

## Executive Summary

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Overall, soybean and soy meal prices extended gains on dried-up pipeline supplies in soybean and consistent demand in soy meal from traditional buyers during the month under review. However, falling soy meal export sales due to demand diversion of international buyers towards South America and weak domestic demand from poultry industry remained negative factor towards the end of the month, May, when the prices dramatically fell.

The crushings of the bean has significantly reduced in Madhya Pradesh, Maharashtra and Rajasthan and the crushing plants are running at much lower than their actual capacity.

Soybeans of seed grade quality have started pouring in the markets of Madhya Pradesh and Maharashtra. About 45-50 percent of the current supplies in Madhya Pradesh are seed grade. In the major development the soybean planting has commenced Maharashtra and the farmers are keen in increasing their area under soybean citing higher remuneration this season.

However, the RM seed prices showed marginal losses during the month and only need based buying featured with the decline in seasonal usage in edible oils. Stockists and millers refrained themselves from active buying in anticipation of further fall in the seed prices.

Besides, slow selling in RM seed is featured since past several weeks. Farmers are holding their produce in anticipation of higher remuneration in future citing lower seed production this season.

Overall, the domestic oilseeds and meal fundamentals remain strong on lower supplies but expected improved supplies in the beans by the farmers to cover up their stocks ahead of new crop may pressure the bean prices during June. However, the RM seed prices are likely to remain strong in near to medium-term due to the dried-up pipeline supply in soybean. The shortage leads to better millers demand in RM seed, leading to stronger price in the seed. Besides, weakness in Indian rupee against US dollar is making the imported edible oils expensive.

## International

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- ❖ The US soybean planting progress is in full swing and reported at 89 per cent ahead of 5-year average of 61 per cent which was 48 per cent previous year in the corresponding period last year. Besides, the sown 61 per cent has emerged compared to 22 per cent in the corresponding period last year and five year average of 30 per cent. This translates into faster sowing in and early harvesting if weather remains conducive for the crop.
- ❖ Brazilian soybean output in the 2011/12 season is estimated at 66.331 mln tons, down 11% from the previous crop, which was estimated at 74.380 mln tons. Brazilian soybean exports is estimated total 29.3 mln tons in 2012, down 13% from the year earlier, when export stood at 33.789 mln tons. The forecast is a part of the report released by SAFRAS and Mercado.
- ❖ Brazilian soybean producers have sold 86 per cent of the 2011/12 season, as reported by SAFRAS and Mercado. In year-ago comparative period, sales involved 67 per cent, and the average for the period is 66 per cent.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>30-05-2012</b>	<b>30-04-2012</b>	
	Indore –Plant	3400-3475	3550-3600	<b>-125</b>
	Indore –Mandi	3300-3350	3400-3500	<b>-150</b>
	Nagpur-Plant	3450	3550	<b>-100</b>
	Nagpur – Mandi	3300-3400	3400-3500	<b>-100</b>
	Kota-Plant	3350	3500	<b>-150</b>
	Kota – Mandi	3250-3300	3400	<b>-100</b>
	Bundi-Plant	3400	3570-3575	<b>-175</b>
	Bundi-Mandi	3300	3475	<b>-175</b>
	Baran-Plant	3200-3250	3500	<b>-250</b>
	Baran-Mandi	3300	3510	<b>-210</b>
	BhawaniMandiJhalawar – Kota Plant Delivery	3400	3600	<b>-200</b>
	Jhalwar-Mandi	3325-3350	3450-3500	<b>-150</b>
<b>Rapeseed/Mustard</b>	Jaipur – C	3920-3925	4020-4025	<b>-100</b>
	Alwar – C	3750	3800	<b>-50</b>
	SriGanganagar	3450	3700	<b>-250</b>
	Delhi– C	3875	3900	<b>-25</b>
	Kota (Non-Condition)	3600-3650	3700	<b>-50</b>
	Neewai	3925	3925	<b>Unch</b>
	Hapur (UP)	3950	3950	<b>Unch</b>
<b>Groundnut Seed</b>	Rajkot	925	-	-
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Gulbarga	-	-	-
	Latur	33350-33450	34000-36500	<b>-3050</b>
	Solapur	33325-33425	33500-35000	<b>-1575</b>

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.

