

Executive Summary

The domestic soybean and meal prices extended gains on bullish global cues and renewed overseas buying in soy meal of Indian origin during the month under review. Strength in soybean and Palm oil in international market s due to global short supply and improved demand lent spillover support to the domestic bean and meal market. Soybean and palm oil remained mostly strong in the international benchmark during the month.

Malaysian palm oil prices at BMD hit a nine-month high during the month after upbeat price forecast in the recent palm oil conference.

RM seed prices featured substantial gains on stockist buying and lower crop production estimates. In the recent 33rd All India Seminar on Rabi Oilseeds, Oil Trade and Industry held on 18 March 2012, India's 2011-12 RM seed output is estimated -16 per cent lower compared to the last year's production.

India was able to sell soy meal to some major destinations during the month despite attractive South American meal prices. In a fresh demand, Iran bought 120,000 tonnes of soy meal in private deals signed during the month under review.

In view of rise in new RM seed supply in various cash markets and expected rise in soybean supply in international market with ongoing bean harvesting in Brazil, we expect the oilseeds and meal prices to face price pressure to some extent in April 2012. However, downward potential will be limited mainly due to lower RM seed output estimate and expected shortfall in the global soybean outturn this season and solid demand from Asia.

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 while, 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 the fall in the output in the 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: In Paraguay the soybean crop has fallen to a 10-year low of 3.5-3.7 Mn T, leading to a decline in exports by at least 3.2 Mn T from last year.

As per the official soybean crop estimate, the Argentine soybean crop is seen at 44 million tons for 2011/12. Earlier it was estimated at 43.5-45 million tons.

China: China is set to raise its soybean imports in March/June to meet the rising domestic demand and add on some stocks to avoid the bad weather consequences in US this summer. The China National Grain and Oils Information Centre expect soybean imports of a record 29 Mn T in Jan/June 2012 (against 24 Mn T a year earlier).

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		29-03-2012	29-02-2012	
	Indore –Plant	2900-2970	2575-2620	+350
	Indore –Mandi	2800-2870	2470-2560	+310
	Nagpur-Plant	2825-2850	2500-2535	+315
	Nagpur – Mandi	2600-2850	2350-2450	+400
	Kota-Plant	2950	2660-2665	+285
	Kota – Mandi	2850-2900	2560-2565	+335
	Bundi-Plant	2950	2625	+325
	Bundi-Mandi	2900	2470-2500	+400
	Baran-Plant	2950	2625	+325
	Baran-Mandi	2900-2925	2550-2580	+345
	BhawaniMandiJhalawar – Kota Plant Delivery	2950	2650	+300
	Jhalwar-Mandi	Closed	2550-2575	-
Rapeseed/Mustard	Jaipur – C	3740-3745	3480-3485	+260
	Alwar – C	3600	3350	+250
	SriGanganagar	3510	3400	+110
	Delhi– C	3700	3470	+230
	Kota (Non-Condition)	3450-3500	3150	+350
	Neewai	3650	3375	+275
	Hapur (UP)	3650	3350	+300
Groundnut Seed	Rajkot	980	900	+80
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	-	28000-30000	-
	Latur	30500-33000	31500-32500	+500
	Solapur	30200-33000	31500-32500	+500

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
Soybean		29'Mar'12	29'Feb'12	
	Madhya Pradesh	1185000	2460000	-1275000
	Maharashtra	1255000	1345000	-90000
	Rajasthan	610000	394000	+216000
	Bundi (Raj)	5725	18200	-12475
	Baran (Raj)	38800	32600	+6200
	Jhalawar (Raj)	7500	11250	-3750
Rapeseed/Mustard	Rajasthan	6670000	1284000	+5386000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Groundnut Crop Estimate 2011-12 - India

The rabi groundnut harvesting is underway and no crop loss or damage reported in the major producing states of Andhra Pradesh, Karnataka, Tamil Nadu and Gujarat.

India has planted rabi groundnut in about 8.8 lakh hectares and is likely to produce about 18 lakh tonnes of groundnut in the rabi season.

In Lakh Tonnes

Groundnut Production Estimate 2011-12 Season		
Season	Kharif	Rabi (E)
Groundnut in Shell	41.8	18
Groundnut in Kernels	29.2	13
Total Availability in Shell	60.0	
Total Availability in Kernels	42.0	

(The Khariffig are final. Rabi are Projected;E-Estimated)

A combined 2011-12, kharif and rabi, crop estimate stands at 60 lakh tonnes. As per trade sources India is expected to export above 4.2-4.5 lakh tonnes of groundnut during the current year.

India exported around 4 lakh tonnes of groundnut in 2010-11 when India produced around 58 lakh tonnes of the nut. The exports prospects are increasing due to rising demand from China, Indonesia, Philippines, Malaysia, UAE, Gulf, EU, Canada and USA. India is the second largest groundnut producing country after China.

