

Executive Summary

The domestic soybean and meal prices posted gains followed by good buying support from solvent extractors to meet the improved wedding led edible oil demand during the month under review. Further, the crushers were keen in buying the beans at higher quotes with falling supply in the same.

However, the average monthly RM seed prices skid primarily due to the commencement of new crop supply from the major producing region, although the prices improved towards the end of the month. But the fall was limited due to better buying in the seed from the millers to meet the oil demand.

The oilseeds will continue to face price pressure with mounting new RM seed arrival pressure (mid March). However, lower RM seed outturn this season will limit the losses.

Besides, the domestic soy meal will face stiff price competition with the Latin American meal prices during the month. This is due to demand shift of international soy meal buyers to Latin America for forward booking. The new LatAm soybean crop supply is expected to improve with the increasing harvesting pace in days ahead.

Further, stronger Indian rupee against US dollar has made the vegetable oil imports slightly comfortable for India which is again a bearish factor in the days ahead.

International

World: In an another revision this month Oil World has lowered South American soybean crop production by around 1 Mln T to 123 Mln T, down 14 Mln T from last year. The revision has primarily occurred in Brazil and Paraguay. However, the Argentine soybean crop is estimated at 47.0 Mln T against 49.2 Mln T last year. The Late planted soybeans in Uruguay have benefited from recent rainfall.

In view of fall in the output in major producing countries, the world soybean production in 2011/12 is likely to decline to 246.5 Mln T, down 8 per cent from last year. Strong demand from Asia, primarily from China, will further boost the world trade in 2011/12 to 91.7 Mln T from 91.3 Mln last year. The World soy meal trade is estimated at a record 58.4 Mln T, 3 per cent higher than a year ago followed by increased buying support by Far East Asian countries - (IGC).

Latin America: The Buenos Aires Cereals Exchange has kept Argentine soybean output forecast unchanged in its weekly crop report despite recent rains in much of the soybean growing belt. The exchange maintained its 2011-12 forecasts for the soybean production at 46.2 Mln T.

The Brazil's 2011/12 soybean which is under harvesting is estimated at 68 Mln T, Agrural, down sharply from its January estimate of 70.2 Mln T.

Brazil's soybean crop has been badly hit due to drought in the south of the country.

China: China has reportedly signed a deal to buy record 13.4 Mln T of US soybean valued US \$6.7 billion. The purchase agreements were signed in Iowa (8.6 Mln T), Los Angeles (4.8 Mln T). This will support the increasing Chinese demand in oils and fats due to rising poultry, fisheries and piggeries industry.

USDA – WASDE, March 2012: The international soybean demand is expected slightly shift towards US due to the recent disruption of soy shipments from the ports of Argentina, lead by port strike called by the workers. In the last USDA's WASDE report the projected soybean stock was kept 215 million bushel. We feel stocks to reduce to 150-180 million bushels in the upcoming WASDE report due on Friday.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		29-02-2012	31-01-2012	
	Indore –Plant	2575-2620	2410-2454	+166
	Indore –Mandi	2470-2560	2320-2370	+190
	Nagpur-Plant	2500-2535	2380-2400	+135
	Nagpur – Mandi	2350-2450	2300-2380	+70
	Kota-Plant	2660-2665	2440-2450	+215
	Kota – Mandi	2560-2565	2350-2360	+205
	Bundi-Plant	2625	2450	+175
	Bundi-Mandi	2470-2500	2350	+150
	Baran-Plant	2625	-	-
	Baran-Mandi	2550-2580	-	-
	BhawaniMandiJhalawar – Kota Plant Delivery	2650	2450	+200
	Jhalwar-Mandi	2550-2575	2350-2375	+200
Rapeseed/Mustard	Jaipur – C	3480-3485	3275-3280	+205
	Alwar – C	3350	3200	+150
	SriGanganagar	3400	3050	+350
	Kota	3150	2600-2900	+250
	Neewai	3375	3250	+125
	Delhi– C	3470	3275	+195
	Hapur (UP)	3350	3275	+75
Groundnut Seed	Rajkot	900	810	+90
	Junagarh	-	-	-
Sunflower Seed	Latur	31500-32500	30000-30150	+2350
	Gulbarga	28000-30000	28000-30000	Unch
	Solapur	31500-32500	30000-30150	+2350

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
		Feb'12	Jan'12	
Soybean				
	Madhya Pradesh	2460000	3555000	-1095000
	Maharashtra	1345000	1635000	-290000
	Rajasthan	394000	502000	-108000
	Bundi (Raj)	18200	21200	-3000
	Baran (Raj)	32600	56500	-23900
	Jhalawar (Raj)	11250	37500	-26250
Rapeseed/Mustard	Rajasthan	1284000	923000	+361000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Crop Progress, India

A very insignificant improvement in the planting area has been witnessed according to the latest government rabi oilseeds planting report.