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**Oilseed Arrivals in Key Centers**

Commodity	Centre	Arrivals in Bags/Qtl		Change
<b>Soybean</b>		<b>30'May'12</b>	<b>30'Apr'12</b>	
	Madhya Pradesh	877000	543000	<b>+334000</b>
	Maharashtra	466000	580000	<b>-114000</b>
	Rajasthan	340000	431000	<b>-91000</b>
	Bundi (Raj)	780	2445	<b>-1665</b>
	Baran (Raj)	11800	16000	<b>-4200</b>
	Jhalawar (Raj)	5625	7225	<b>-1600</b>
<b>Rapeseed/Mustard</b>	Rajasthan	1991000	3165000	<b>-1174000</b>
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

## Soybean

The monthly soybean prices remained strong but they significantly fell towards the end of the month under review, May. Dried-up pipeline supply and weak Indian rupee against US dollar remained supportive factors for the bean. However, euro zone crisis and faster pace in soybean planting in US dampened down the sentiments and pressured towards the end of the month.

In the major development, soybean planting has commenced in the Sangli district of Maharashtra and it is expected to get complete by second week of June. Sangli is the first district where soybean planting starts and it is the first place to report the new soybean supplies.

About 80-85 per cent of the total produce is reportedly sold out in the market and remaining is lying with crushers and farmers retained for sowing. The soybean crushing have substantially declined due to the dried-up pipeline supply and subsequently lower soy meal export sales and poor edible oil demand. The crushing plants in Madhya Pradesh are operating for just 5-7 days and month. The crushing plants in Maharashtra and Rajasthan are also operating much below their actual crushing capacity.

The domestic soybean planting is expected to pick-up the pace in late June when monsoon grips central and north India boosting soil moisture, subsequently increasing the planting pace. The farmers are keen in planting and increasing the soybean area citing better remuneration this season.

The soybean prices are expected to slightly ease on lackluster buying followed by further fall in the crushings, in June. The buying will be need based for planting and limited crushing.

## Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12
<b>Carry In</b>	0.49	0.45	1.12	0.37
<b>Production</b>	<b>9.60</b>	<b>9.67</b>	<b>10.10</b>	<b>12.00</b>
Imports	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>10.09</b>	<b>10.12</b>	<b>11.22</b>	<b>12.37</b>
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
<b>Carry Out</b>	<b>0.45</b>	<b>1.12</b>	<b>0.37</b>	<b>1.30</b>
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

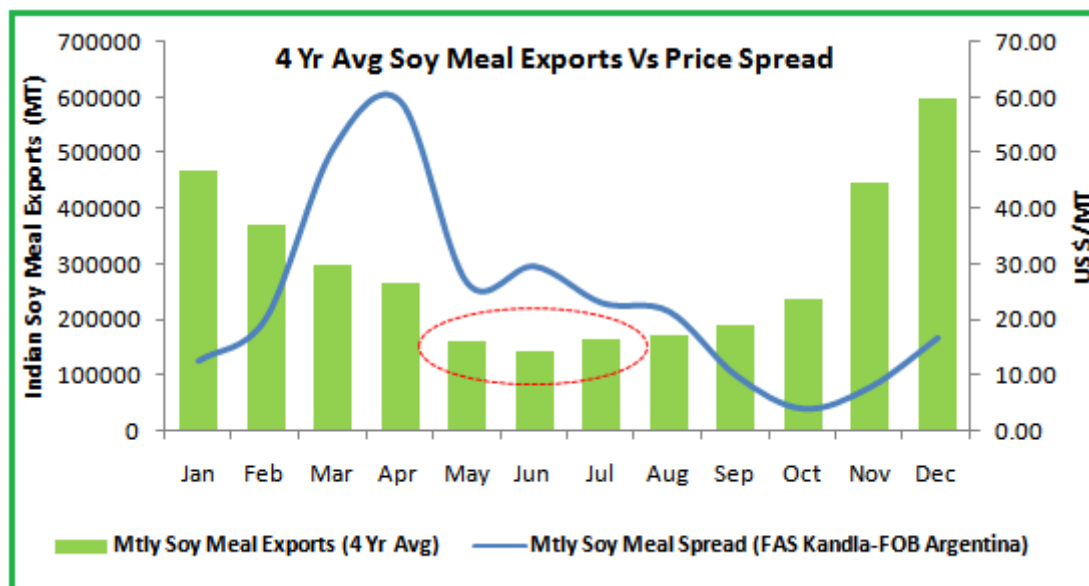
Source: Agriwatch

- 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)

