

Executive Summary

Upbeat trend prevailed in the domestic oilseeds and meal prices on bullish demand and supply fundamentals during the month under review. Besides, better demand in soy meal, lower availability in beans and slow selling in RM seed continued to lend support to the seed and meal prices at higher levels. The soybean, RM seed and soy meal prices are at all time high citing tight supply scenario this season.

However, recently several steps have been taken to regulate the RM seed and Soybean futures to discourage the circular trading. As per the guidelines and bylaws of the Forward Marketing Commission issued on 30 Mar 2012 (to be effect from 03 Apr 2012), special margins of 10% on both the oilseeds on Long Side have been introduced.

Soybean crushings have declined substantially despite better export sales in soy meal. The fall in crushing is attributed to lower availability of beans. Besides, steep fall in the RM seed supplies due to slow farmer's selling kept the seed prices strong during the month. The RM seed farmers have held their stock in anticipation of higher prices in the seed citing tight supply scenario followed by fall in the seed output this season.

Soy meal prices posted substantial gains on better export sales as fresh buying from Iran and Japan remained supportive for the Indian soy meal during the period. Besides, persistent freight and logistic advantage contributed to the boost in sales, despite attractive meal of South American origin.

Ministry of Agriculture, GOI, has lowered India's oilseeds production in its 3rd advance estimate of food grains to 30.06 Mn T compared to 31.10 Mn T estimated in the 4th advance estimate of 2010-11. The lower estimate is attributed to the fall in Soybean, Groundnut and RM seed output owing to fall in the yield this season.

Overall, the domestic oilseeds fundamentals remained strong on limited availability in domestic oilseeds this season. Besides, imported edible oils are getting expensive for Indian day by day with the weakness of Indian rupee against US dollar. Soybean futures in international benchmark have rallied to their highest level in 3½ years on severe global tight supply scenario and record Chinese import requirements.

International

- ❖ Yet another downward revision, by Oil World, of soybean outturn in 4 major South American countries to only 114.7 Mn T, down 20.0 Mn T from last season. Oil World has now estimated the global production of soybeans to show an unprecedented fall by 27 Mn T from last season to only 239 Mn T in 2011/12.
- ❖ China's soybean output prospects have further deteriorated for 2012, probably falling below 12.5 Mn T, a 20-year low, further increasing China's dependence in imports in 2012/13.
- ❖ Oil World has further reduced the Argentine soybean crop estimate to 42.5 million tonnes compared to its previous estimate of 43.0 Mn T. Frost damage to Argentine soybean crop likely to become more severe if current forecasts of minus 4-5 °C materialize in the Buenos Aires province.
- ❖ China has bought 120,000 tonnes of US soybeans from private exporters for 2012/13 delivery. Besides South Korean traders bought a total of 110,000 tonnes of soybean from Brazil.

- ❖ The soybean harvest in Brazil is nearing completion and it is above 95% complete of the estimated area till last week of April. Previous week, the figure was 85%. The harvest is over in Sao Paulo, MatoGrosso and MatoGrosso do Sul and almost done or nearing completion in Goiasand Parana.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		30-04-2012	29-03-2012	
	Indore –Plant	3550-3600	2900-2970	+630
	Indore –Mandi	3400-3500	2800-2870	+630
	Nagpur-Plant	3550	2825-2850	+700
	Nagpur – Mandi	3400-3500	2600-2850	+650
	Kota-Plant	3500	2950	+550
	Kota – Mandi	3400	2850-2900	+500
	Bundi-Plant	3570-3575	2950	+625
	Bundi-Mandi	3475	2900	+575
	Baran-Plant	3500	2950	+550
	Baran-Mandi	3510	2900-2925	+585
	BhawaniMandiJhalawar – Kota Plant Delivery	3600	2950	+650
	Jhalwar-Mandi	3450-3500	Closed	-
Rapeseed/Mustard	Jaipur – C	4020-4025	3740-3745	+280
	Alwar – C	3800	3600	+200
	SriGanganagar	3700	3510	+190
	Delhi– C	3900	3700	+200
	Kota (Non-Condition)	3700	3450-3500	+200
	Neewai	3925	3650	+275
	Hapur (UP)	3950	3650	+300
Groundnut Seed	Rajkot	-	980	-
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	-	-	-
	Latur	34000-36500	30500-33000	+3500
	Solapur	33500-35000	30200-33000	+2000

