

Executive Summary

The domestic oilseeds and oil meals extended gains on strong global and domestic fundamentals during the month under review. The soybean prices featured gains on multiple factors including persistent dryness in mid-west, US, the major soybean growing region of US, renewed demand in meal, decline in domestic supplies in bean due to lean season besides poor monsoon in oilseeds growing regions.

Prices of soy meal posted gains on improved buying from poultry feed industry and consistent overseas demand in meal of Indian origin and lower crushings due to short supplies in beans. Besides, surge in South American soy meal prices due to lower supplies followed by decline in the bean output this season remained supportive for the international meal and eventually for domestic meal prices, during the period.

RM seed prices too witnessed gains on slow farmer's selling and better buying from millers to meet the improved edible oil demand during the month under review. Gains in Malaysian palm oil followed by higher export sales in the same ahead of Muslim fasting month, *Ramadan*, remained supportive factor for domestic RM seed.

Persistent dryness in mid-west US, higher shipments in Malaysian palm oil, better soy meal export enquiries, deficit rains in oilseeds growing region and weakness in Indian rupee against US dollar are expected to further support the oilseeds and meal prices near to medium-term.

International

- ❖ Notable deterioration in US crop ratings is confirmed in the last week of June. Persistent dryness is resulting in irreversible yield. USDA has slashed its condition rating for soybean crop at 45% good-to-excellent compared with 53% previous week due to higher than the normal temperature and dry weather.
- ❖ In the official US crop progress report blooming of recently planted soybean is reported at up at 12% compared to the 5-year average of 4%. However, 65% is reported at good to excellent condition. World global oilseeds will continue to decline substantially in the first half of the new season. The availability will only become ample with the supplies of South American soybean production in early 2013.
- ❖ The global soybean production in 2011/12 is expected at 237.35 Mn T. The estimate was by SAFRAS and Mercado, partly based on figures by the United States Department of Agriculture, which estimates production at 236.38 Mn. The global soybean production was estimated at 264.69 Mn T, last year.
- ❖ Oil World estimates global output of 10 oilseeds at 471.9 Mn T in the full season 2012/13, up 36.7 Mn T from the sharply reduced level registered in 2011/12. But 63% of the growth in world production will be offset by the prospective steep decline in opening stocks by 23 Mn T – Oil World.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		30-06-2012	30-05-2012	
	Indore –Plant	3850-3900	3400-3475	+425
	Indore –Mandi	3725-3825	3300-3350	+475
	Nagpur-Plant	3850	3450	+400
	Nagpur – Mandi	3700-3800	3300-3400	+400
	Kota-Plant	3950	3350	+600
	Kota – Mandi	3850-3900	3250-3300	+600
	Bundi-Plant	3950	3400	+550
	Bundi-Mandi	3900	3300	+600
	Baran-Plant	-	3200-3250	-
	Baran-Mandi	3900	3300	+600
	BhawaniMandiJhalawar – Kota Plant Delivery	3950-3975	3400	+575
	Jhalwar-Mandi	3900-3950	3325-3350	+600
Rapeseed/Mustard	Jaipur – C	3965-3970	3920-3925	+45
	Alwar – C	3850	3750	+100
	SriGanganagar	3500	3450	+50
	Delhi– C	3980	3875	+105
	Kota (Non-Condition)	3700	3600-3650	+50
	Neewai	3925	3925	Unch
	Hapur (UP)	3975	3950	+25
Groundnut Seed	Rajkot	1000	925	+75
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	-	-	-
	Latur	Closed	33350-33450	-
	Solapur	Closed	33325-33425	-

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 Jun 12	30 May 12	
	Madhya Pradesh	1070000	877000	+193000
	Maharashtra	311000	466000	-155000
	Rajasthan	176000	340000	-164000
	Bundi (Raj)	1375	780	+595
	Baran (Raj)	27150	11800	+15350
	Jhalawar (Raj)	5900	5625	+275
Rapeseed/Mustard	Rajasthan	1445000	1991000	-546000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Crop Progress, India

The *kharif* oilseeds planting are under progress but it slow paced due to the lull in the monsoon in oilseeds growing region. Overall, the oilseeds plantings is 17 per cent lower compared to the corresponding period last year.