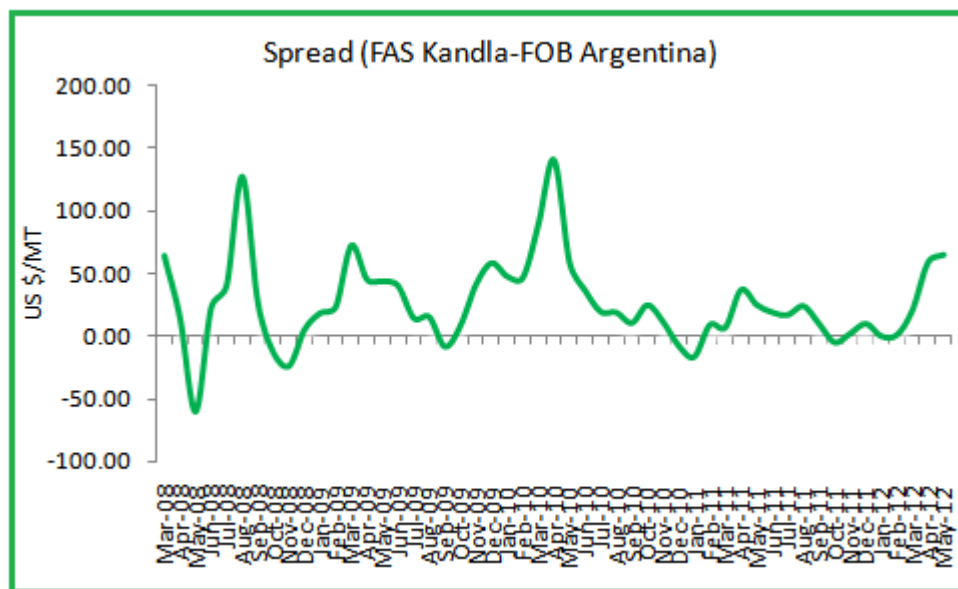
The domestic soy meal prices registered significant gains due to tight soybean supplies and soy meal export obligation on the other hand. India's soy meal shipments continued to be higher year-on –year basis, though it is declining m-o-m basis. Japan, Iran, Korea and Vietnam remained the top buyers in recent months due to preference of Indian non-GMO meal, trade and logistics advantage.

However, competitive South American soy meal prices compared to the meal of Indian origin have lead to the diversion of demand shift towards South America.



India exported around 1,17,600 MT of soy meal in Jun 2011 and in view of y-o-y rise in export sales, it is expected to ship slightly higher at around 1,20,000 MT of meal in Jun 2012. Short supplies from Latin America due to crop damage followed by drought in Argentina and Brazil 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.

The global soy meal imports are likely to fall due to the tight supply in beans this season. The imports are expected to be lower by 0.8 Mn T to 58 Mn T estimated by Oil World.



\*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$59/MT in May which translates 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 **28500-29000** is a viable level to go for buying.*

## Soy meal Dynamics and Crush Margin

<b>Avg Crush Margin – May 2012</b>	<b>Avg Crush Margin – Apr 2012</b>	<b>Avg Crush Margin – May 2011</b>	<b>Avg Crush Margin – May 2010</b>
<b>-750</b>	<b>-722</b>	<b>-556</b>	<b>-812</b>

The soybean crush margin has slightly deteriorated in the month of May compared to the corresponding period last year. Falling export sales and declining remuneration has lead to the widening of disparity. The disparity remained a discouraging factor for solvent extractors.

### Expected Price Range in Soy Complex During Jun:

<b>Commodity</b>	<b>Price Range</b>	<b>Crush Margin</b>
<b>Soybean</b>	32000-33000	<b>-1280</b>
<b>Soy Meal</b>	25000-27000	
<b>Soy Oil (CSO)</b>	63000-65000	

## Sunflower Extract

The availability of sunflower extract is limited due to lean season and falling sunflower seed production every year. The monthly average prices of the extract stood at Rs16430/MT compared to Rs14510/MT during the same period last year.

