

Executive Summary

Mixed sentiments featured in the domestic oilseeds and meal markets during the period under review. The RM seed prices slightly eased after continued gains. However, the soybean prices remained side-ways with mild gains towards the end of the week.

The soy meal prices extended gains on supportive overseas buying and persistent seasonal domestic demand from poultry feed industry.

The oilseeds prices are unlikely to fall in near-term on demand from solvent extractors for crushing to meet the seasonal vegoil and meal demand.

Lower covered area in RM seed this season, expected fall in South American soybean crop and supportive overseas buying in soy meal will remain positive factors for the domestic oil and fats markets in near-term. The prices are likely to face downward pressure in mid February with the commencement of new RM seed and soybean arrivals in domestic and international market respectively.

International

Brazil: Brazil's grain analyst - Celeres has lowered its previous soybean output estimate to 74.4 Mln T from earlier 75.6 Mln T due to dry weather conditions in South Brazil, the major soybean growing region of the country.

As per Safras, adverse weather conditions have hard hit the soybean crop of South Brazil. The early estimated production of 14.15 million tons has been revised to 12.73 million. Crop losses should hit 10%, which in physical terms account for nearly 1.42 million tons.

Brazilian soybean exports totalized 32.985 million tons in 2011, according to data released by the Foreign Trade Secretariat. Last year, the volume had been 29.073 million tons.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		13/01/2012	07/01/2012	
	Indore –Plant	2490-2530	2440-2490	+40
	Indore –Mandi	2380-2440	2300-2380	+60
	Nagpur-Plant	2440-2450	2400	+50
	Nagpur – Mandi	2325-2425	2325-2400	+25
	Kota-Plant	2475	2425	+50
	Kota – Mandi	2375-2400	2330-2340	+60
	Bundi-Plant	2470-2490	2440	+50
	Bundi-Mandi	2360-2400	2340-2365	+35
	Baran-Plant	2440-2450	2375	+25
	Baran-Mandi	2375-2400	2300	+100
	BhawaniMandiJhalawar – Kota Plant Delivery	2475-2500	2400-2425	+75
	Jhalwar-Mandi	2375-2415	2300-2325	+90
Rapeseed/Mustard	Jaipur – C	3600-3610	3565-3570	+40
	Alwar – C	3525	3750	-225
	SriGanganagar (NC)	3200	3210	-10
	Kota	3300	3300	Unch
	Neewai	3500	3500	Unch
	Delhi– C	3500	3600	-100
	Hapur (UP)	3600	3600	Unch
Groundnut Seed	Rajkot	820	810	+10
	Junagarh		-	
Sunflower Seed	Latur	31000-33000	32000-33500	-500
	Gulbarga	28000-30000	29000-30500	-500
	Solapur	30150-33000	30100-33250	-250

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.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
		Current Week(13/01/2011)	Previous Week(07/01/2011)	
Soybean				
	Madhya Pradesh	810000	1060000	-250000
	Maharashtra	400000	330000	+70000
	Rajasthan	135000	91000	+44000
	Bundi (Raj)	5300	5900	-6000
	Baran (Raj)	12000	21500	-9500
	Jhalawar (Raj)	8500	23000	-14500
Rapeseed/Mustard	Rajasthan	220000	251000	-31000
*Sum Arrivals during the week.				

Crop Progress, India

There was no change in the official planting figures in the recent planting progress compared to the previous week report by the Ministry of Agriculture.

The Rabi oilseed planting is lagging by 5.3% stands at 81.0 lakh hectares compared to 85.5 lha last year.

Area in lakh hectares

Crop	As on 13th January 2012	As on 13th January 2011	% Change
Rapeseed & Mustard	64.8	68.2	-5.0
Groundnut	5.1	4.1	24.4
Sunflower	1.9	2.2	-14.8
Total Oilseeds	81.0	85.5	-5.3

Source: GOI

RM seed sowing is lower by 5% at 64.8 lha compared to 68.2 lha in the same period 2011. However, the groundnut planting has recovered by 24% which was initially lower by 25%.