Of the major *kharif* oilseeds crop groundnut has been badly hit and its planting is reported 50 per cent lower at 3.2 lakh hectares compared to 6.4 lha. Surprisingly the soybean planting is up by 38 per cent compared to the same period last year.

Area in lakh hectares

Crop	As on 28 Jun 2012	As on 28 Jun 2011	% Change
Groundnut	3.2	6.4	-50.2
Soybean	6.3	4.6	37.6
Sunflower	0.3	0.4	-29.7
Sesamum	0.6	0.9	-31.8
Niger	0.0	0.0	-
Castor	0.4	0.8	-44.2
Total Oilseeds	10.8	13.0	-17.1

Source: GOI

Except soybean, the planting of all the other oilseeds are lagging behind due to poor rains. Between 1-28 June India has received 25 per cent less rains than the normal.

Expected Area in *Kharif* Oilseeds

	State	2012 (*E) Area	2011 Area	2010 Area
Soybean	Madhya Pradesh	60	57.3	53.9
	Maharashtra	34	30.69	26
	Rajasthan	9	8.48	7.65
	#Total	105	102.91	93.2
Groundnut	Gujarat	15.5	14.73	16.73
	Andhra Pradesh	10.6	10.24	13.47
	Rajasthan	3.9	3.74	3.33
	Karnataka	5.4	5.18	6.68
	Total	43.2	42.98	49.86
Sunflower	Karnataka	2.26	2.15	1.83
	Maharashtra	0.46	0.33	0.57
	Andhra Pradesh	0.32	0.21	0.43
	Total	2.79	2.76	2.89

**E: Expected. Source: AW-Farmers and Trade. #Total: Including Others. States: Only Major Producing States.*

Soybean

The soybean prices edged-up on lower supplies in beans and increase in edible oil usage in during the month under review.

The soybean planting is under progress and it is reported 38 per cent higher at 6.3 lakh hectares compared to 4.6 lha in the corresponding period last year. About 2.8 lha have been sown in Madhya Pradesh followed by 2.6 lha in Maharashtra.

The solvent extractors were keen in buying the beans at higher quotes to meet the exports obligation in meal and improved edible oil usage.

The soybean planting is picking-up Maharashtra and while in Madhya Pradesh it is expected to pick-up the pace if precipitation increases. The overall monsoon rains are 31 per cent lower than the normal between 1-30 June.

Dry weather in mid-west, US, higher export sales in Malaysian palm oil and fresh edible oil demand domestically will continue to support the soybean prices in near-term.

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

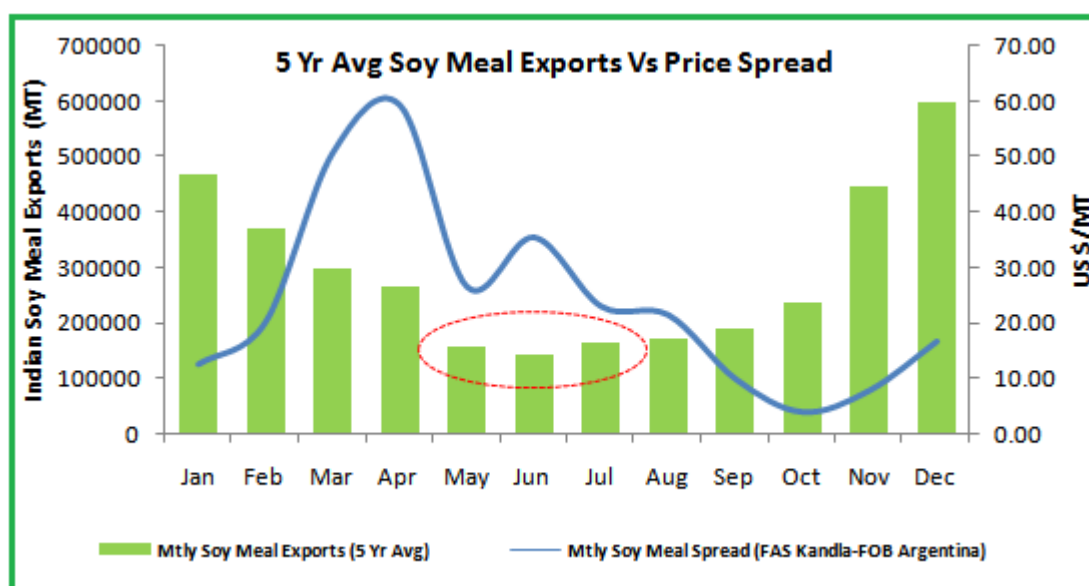
- Higher domestic availability in oilseeds in 2010/11 season due to rise in production during the year improved their crushings in 2010/11 consequently leading to lower carry in 2011/12.
- India's 2011/12 soybean output is expected to be around 12.0 Mn T.
- We expect 2011/12 soybean crush at 11.07 Mn 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)