Currently, the major consuming centers are Namakkal, Coimbatore and Bangalore and the demand is consistent from these centers from poultry feed industry. The sunflower sowing in Karnataka is underway. In Latur It will commence in June while in Solapur it is expected to begin in Aug-Sep.

The chances of exports are bleak due to the limited supplies availability. India exported 1492 MT of sunflower extract to various destinations in 2009-10. Since then India has not registered any major shipment in sunflower extract export sales.

## Technical Analysis:

### NCDEX Soybean Futures



### Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Jul Soybean

S2	S1	PCP	R1	R2
3000	3146	3436	3850	3950

- The Monthly candlestick chart pattern indicates selling pressure in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in overbought territory. Prices are expected to ease in short-term.
- **Trade Recommendation (NCDEX Soybean - Jul) – 1 Month:** SELL between 3400–3380 levels. T1 – 3320; T2 - 3270; SL - 3455.

**Trade Recommendation Soybean Spot:** The soybean prices are expected to ease on lackluster buying, need based buying for seeding, and fall in crushing. Prices are expected to witness 3200-3250 levels (Indore, Plant basis) during the month.

**Review of Previous Call:** In our previous call we had BUY between 3690–3720 levels. T1 – 3800; T2 - 3850; SL - 3658. The call got the entry but failed to achieve any target.



## Rapeseed - Mustard Seed

Overall, the RM seed prices featured marginal losses as the potential seed buyers refrained themselves due to the fall in the seed prices initially during the month under review, May.

The stockists and millers were not keen in active buying anticipating further fall in the seed prices. However, slow farmer's selling remained a notable feature of the seed market. The seed supplies in Rajasthan fell significantly, about three times lower in the month of May this year compared to the corresponding period last year.

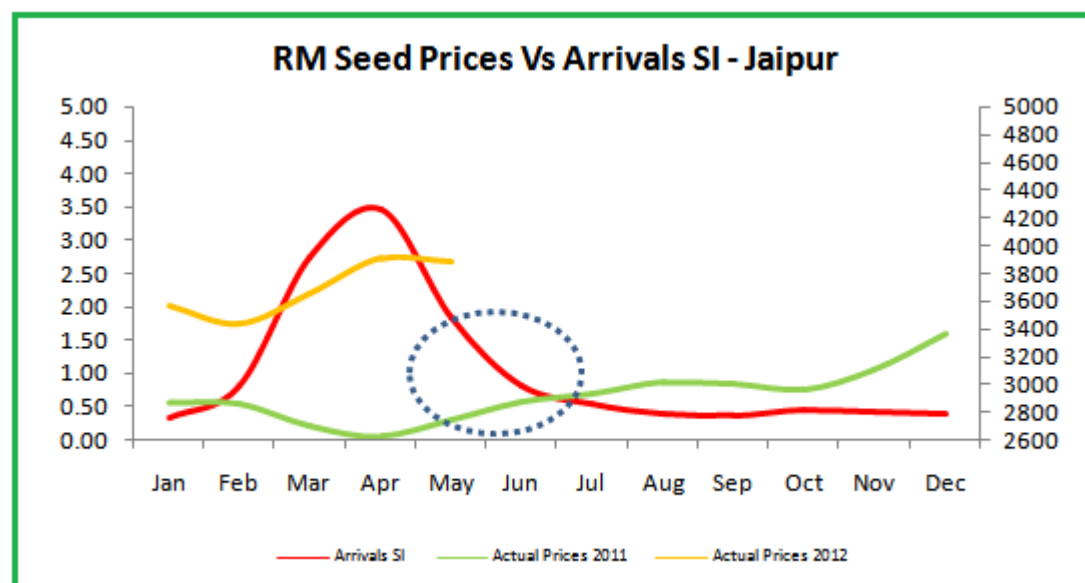
### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals-May	1 Month Ago	Corresponding Period Last Year
20,61,000	31,65,000	63,55,000

The farmers and the stockists are anticipating higher prices during the lean season, citing lower seed production this season.

The seed prices are expected to surge in the month of June due to dried-up pipeline supply in soybean and demand shift in RM seed to cater the domestic edible oil demand.

### RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



## Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

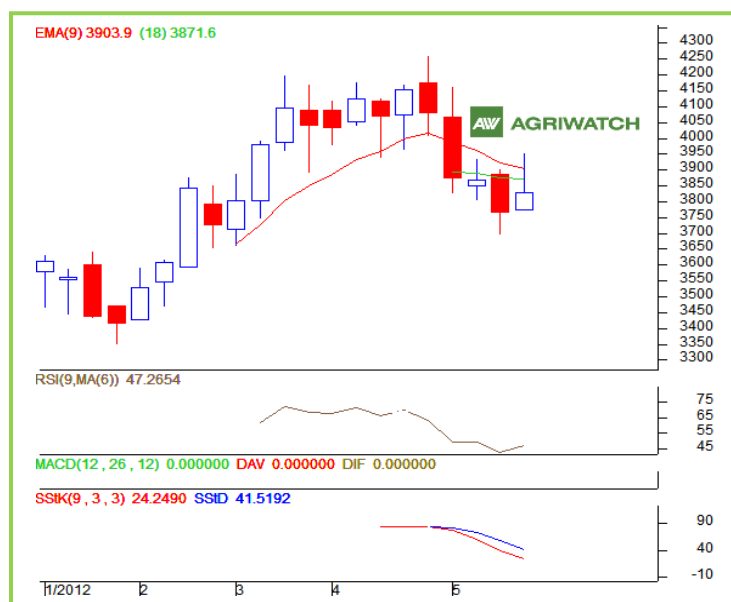
Marketing Year	2008-09	2009-10	2010-11	2011-12
<b>Carry In</b>	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.0
Imports	0	0	0	0
<b>Total Availability</b>	<b>6.65</b>	<b>6.75</b>	<b>7.75</b>	<b>7.25</b>
Crush	5.9	6	6.5	7.05
Exports	0	0	0	0
Total Usage	5.9	6	6.5	7.05
<b>Carry Out/Ending Stock</b>	<b>0.75</b>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

Source: Agriwatch

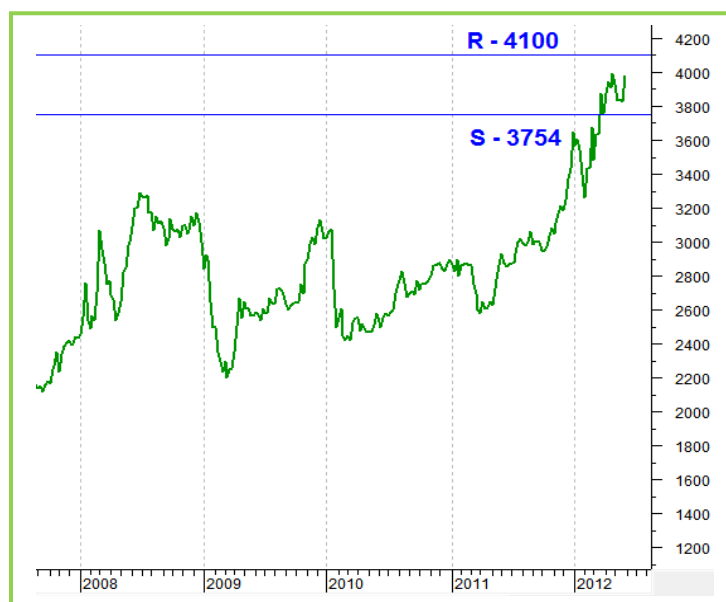
- We have revised the 2011/12 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

## Technical Analysis:

### NCDEX RM Seed Futures (Jul)



### RM Seed Spot, Jaipur



### Supports & Resistances NCDEX Jul RM Seed

S2	S1	PCP	R1	R2
3410	3639	3901	4300	4400

- The monthly RM seed candlestick chart pattern reveals selling pressure in the market.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to decline further during the month. The RM seed prices are expected to gain and move towards 4250–4300 levels.
- **Trade Recommendation (NCDEX RM SEED – Jul) – 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 4050-4070 level. 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 BUY towards 4135– 4150 levels. T1 – 4250; T2 - 4290; SL - 4089. The call failed to trigger.