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		30'Apr'12	29'Mar'12	
	Madhya Pradesh	543000	1185000	-642000
	Maharashtra	580000	1255000	-675000
	Rajasthan	431000	610000	-179000
	Bundi (Raj)	2445	5725	-3280
	Baran (Raj)	16000	38800	-22800
	Jhalawar (Raj)	7225	7500	-275
Rapeseed/Mustard	Rajasthan	3165000	6670000	-3505000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Groundnut Crop Estimate 2011-12 - India

The rabi groundnut harvesting is over in the major producing states of Andhra Pradesh, Karnataka, Tamil Nadu while it is underway in Gujarat.

Ministry of Agriculture, GOI, has lowered India's Groundnut production in its 3rd advance estimate of food grains to 69.5 lakh tonnes compared to 74.5lakh tonnes estimated in the 4th advance estimate of 2010-11. The lower estimate is due to less than the required rains over the major growing regions.

India had planted rabi groundnut in about 8.8 lakh hectares and as per AgriWatch estimates India 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 Kharif fig are final. Rabi are-Agriwatch Estimates)

The total India's availability of the GN seed in 2011-12 is estimated to be 60 lakh tonnes and India is expected to export over 4.2-4.5 lakh tonnes of HPS variety during the year.

The growing demand for the groundnut from China, Indonesia, Philippines, Malaysia, UAE, Gulf, EU, Canada and USA will boost the groundnut seed prices in the near to medium-term. India is the second largest groundnut producing country after China.

Soybean

Soybean prices significantly rose on overseas soy meal demand and dried up pipe line supply in beans during the month under review. The crushing plants have reduced their crushings and are operating for just 5-7 days a month despite better overseas soy meal demand of Indian origin.

In Madhya Pradesh the farmers are actively selling their newly harvested wheat at various government procurement centers which has consequently reduced the offloading of the beans in the state resulting in the fall in the supply. The bean arrivals are expected to slightly improve out of the remaining stock once the farmers are done with their wheat selling.

A special Margin of 10% (in cash) on the Long side was imposed by FMC on all running contracts in Soybean in the beginning of April. As per directions of Forward Markets Commission, it has been decided not to launch the soybean September 2012 expiry contract originally scheduled to be launched on April 10, 2012. The steps were taken as per bylaws introduced following the steep rise in the bean prices to curb circular trading in exchanges.

The soybean harvest is almost done in Brazil while it about to commence in Argentina. We feel the price pressure on soybean is unlikely even after the harvesting commences in Argentina due to significant crop losses not only in Argentina but also in Brazil. The situation will subsequently keep the domestic bean prices strong during the month.

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

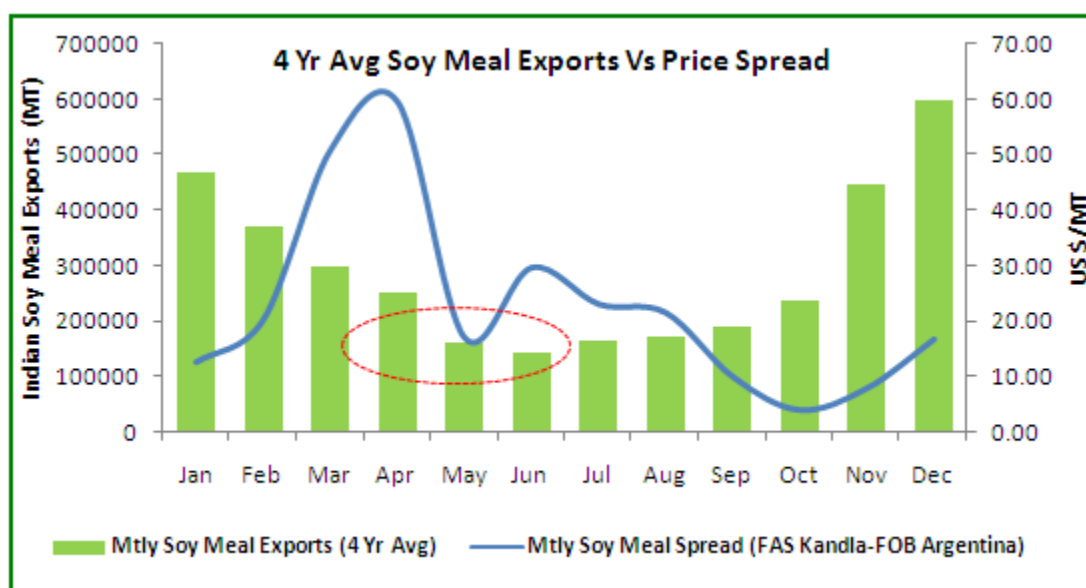
- Higher domestic availability in oilseeds in 2010/11 season due to rise in production during the year improved their crushings in 2010/11 consequently leading to lower carry in 2011/12.
- India's 2011/12 soybean output is expected to be around 12.0 Mn T.