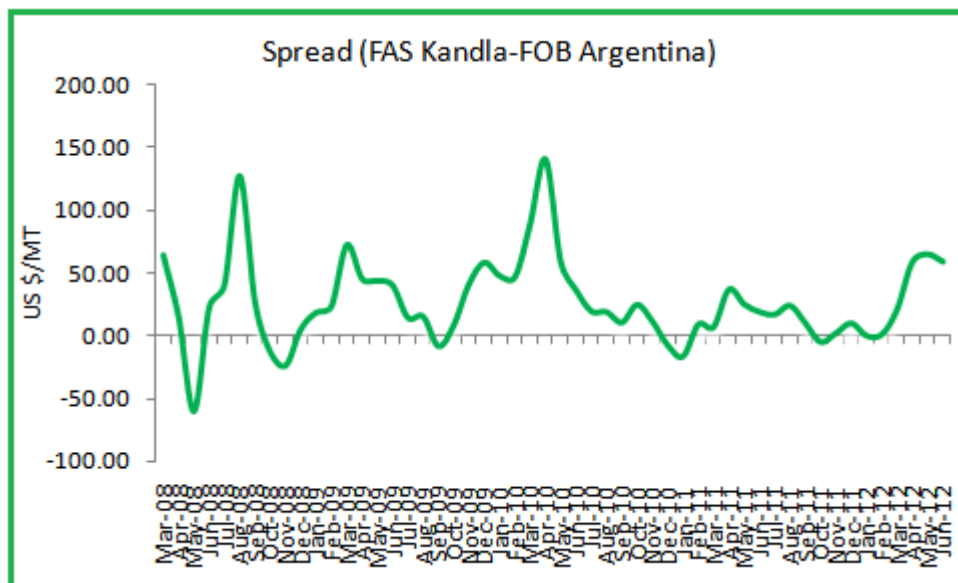
The domestic soy meal prices extended gains on decline in crushing in beans and coupled with higher international meal prices due to slack in supplies from South America followed by lower soybean output in the region this season. India continues to get export enquiries in meal from traditional buyers, but the meal shipments have declined m-o-m, from April due to the lean season in soybean and eventually lower crushings. The meal exports are expected to pick-up from September onwards with India's new soybean crop supplies.

Iran, Japan, Korea, Vietnam and Turkey remained major buyers from India in previous months due to their preference in non-GMO meal, logistic and trade advantage.

But, attractive South American soy meal prices compared to the meal of Indian origin have lead to the demand diversion towards South America.



India had shipped around 1,39,547 MT of soy meal in Jul 2011 and in view slightly higher soybean production, Indian is expected to ship slightly higher than the last year at around 1,47,000 MT of meal in Jul 2012. Lower supplies in soy meal from South America followed by crop damage due to drought in Argentina and Brazil will lend support to the Indian soy meal exports as the small buyers from South and Far East Asia are expected to continue to place soy meal order due to trade, 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 June 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. Any dip in FOR, Kandla towards **35000-35500** is a viable level to go for buying.