The overall oilseeds planting is reportedly lower by 7.3 per cent at 87.0 lakh hectares compared to 93.9lha during the same period last year.

Area in lakh hectares

Crop	As on 23 February 2012	As on 23 February 2011	% Change
Rapeseed & Mustard	65.9	70.9	-7.0
Groundnut	8.32	8.34	-0.2
Sunflower	4.6	5.4	-15.2
Total Oilseeds	87.0	93.9	-7.3

Source: GOI

The sown area under RM seed stands at 65.9 lha (-7%) compared to 70.9 lha during the corresponding period a year ago.

Soybean

Soybean prices extended gains during the month under review on good buying support from solvent extractors to meet the improved edible oil demand owing to the auspicious Hindu wedding dates.

Expected fall in the usage of edible oils after Holi, mounting new domestic RM seed and Brazilian soybean supply pressure in near-term will eventually pressure the soybean prices towards the end of March.

As expected slow farmer's selling in soybean is evident now with declining supply in the bean. This is due to the traders who were active in soybean are diverting towards Chana and RM seed.

Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12
Carry In	0.49	0.45	1.12	0.37
Production	9.60	9.67	10.10	12.00
Imports	0.00	0.00	0.00	0.00
Total Availability	10.09	10.12	11.22	12.37
Crush	9.64	9.00	10.85	11.07
Exports	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	11.07
Carry Out	0.45	1.12	0.37	1.30
Monthly Use	0.80	0.75	0.90	0.92
Stock/Consumption Ratio	0.05	0.12	0.03	0.12
Stock to Month Use Ratio	0.56	1.49	0.41	1.41

Source: Agriwatch

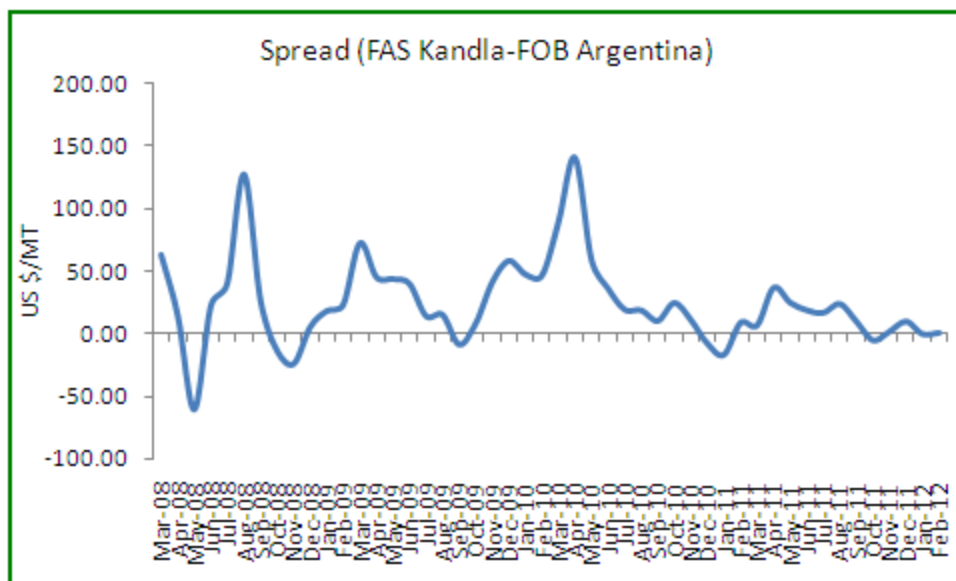
- Higher domestic availability in oilseeds in 2010/11 season due to rise in production during the year improved crushing in 2010/11 consequently leading to lower carry in this year.
- India's 2011/12 soybean output is expected to be around 12.0 Mn T.
- We expect 2011/12 soybean crush at 11.07 Mn T owing to higher production. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable further its exports.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The soy meal prices improved primarily due to the rise in domestic usage during the month under review. However, India's soy meal exports fell 32 per cent during February 2012 at 3,70,524 MT compared to 5,45,039 MT in February 2011(as per SOPA figure). Besides, the meal shipments declined over 10 per cent during oil year (Oct-Sep).