## COPRA

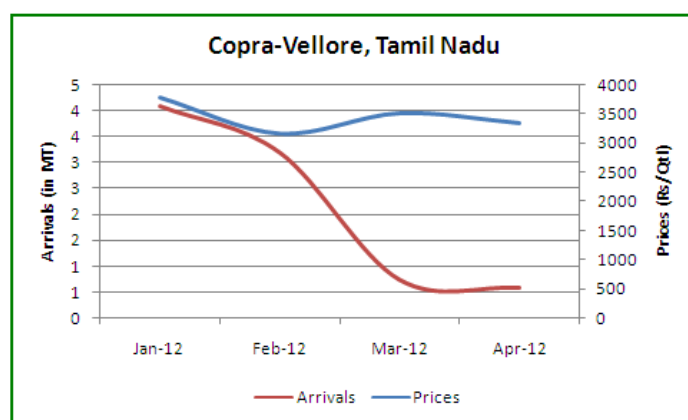
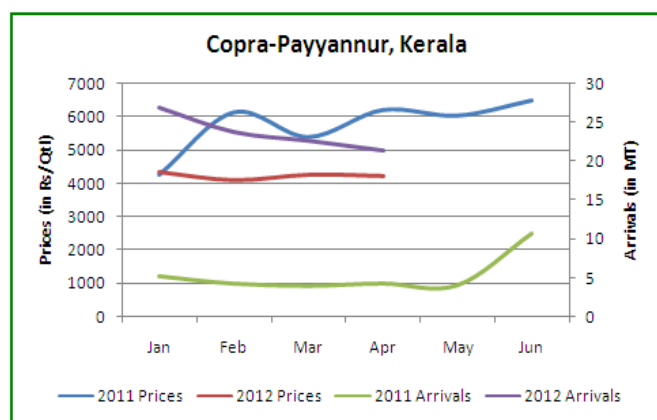
<i>Copra Spot (Prices Rs/Qtl &amp; Arrvls/MT)</i>	2011	2012	2011	2012	2011	2012
	Ambajipeta - AP		Anthiyur - TN		Payyanur - Kerala	
Jan	5467	4313	6161	4177	4264	4327
Feb	5825	3910	6507	3679	6150	4101
Mar	5483	3823	5721	4020	5407	4252
Apr	5907	4013	6048	3991	6221	4216
May	6010		6155		6053	
Jun	6067		6298		6510	

<b>Arrivals</b>						
Jan	-	-	4	5	5	27
Feb	-	-	4	3	4	24
Mar	-	-	3	4	4	23
Apr	-	-	3	8	4	21
May	-	-	2		4	
Jun	-	-	4		11	

\*- Arrivals not available

### Summary:

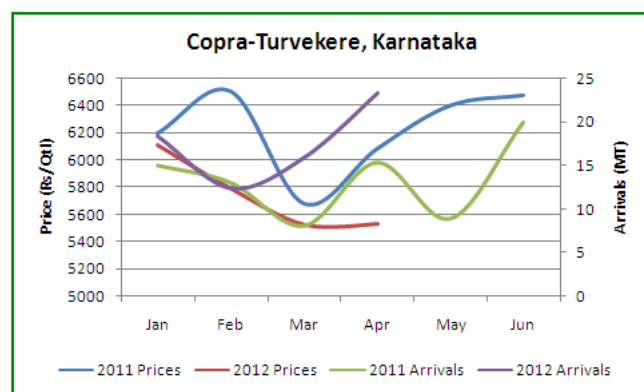
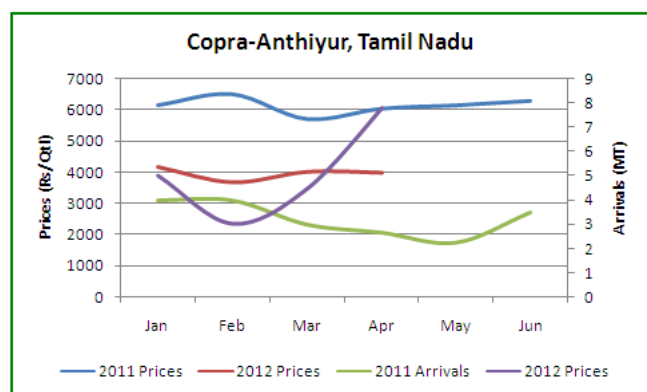
The copra prices stood well below during Jan-May 2012 compared to the corresponding period last year, across all the major market centers of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. Higher yield in coconut this season continued to weigh on the copra prices across the centers.