Soy meal Dynamics and Crush Margin

Avg Crush Margin – Jun 2012	Avg Crush Margin – May 2012	Avg Crush Margin – Jun 2011	Avg Crush Margin – Jun 2010
-1202	-750	-509	-541

The soybean crush margin has further fallen in the negative territory in the month of Jun compared to the corresponding period last year. Decline in soy meal shipments has widened the disparity. The disparity remained a discouraging factor for solvent extractors.

Expected Price Range in Soy Complex During Jul:

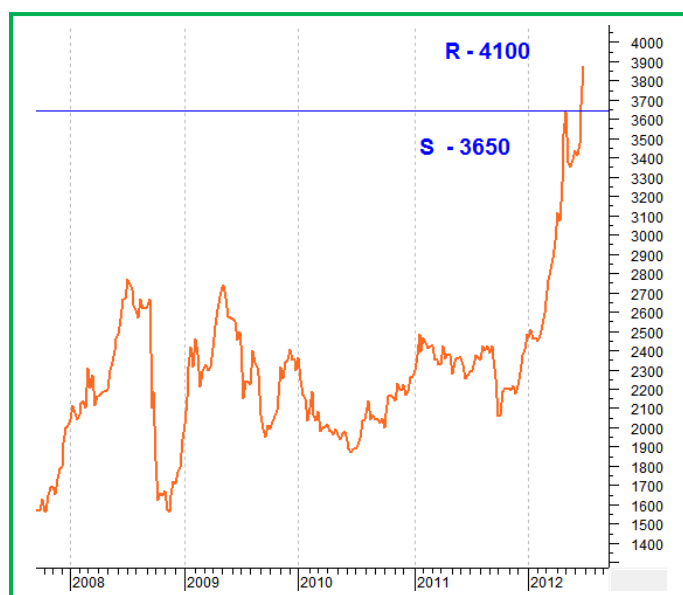
Commodity	Price Range	Crush Margin
Soybean	41000-41500	443
Soy Meal	37000-39000	
Soy Oil (CSO)	67500-70200	

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Aug Soybean

S2	S1	PCP	R1	R2
3030	3518	4004	4260	4515

- The Monthly candlestick chart pattern indicates strong buying in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI is rising in overbought region while stochastic is easing in overbought territory. Prices are expected to gain in short-term.
- **Trade Recommendation (NCDEX Soybean - Aug) – 1 Month:** BUY between 4050–4070 levels. T1 – 4160; T2 - 4220; SL - 4010.

Trade Recommendation Soybean Spot: The soybean prices are expected to extend gains on dried-up pipeline supplies and bullish global fundamentals. Prices are expected to witness 4100-4150 levels (Indore, Plant basis) during the month.

Review of Previous Call: In our previous call we had recommended SELL between 3400–3380 levels. T1 – 3320; T2 - 3270; SL - 3455. The call got the entry and the first target was achieved.

Rapeseed - Mustard Seed

Overall, the RM seed prices remained flat during Jun compared to the previous month. However, the seed prices slightly gained towards the end of the month. Slow farmers and stockists selling continue to persist in anticipation of further higher prices in future, citing lower seed production this season.