India's meal exports have already hit China's has still not resumed its oilmeal imports from India and there were no soy meal shipments in February 2012. India is expected to export soy meal lesser than it exported in March 2011. India's meal exports in Mar 2011 stood at 4,10,537 MT, India is expected to export between (2.5-3.0 lakh tonnes) in March 2012. Japan could be seen as potential buyer in view of good buying in previous month to meet its growing demand.

Indian soy meal is likely to face stiff price competition during March and further with the South American meal prices with the commencement of Brazilian soy meal followed by Argentine crop.



*FAS, Kandla less FOB Argentina

The Argentine soy meal prices continue to remain attractive compared to Indian meal. Despite competitive South American soy meal prices India is able to export Far and South East Asian countries owing to proximity, logistic and freight advantage. Japan was the biggest soy meal buyer from India (724543.03 MT) in February.

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$1/MT in February (* Spread - FAS Kandla less FOB Argentina).

Recommendation: The Indian soy meal exporters are advised to take the freight and logistic advantage and continue to aggressively market their meal to South and Far East Asian countries. Any dip in FOR, Kandla towards **18600-18800** is a viable level to go for buying. The soybean crushers are advised to continue with their normal regular crushing to cater the domestic and overseas demand.

Soy meal Dynamics and Crush Margin

Avg Crush Margin – Feb 2012	Avg Crush Margin – Jan 2012	Avg Crush Margin – Feb 2011	Avg Crush Margin – Feb 2010
-828	-700	-873	-754

The soybean crush margin continues to be in negative territory; however the big crushers are able to crush the beans to meet their exports commitment. The average soybean crush margin further widened in February compared to January. The widening disparity in crushing will be a discouraging factor for the solvent extractors to some extent.

Expected Price Range in Soy Complex During March:

Commodity	Price Range	Crush Margin
Soybean	25500-25700	-526
Soy Meal	18000-18500	
Soy Oil (CSO)	63000-65600	

Technical Analysis:

NCDEX Soybean Futures (Apr)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Apr Soybean

S2	S1	PCP	R1	R2
2500	2595	2753	2800	2850

- The Monthly candlestick chart pattern indicates continued uptrend in the price.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI is rising in neutral region while stochastic is heading upwards in overbought zone warranting correction. Prices are expected to move downwards towards 2650 –2600 levels.
- **Trade Recommendation (NCDEX Soybean - Apr) – 1 Month:** SELL between 2750 – 2760 levels.T1 – 2650; T2 - 2600; SL - 2808.

Trade Recommendation Soybean Spot: We recommend refrain from buying at the current levels as prices are expected to fall towards 2550 – 2570 levels (Indore, Plant basis).

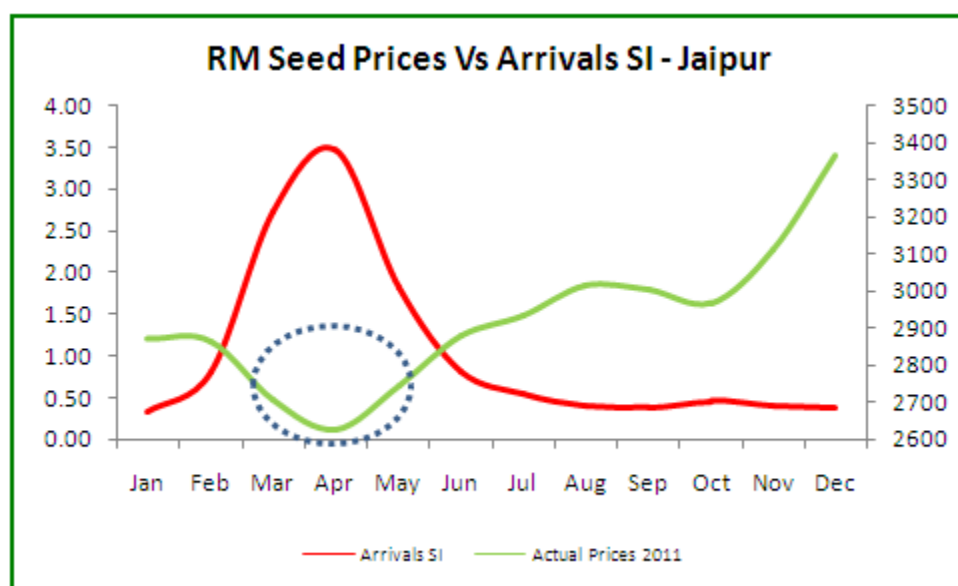
Review of Previous Call: In our previous call we had recommended SELL between 2600 –2615 levels.T1 – 2550; T2 - 2525; SL - 2637. The call got triggered and both the targets were achieved.