- 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 shipments increased in the month of March to 460,464 MT compared to the export sales in February at 344,240 MT this year. The sales were recorded higher despite attractive South American soy meal prices. India shipped about 460,464 MT of soy meal in the month of March 2012 compared to 410,537 MT in the corresponding period last year.

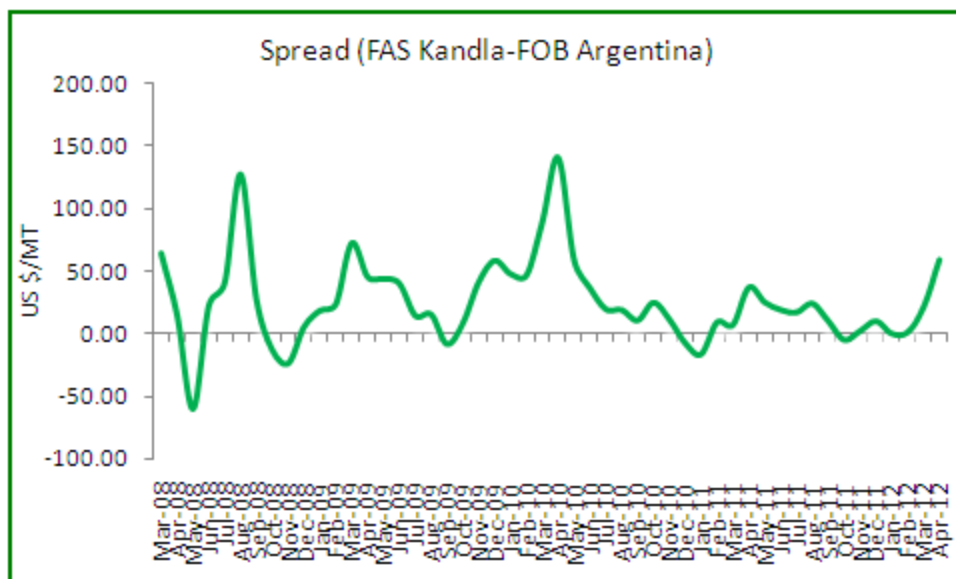
The higher sales are attributed to the emerging markets like Iran and improved buying from Japan during the month.



India exported around 176,819 MT of soy meal in May 2011 and it is expected to export slightly higher at around 200,000 MT of meal in May 2012. Tight supply scenario from Latin America due to crop loss in the region will be an advantage for the meal of Indian origin as the small buyers from South and Far East Asia are expected to remain buyers due to logistic and freight advantage.

World imports of soya meal are reportedly expected to decline to around 58 Mn T, down 0.8 Mn T from last season, estimated by Oil World. This is primarily due to the stronger prices throughout the season lead by smaller South American soybean crop.

Currently, the South American meal prices are competitive compared to the meal of Indian origin. However, the traditional overseas buyers of Indian soy meal are still seen placing their import orders due to their preference for non-GMO meal or for the logistic and freight advantage.