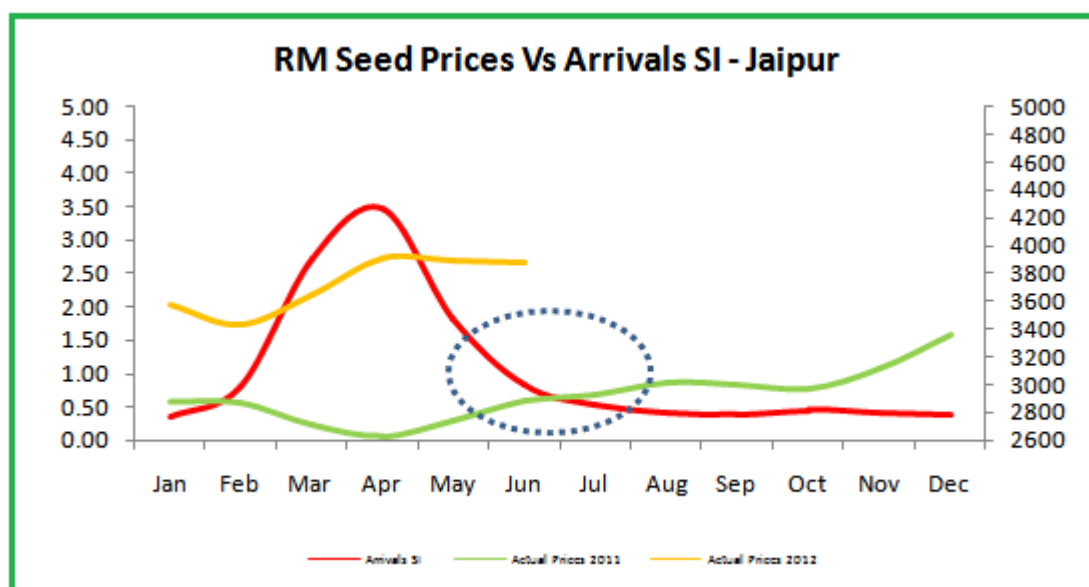
Hand to mouth buying in the seed was featured from the millers during the month while several other potential buyers refrained themselves from the seed market at the current higher prices.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Jun	1 Month Ago	Corresponding Period Last Year
14,45,000	20,61,000	53,30,000

The RM seed prices are expected to further gain in near-to-medium term in view of dried-up soybean pipeline supply and lower production in RM seed. Rise in palm oil exports from Malaysian and Indonesia ahead of Muslim fasting month, *Ramadan*, will lend additional support to the domestic RM seed.

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

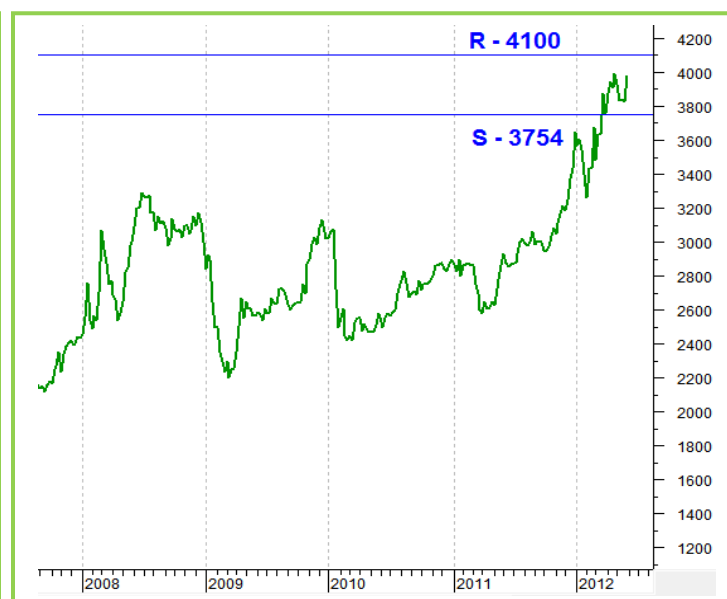
- We have revised the 2011/12 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Aug RM Seed

S2	S1	PCP	R1	R2
3558	3772	3986	4136	4286

- The monthly RM seed candlestick chart pattern reveals prices could not sustain at lower levels.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to gain during the month. The RM seed prices are expected to gain and move towards 4100–4130 levels.
- **Trade Recommendation (NCDEX RM SEED – Aug) – 1 Month:** BUY towards 4000– 4020 levels.T1 – 4100; T2 - 4135; SL - 3965.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain during the month towards 4070-4100 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.

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