Rapeseed - Mustard Seed

Overall, the RM seed prices remained weak but slightly edged-up towards the end of the month.

The harvesting of the RM seed is in full swing in major growing regions of Rajasthan, Uttar Pradesh, Haryana and Madhya Pradesh. The mounting arrival pressure will weigh on the seed prices after the festive buying *Holi*. The arrival pressure is expected to peak towards the end of March and eventually weight on the prices.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



The Solvent Extractors Association of India, in its recent crop survey report, has estimated India's RM seed 2011/12 crop outturn at 62.65 lakh tones compared to 68.5 lt previous season, a fall of about 8.5 per cent due to lower sown area this season. However, they have estimated yield slightly higher at 952 kg/ha compared to 945 kg/ha last year.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals– Feb	1 Month Ago	Corresponding Period Last Year
12,84,000	9,23,000	14,25,000

Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

Marketing Year	2008-09	2009-10	2010-11	2011-12
Carry In	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.0
Imports	0	0	0	0
Total Availability	6.65	6.75	7.75	7.25
Crush	5.9	6	6.5	7.05
Exports	0	0	0	0
Total Usage	5.9	6	6.5	7.05
Carry Out/Ending Stock	0.75	0.75	1.25	0.2
Monthly Use	0.49	0.50	0.54	0.59
Stock/Consumption Ratio	0.13	0.13	0.19	0.03
Stock to Month Use Ratio	1.53	1.50	2.31	0.34

Source: Agriwatch

- We have revised the 2011/12 RM seed output downwards to 6.0 Mn T compared to 6.5 Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

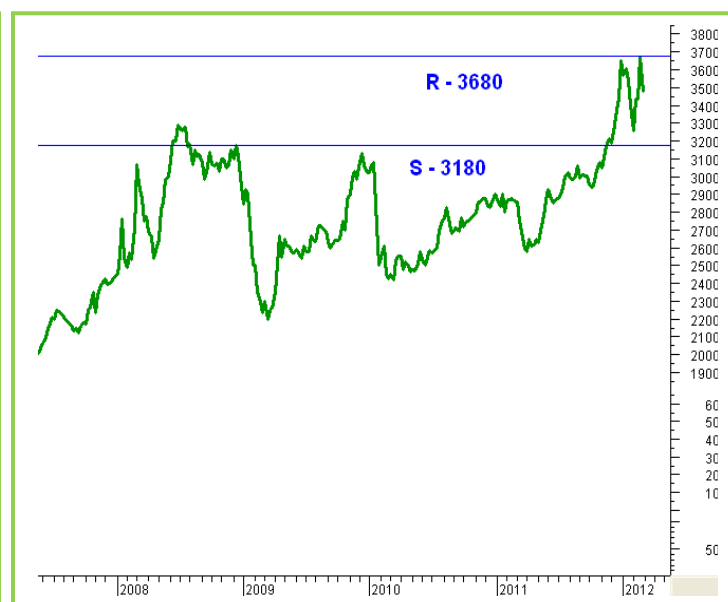
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Technical Analysis:

NCDEX RM Seed Futures (Apr)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Apr RM Seed

S2	S1	PCP	R1	R2
3117	3270	3604	3750	3818

- The monthly RM seed candlestick chart pattern reveals side-ways movement in the market.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to ease during the month. The RM seed prices are expected to fall and move towards 3500 – 3450 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Month:** SELL towards 3610 – 3620 levels. T1 – 3500; T2 - 3450; SL - 3673.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to fall during the month towards 3200-3250 level. We recommend buy the seed during harvesting between the said levels and liquidate when prices get stronger in medium to long-term. The seed fundamentals are strong in view of lower output this season.

Review of Previous Call: In our previous call we had recommended SELL towards 3250– 3260 levels. T1 – 3050; T2 - 3100; SL - 3358. The call triggered but none of the targets were achieved.

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