*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$59/MT in April which strongly indicates that the Argentine soy meal prices are far more competitive than the Indian meal prices. (* Spread - FAS Kandla less FOB Argentina).

Recommendation: The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations. This will translate in to freight and logistic advantage. Any dip in FOR, Kandla towards **29000-29500** is a viable level to go for buying.

Soy meal Dynamics and Crush Margin

Avg Crush Margin – Apr 2012	Avg Crush Margin – Mar 2012	Avg Crush Margin – Apr2011	Avg Crush Margin – Apr2010
-722	-659	-876	-648

The soybean crush margin slightly recovered in the month of April as compared to the corresponding period last year. Better exports sales in meal followed by fresh demand from Iran and improved buying from Japan remained supportive factors in recovering the crush margin.

Though the crush margin is in negative region, the recovery in the same will encourage the solvent extractors from crushing the beans.

Expected Price Range in Soy Complex During May:

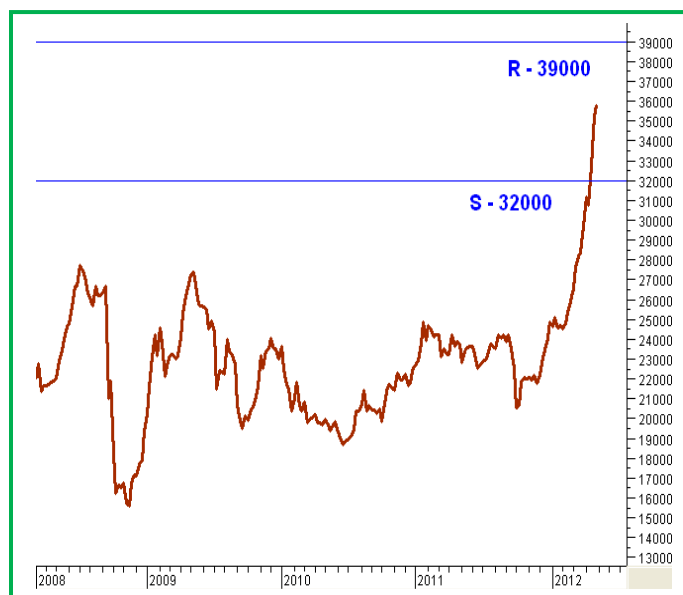
Commodity	Price Range	Crush Margin
Soybean	38000-38500	95
Soy Meal	32000-35000	
Soy Oil (CSO)	69000-71500	

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Jun Soybean				
S2	S1	PCP	R1	R2
2836	3256	3670	3915	4154

- The Monthly candlestick chart pattern indicates continued buying support 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 further in northward direction.
- **Trade Recommendation (NCDEX Soybean - Jun) – 1 Month:** BUY between 3690–3720 levels. T1 – 3800; T2 - 3850; SL - 3658.

Trade Recommendation Soybean Spot: The soybean prices are expected to gain on limited supplies and witness 3800-3850 levels (Indore, Plant basis) during the month.

Review of Previous Call: In our previous call we had recommended SELL between 3000–3020 levels. T1 – 2900; T2 - 2850; SL - 3065. The call failed to trigger.

Rapeseed - Mustard Seed

The RM seed sentiments remained strong on lower supplies attributed to slow farmer's selling in anticipation of further higher prices. The seed arrivals in Rajasthan fell significantly, about three times lower in the month of April this year compared to the corresponding period last year.