### Domestic Trade and Arrivals:

The use of copra for coconut oil extraction is currently slightly lower and the copra and coconut prices are gradually sliding in tandem with other edible oils like soy and palm oil.

The copra prices have gradually started decreasing in Erode district. Reportedly hundreds of farmers from all over India brought their copra to the Regulated Marketing Committee, Avalpoondurai. In the auction held in the second week of May.



About 260 tonnes of copra from Erode, Dharmapurai, Krishnagiri, Salem and Vellore districts were brought to the RMC and all the copra were sold in tender auction during the period. Reportedly the competition for the copra buying was reasonable in the May. On an average, copra was sold at Rs 36-38 a kg. The farmers, with much reluctance sold their copra, as in February it fetched them Rs 72 a kg. But now due to heavy arrivals, the buyers quoted low price of Rs 36 a kg.

Arrivals substantially increased not only in the market centers of Tamil Nadu but also in Kerala, Karnataka and AP.

## International Development and Impact:

United Coconut Associations of the Philippines (UCAP) reported that quantity of coconut oil exports totaled 58,900 metric tons (MT) in April, decline of 39.66% from the 97,614 MT exports during the corresponding period last year. A senior official from the association said that the demand remained low. The major overseas buyers of Philippine coconut oil include United States and Europe.

The shipment of the product from January to April totaled some 209,256 MT, 41.49% down from the 357,622 MT recorded in the same period in 2011.

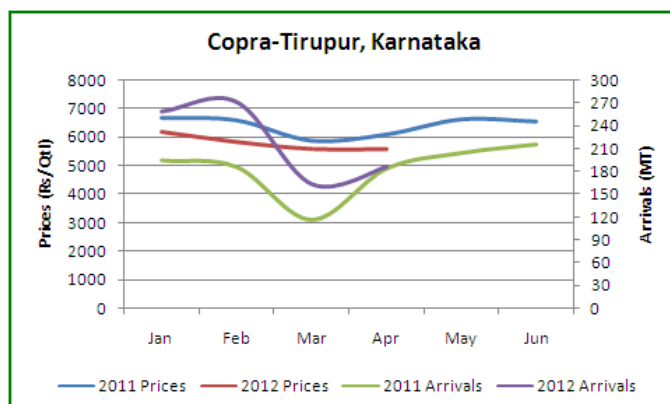
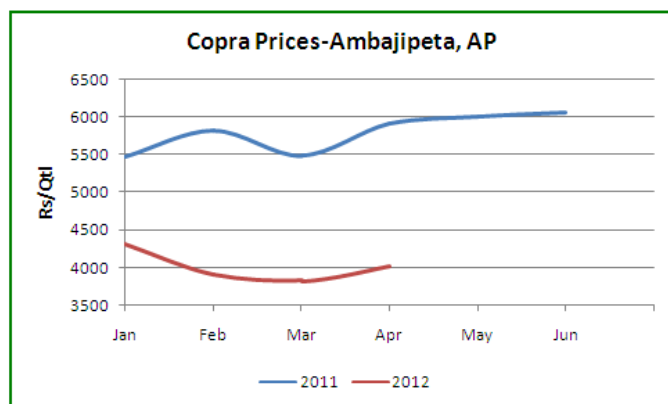
Though there is a continued fall in the Philippine exports the figures are likely to pick up by the third quarter of the year.

Coconut oil shipments last year fell about 39% annually to 823,381 MT -- falling short of a 900,000-MT target besides because of low copra supply.

UCAP, Philippines is expecting to export 925,000 MT of coconut oil, expecting good production of copra on favorable weather.

The Philippine Coconut Authority had earlier reported that copra outturn is likely to increase to 3.4 million MT this year from 3.2 million MT in 2011.

However, the Indian copra prices are expected to remain lower Y-o-Y basis due to higher output in coconut this season.



## Outlook:

The copra prices in Andhra Pradesh are expected to remain side-ways in May and no major movement in either side is expected during the period. However, in Jun 2012 the prices in the state are expected to gain from the current levels in Ambajipeta of Rs4000-4100/Qtl to Rs4300-4350/Qtl in Jun on lower supplies due to upcoming monsoon.

As per IMD prediction, the South-Western monsoon is expected to hit Kerala on time in 1 Jun 2012 and subsequently to other South Indian states, which will consequently hit the copra supplies in Southern states leading copra prices strong.

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