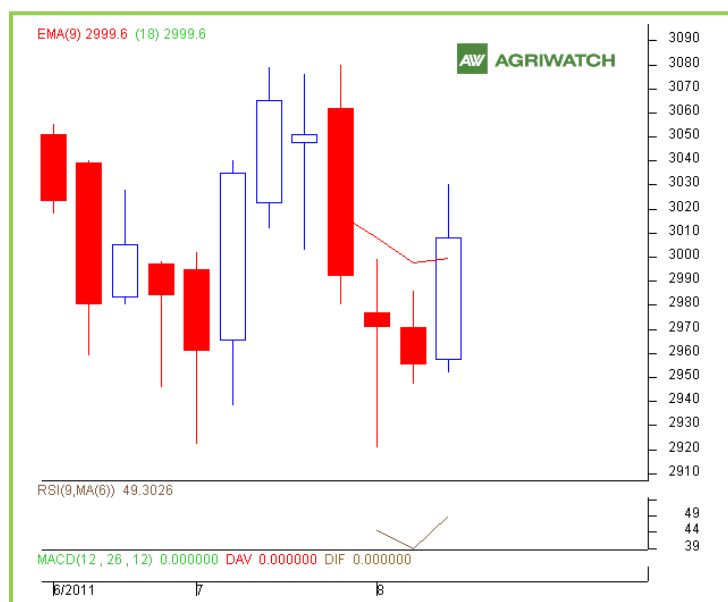
Commodity	Price Range	Crush Margin
RM Seed	25000-25200	3233
Rape Extract	8800-8900	
RM Oil	61500-62000	

Alwar

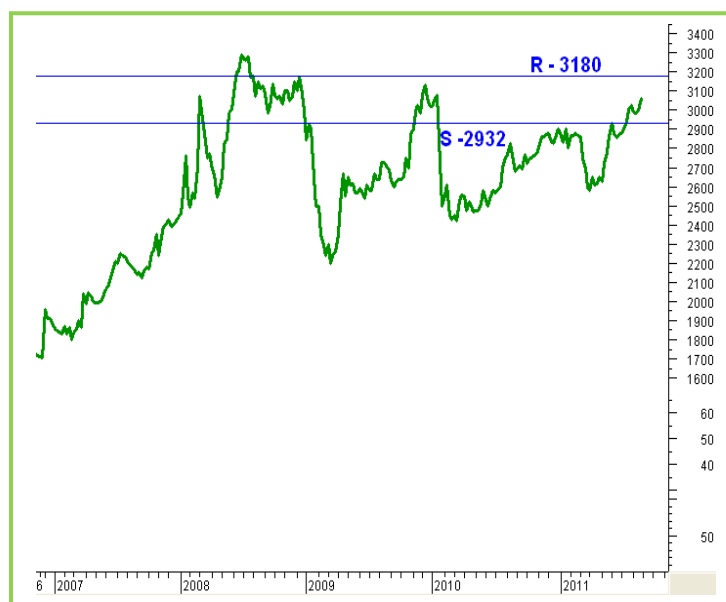
Commodity	Price Range	Crush Margin
RM Seed	28200-28300	-953
Rape Extract	6700-6900	
RM Oil	62500-63000	

Technical Analysis:

NCDEX RM Seed Futures (Oct.)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX OctRM Seed

S2	S1	PCP	R1	R2
2844	2927	3009	3085	3162

- The monthly candlestick chart pattern reveals close below previous month.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Price indicators and oscillators reflect prices will slightly move upwards during the month. The RM seed prices are expected to gain and move towards 3060 – 3070 levels.
- **Trade Recommendation (NCDEX RM SEED - Sep) – 1 Month:** Buy on dips towards 2920–2910 levels. T1 – 3050; T2 - 3080; SL - 2847.

RM Seed Spot: In spot the RM seed prices are expected to fall during the month towards 2900 level. We recommend **Sell** on rise buyers to go for buy towards 3180 – 3200 levels.

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