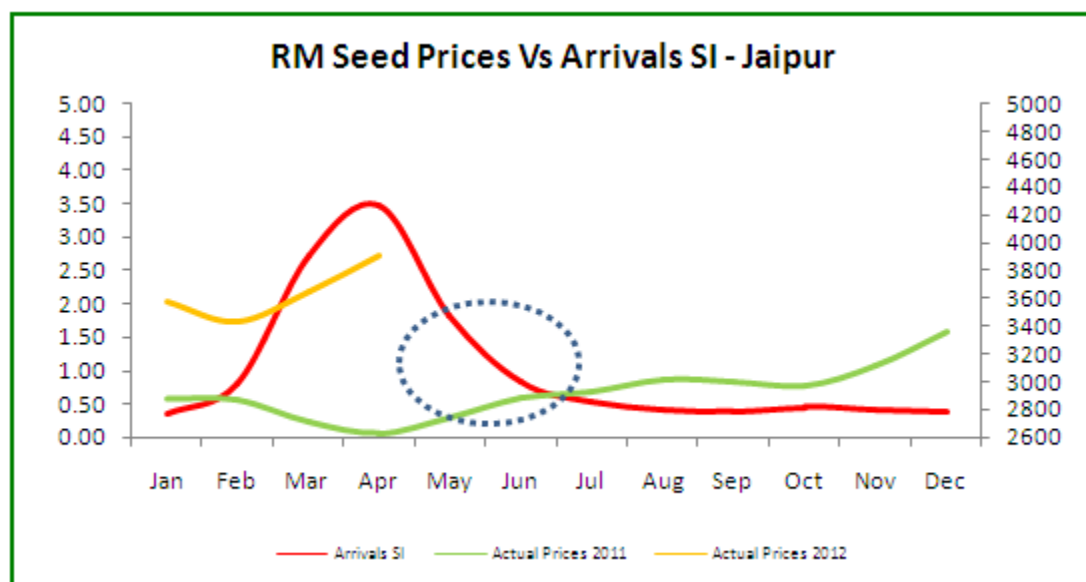
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Apr	1 Month Ago	Corresponding Period Last Year
31,65,000	7,10,000	95,15,000

The harvesting in Sri Ganganagar and Hanumangarh is complete and about 50 per cent of the produce in these districts has reportedly already been sold in the market by the farmers.

As per seasonality the supplies are likely to gradually fall in near to medium term which will consequently boost the RM seed prices. However, lower edible oil demand is expected to slightly limited the gains for short-term.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



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

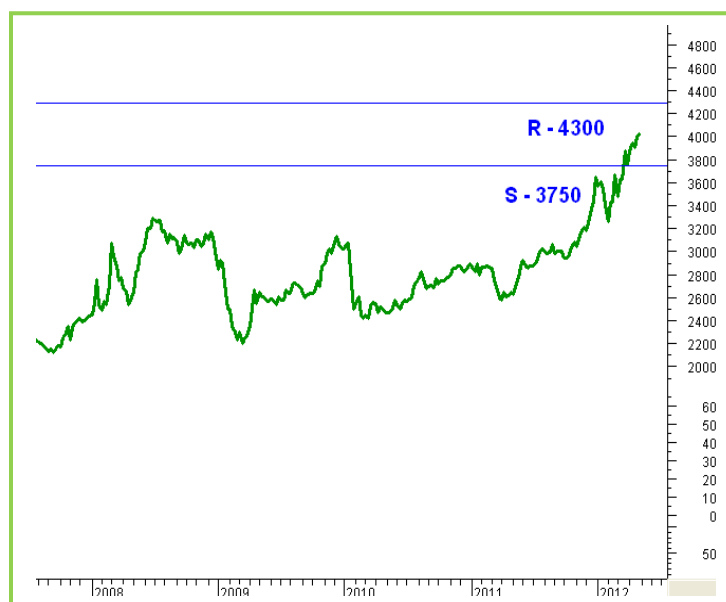
- We have revised the 2011/12 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

Technical Analysis:

NCDEX RM Seed Futures (May)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX JunRM Seed

S2	S1	PCP	R1	R2
3610	3827	4122	4300	4350

- 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 further gain during the month. The RM seed prices are expected to gain and move towards 4250–4300 levels.
- **Trade Recommendation (NCDEX RM SEED - Jun) – 1 Month:** BUY towards 4135– 4150 levels.T1 – 4250; T2 - 4290; SL - 4089.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain during the month towards 4200-4250level. We recommend buy the seed on major dip and offload it towards the said levels. The seed fundamentals remain strong in view of lower output this season.

Review of Previous Call: In our previous call we had recommended **SELL** towards 3800 – 3820 levels.T1 – 3700; T2 - 3650; SL - 3865. The call failed to trigger.

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