Soybean

Range bound movement in the soybean prices featured during the week, which slightly improved towards the end of the week. The gains were capped with the end of the festival buying - *Makar Sankranti*, the crushing of the beans improved ahead of the festival but eased towards end of the week.

Slow farmer's selling is evident with the weakness in the prices and we expect the scenario to continue with around in 40 per cent of the remaining produce with the farmers. Fall in the rabi oilseeds output this season coupled with strong global soybean factors will lend the support tot the domestic soybean during the season.

In Maharashtra, the small crushing units have either lowered their crushing capacity or have stopped their operations (smaller ones) due to disparity in crushing. However, the bigger units are in operation with reduced capacity. Currently, the average daily arrivals in Madhya Pradesh are recorded around 1.55 lakh bags.

Soybean Crush Margin

<i>Avg Crush Margin – This Week</i>	<i>Avg Crush Margin – Last Week</i>	<i>Avg Crush Margin – Corresponding Period Last Month</i>
-698	-508	-507

Though the negative crush margin is not rated critical for the big crushing units but it is discouraging for the solvent extractors. Relatively better gains in soy meal and soy oil compared to soybean will lead to positive crush margin. Short supply in soybean from Latin America is expected to extend the overseas meal demand towards India.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

There was a marginal difference in the soy meal price spread of FAS, Kandla and FOB, Argentina compared to the previous week. It is evident that the Argentine meal prices are still competitive despite reports of crop loss in the region. However, India will still be able to take the logistic and freight advantage especially to Far and South East Asian countries, which was even reflected in our previous month export sales.

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Spread
<i>2-7 Jan</i>	341	339	2
<i>9-14 Jan</i>	342	339	3

India is expected to export about 6.0-6.25 lakh tones of meal in January this year. It's exports sales stood at 5.74 lakh tones in Jan'11.

Despite the reports of persistent culling of birds (poultry) in Khurda district of Orissa and some places in Meghalaya after reports of bird flu, have not negatively affected in poultry industry in a big way. Normal regular demand in domestic meal is witnessed and it remains a positive factor for the meal prices which is expected to remain intact in near-term.

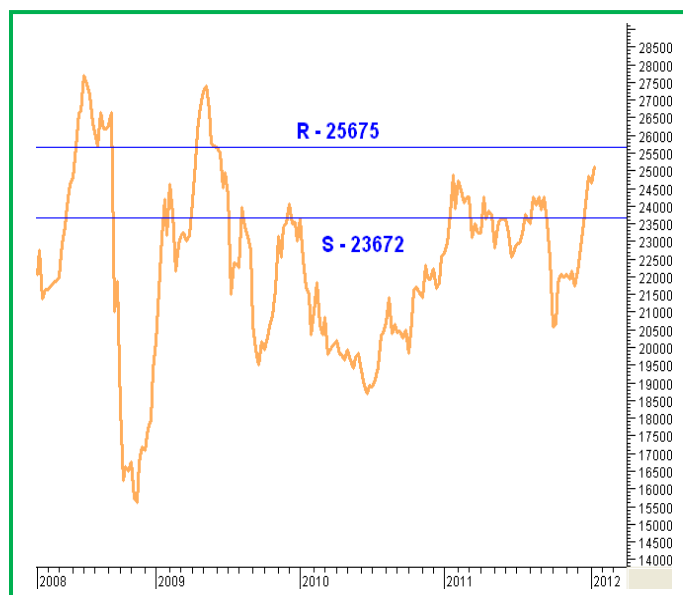
Recommendation: *The current dip in FOR, Kandla (18100-18200) in the meal price is a buying opportunity. The soybean crushers are advised to continue with their normal regular crushing to meet the domestic and overseas demand. The Indian soy meal exporters must continue to aggressively look the South and Far East Asian markets, in view of proximity and logistic advantage.*

Technical Analysis:

NCDEX Soybean Futures (Feb.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Feb. Soybean				
S2	S1	PCP	R1	R2
2350	2382	2525	2542	2570

- The weekly candlestick chart pattern reveals selling pressure in the market.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are easing in neutral zone. Prices are expected to recover and move upwards towards 2530– 2540 levels.
- **Trade Recommendation (NCDEX Soybean - Feb) – 1 Week:** Buy towards 2520 – 2525 levels.T1 – 2535; T2 - 2540; SL - 2518.