Soybean

Soybean prices featured gains supported by bullish global sentiments and fresh soy meal demand from Iran in the month over review.

Besides, the monthly arrivals fell in March compared to the supplies in the month of February, which lend additional support to the bean prices.

However, there is an expected fall in the usage of edible oils and meal domestically according to the usual consumption pattern. Likely decline in overseas export sales in soy meal with demand diverting towards South America due to their attractive prices will weigh on the bean and meal prices in near to medium term.

The soybean harvest is about 60 per cent complete in Brazil while the harvest in Argentina will commence in April. This will certainly create price pressure in soybean the international market and subsequently spillover impact the domestic soybean.

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 compared to previous years. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

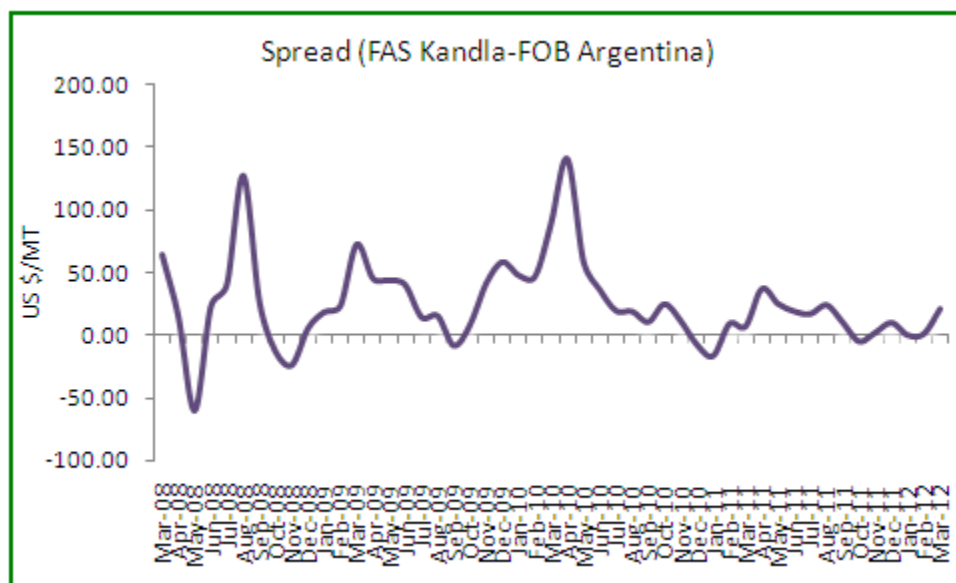
Soy meal- FAS Kandla Vs FOB Argentina (Spread)

India's soy meal exports figures in February reveal that Indian exports sales are losing to US and South America due to their competitive prices.

India's soy meal exports during February 2012 fell 32 per cent at 3,70,524 MT compared to 5,45,039 MT in February 2011. In the current oil year(Oct-Sep), exports during October 2011 to February 2012 stands at 23,22,675 MT against 25,87,965 MT last year reflecting a fall by 10.25 per cent.

The meal exports during April 2011 to February 2012 is registered at 34,52,791 MT against 34,35,854 MT during the corresponding period last season.

However, in afresh deal in the month of March, India reportedly sold about 120,000 tonnes of soy meal to Iran in private deals signed in the last couple of weeks. Further Iran is expected to buy another 100,000 tonnes of soy meal from India in near-term. The price for meal was quoted at US \$420/T. The domestic soy meal prices significantly gained in the second half of March month due to the fresh overseas sales.



*FAS, Kandla less FOB Argentina

Indian soy meal has started facing stiff price competition, which was stronger in March, with the South American meal prices followed by the commencement of new Brazilian soybean crop.

However, India continues to export Far and South East Asian countries owing to proximity, logistic and freight advantage.

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$21/MT in March indicating attractive Argentine soy meal price. (* Spread - FAS Kandla less FOB Argentina).

Recommendation: The Indian meal exporters are advised to aggressively market their meal to neighboring countries including traditional South and Far-East Asian destinations in need of small vessels. This will translate in to freight and logistic advantage. Any dip in FOR, Kandla towards **21000-21500** is a viable level to go for buying.

Soy meal Dynamics and Crush Margin

<i>Avg Crush Margin – Mar 2012</i>	<i>Avg Crush Margin – Feb 2012</i>	<i>Avg Crush Margin – Mar 2011</i>	<i>Avg Crush Margin – Mar 2010</i>
-659	-828	-810	-640

The soybean crush margin slightly recovered in the month of March as compared to the widened disparity in February. Better realization in soy meal and bean remained supportive factor in recovering the crush margin. However, it stood in negative zone. Further recovery in the crush margin will encourage the solvent extractors from crushing the beans.