Trade Recommendation Soybean Spot: We recommend buy on dips towards 2480– 2500 levels (Indore, Plant basis) in view of stronger soybean market in near-term.

Review of Previous Call: In our previous call we had recommended **BUY** towards 2610 – 2615 levels.T1 – 2640; T2 - 2655; SL - 2627. However, the market fell and failed to achieve the said target.

Rapeseed - Mustard Seed

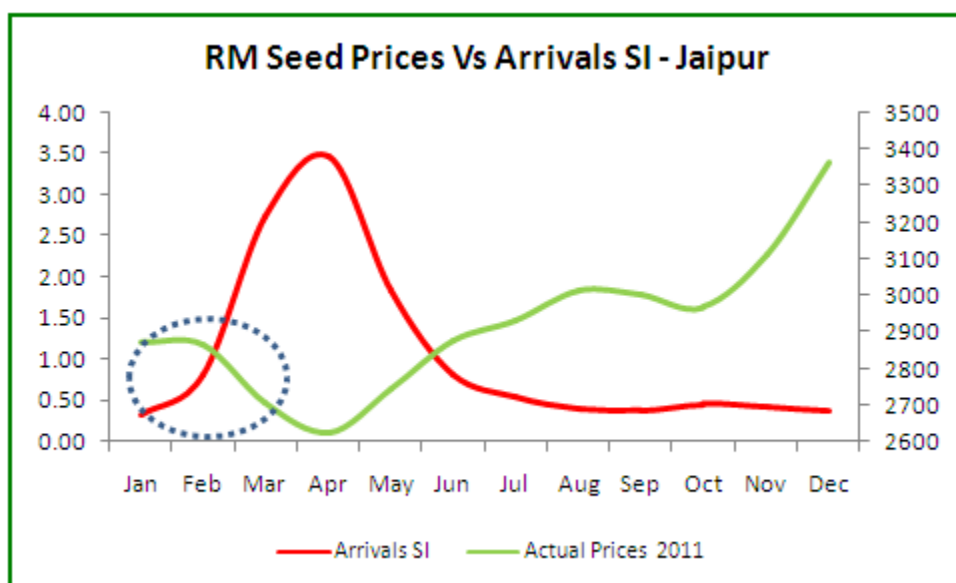
Report of lower area coverage in RM seed and higher MSP in the seed this season at Rs2500/qtl compared to Rs1850/qtl, an increase of Rs650/qtl is expected to lend support to the seed prices at higher levels in the coming marketing season.

However, second spell of rain over some of the key RM seed growing pockets remained beneficial and bearish factor for short-term for the seed. However, medium and long-term fundamentals remain strong.

Weather is reportedly good for the crop and there are no reports of disease of pest in the crop yet.

The crop harvesting has commenced in the Kota division and it is likely to pick-up the pace in a week's time. The harvesting of the crop is expected in late February in other parts of Rajasthan while it is likely in mid February in Uttar Pradesh.

RM Seed Prices Vs Seasonality Index, Arrivals - Jaipur



The new crop arrivals are expected pick in February month and until then the prices of the seed are expected to remain strong.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,65,000	2,51,000	2,60,000

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to remain range bound with firm bias. Farmers and stockists are advised to offload the seed between 3650-3700 levels during the week.

Technical Analysis:
NCDEX RM Seed Futures (Apr.)

RM Seed Spot, Jaipur

Supports & Resistances NCDEX Apr. RM Seed

S2	S1	PCP	R1	R2
3263	3336	3396	3500	3525

- The weekly RM seed candlestick chart pattern reveals selling pressure in the market.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- The RM seed prices are expected to regain and move towards 3490 – 3500 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:** Buy towards 3410 – 3430 levels. T1 – 3480; T2 - 3490; SL - 3390.

Review of Previous Call: In our previous call we had recommended BUY towards 3490 – 3500 levels. T1 – 3570; T2 - 3580; SL - 3533. On contrary the prices eased and non of the targets achieved.

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