Expected Price Range in Soy Complex During April:

Commodity	Price Range	Crush Margin
Soybean	27500-28000	-1008
Soy Meal	19500-20000	
Soy Oil (CSO)	65900-67900	

Technical Analysis:

NCDEX Soybean Futures (May)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX May Soybean				
S2	S1	PCP	R1	R2
2515	2609	3066	3200	3334

- The Monthly candlestick chart pattern indicates strong buying interest in the market.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are heading upwards in overbought zone warranting correction. Prices are expected to move downwards towards 2650–2700 levels.
- **Trade Recommendation (NCDEX Soybean - May) – 1 Month:** SELL between 3000–3020 levels. T1 – 2900; T2 - 2850; SL - 3065.

Trade Recommendation Soybean Spot: We recommend refrain from buying at the current levels as prices are expected to fall towards 2750 – 2800 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended SELL between 2750– 2760 levels. T1 – 2650; T2 - 2600; SL - 2808. The call got triggered and Target 1 was achieved.

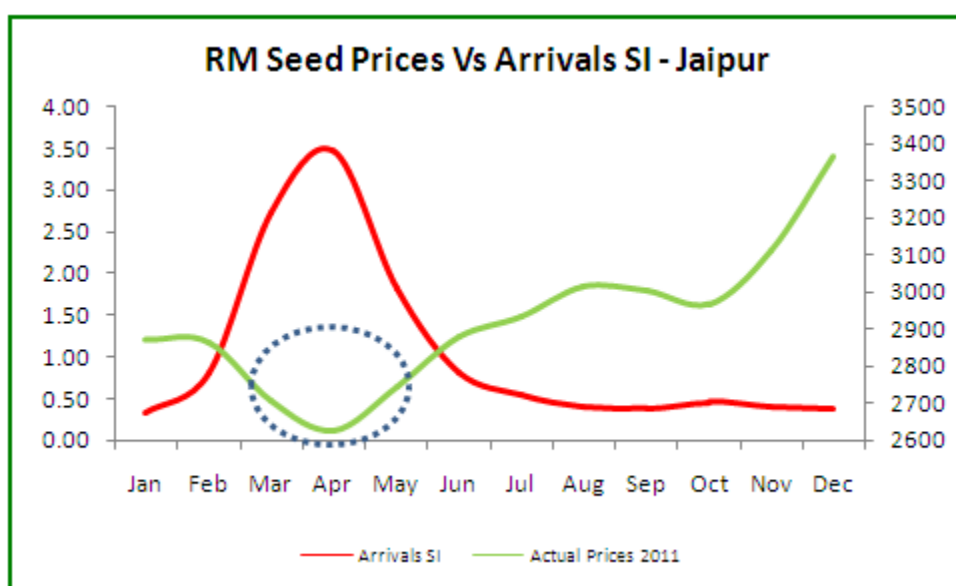
Rapeseed - Mustard Seed

RM seed featured gains during the month under review on stockist buying and lower crop production estimates. In the recent 33rd All India Seminar on Rabi Oilseeds, Oil Trade and Industry held on 18 March 2012, India's 2011-12 RM seed output was estimated at 5.88 Mln T compared to 7.0 Mln T estimated in 2010-11.

The seed prices unexpectedly jumped despite rise in the new crop arrivals. The seed harvesting in Sri Ganganagar and Hanumangarh in Rajasthan is in full swing and mounting the supply pressure in Rajasthan.

We feel the seed prices will ease in near to medium term on lower edible oil and rapeseed-mustard seed oil cake usage, in line with the consumption pattern. However, the downward potential will be limited due to the lower RM seed outturn this season.

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 tonnes 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–Mar	1 Month Ago	Corresponding Period Last Year
7,10,000	12,84,000	5,921,000

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 6.0Mn T compared to 6.5Mn 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.

Technical Analysis:

NCDEX RM Seed Futures (May)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX May RM Seed

S2	S1	PCP	R1	R2
3359	3600	3834	4360	4640

- The monthly RM seed candlestick chart pattern reveals strong buying in the market.
- Prices closed above 9-day and 18-day EMA. However, the prices are in overbought region warranting correction.
- Price indicators and oscillators reflect prices to ease during the month. The RM seed prices are expected to fall and move towards 3700 – 3650 levels.
- **Trade Recommendation (NCDEX RM SEED - May) – 1 Month:** SELL towards 3800 – 3820 levels. T1 – 3700; T2 - 3650; SL - 3865.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to fall during the month towards 3600-3650 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 3610 – 3620 levels. T1 – 3500; T2 - 3450; SL – 3673. The call triggered but none of the targets were achieved.

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