

Executive Summary

Mixed reactions featured in the oilseeds and oilmeal cash markets on varied factors during the week, under review. The RM seed prices remained strong during the period on tight supply outlook this season, but registered losses towards the end of the week. However, soybean and soy meal prices sank on short-term bearish fundamentals.

The RM seed fundamentals remain strong due to the lower area coverage and attractive MSP this season. The crop condition is reportedly good after recent rains over some of the growing region. The soybean and meal prices were under pressure due to the reports of bird flu in some parts of Orissa and Meghalaya and on reports of suspension of meal imports from India by China.

However, the domestic oilseed and meal markets are expected to gain in the short-term. But prices are likely to face downward pressure with the commencement of new RM seed in the domestic market and new soybean crop in Brazil in mid February. Besides, stronger rupee against US dollar has made the vegetable oil imports slightly comfortable for India which is again a bearish factor in the days ahead.

International

As per Oil World, the global supplies of soybeans are likely to fall in 2011/12. They have estimated global soybean production to fall by around 12 Mn T, more than offsetting the increase of 10 Mn T in opening stocks.

The global soybean output in 2011/12 is projected to decline to 256.4Mln T compared to 266.8Mln T last year, mainly due to fall in US crop. The continued rising demand in Asia, mainly from China, is expected to support world trade in 2011/12 to a record 94.9Mln T compared to 91.3Mln T, reported IGC.

World soy meal trade is estimated to rise by 6%, to 60.0Mln T, amid increasing demand from Far East Asia and the EU.

Brazil: Oil World has estimated crop loss of about 3 Mln T in Brazil alone primarily attributed to drought in South Brazil. The global soybean supply outlook still remains critical with crop losses in Argentina, Paraguay and Uruguay also.

Argentina: The Standing Soybean crop of Argentina has been hit by the dry weather. The Argentine Agriculture Ministry has trimmed soybean output estimate to 48.9 Mln T from 52-53 Mln T forecasted last month. Reportedly, about 54% of the soybean crop is in good shape, 34% in average while 12% in bad condition.

China: China increased its September to December Soybean purchases by 6.3 per cent higher soybean over the previous year owing to higher local demand, as reported by Oil World. However, the US soybean export sales to China declined 23 per cent. China is expected to witness a surge in arrivals of the bean by 1.1-1.2 Mln T during Oct-Jan 2011/12, in view of rise in buying, as per the report. China's soybean imports are likely to be around 56 Mln T in Aug-Jul 2012 season.

Beside, China's soy meal demand is also likely to be higher this season on growing demand from the poultry, pork, and aquaculture industries.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		21/012012	13/01/2012	
	Indore –Plant	2430-2490	2490-2530	-40
	Indore –Mandi	2370-2430	2380-2440	-10
	Nagpur-Plant	2450-2475	2440-2450	+25
	Nagpur – Mandi	2325-2425	2325-2425	Unch
	Kota-Plant	2450-2470	2475	-5
	Kota – Mandi	2350-2375	2375-2400	-25
	Bundi-Plant	2470-2500	2470-2490	+10
	Bundi-Mandi	2390-2410	2360-2400	+10
	Baran-Plant	2400-2425	2440-2450	-25
	Baran-Mandi	2300-2390	2375-2400	-10
	BhawaniMandiJhalawar – Kota Plant Delivery	2275-2500	2475-2500	Unch
	Jhalwar-Mandi	2400-2425	2375-2415	+10
Rapeseed/Mustard	Jaipur – C	3540-3550	3600-3610	-60
	Alwar – C	3300	3525	-225
	SriGanganagar (NC)	3135	3200	-65
	Kota	3400	3300	+100
	Neewai	2950-3000	3500	-500
	Delhi– C	3350	3500	-150
	Hapur (UP)	3375	3600	-225
Groundnut Seed	Rajkot	840	820	+20
	Junagarh	-	-	-
Sunflower Seed	Latur	27000-30000	31000-33000	-3000
	Gulbarga	31000-33000	28000-30000	+3000
	Solapur	31500-33000	30150-33000	Unch

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(21/01/2011)	Previous Week(13/01/2011)	
Soybean				
	Madhya Pradesh	775000	810000	-35000
	Maharashtra	470000	400000	+70000
	Rajasthan	155000	135000	+20000
	Bundi (Raj)	5500	5300	+200
	Baran (Raj)	14500	12000	+2500
	Jhalawar (Raj)	3800	8500	-4700
Rapeseed/Mustard	Rajasthan	250000	220000	-30000
*Sum Arrivals during the week.				

Crop Progress, India

No detailed break-up in planting progress of the rabi oilseeds has been given in the latest report of the Ministry of Agriculture. However, the overall area under the oilseeds is recorded lower by 7.3 per cent at 83.8 lakh hectares compared to 90.4 lha during the same period last year.

Area in lakh hectares

<i>Rabi Oilseeds</i>	<i>As on 20th January 2012</i>	<i>As on 20th January 2011</i>	<i>% Change</i>
Total Oilseeds	83.8	90.4	-7.3

Source: GOI

Soybean

Soybean prices fell on slack in demand from solvent extractors leading to suspension of China's soy meal buying from India and subsequently a fall in meal prices and widening disparity on crushing the beans.

Farmers were reluctant in selling their produce at the lower quotes. Currently, the average daily arrivals have reduced to 1.25-1.50 lakh bags from 1.5-1.75 lakh bags in the previous week.

China has stopped buying oilmeal from India citing traces of hazardous chemicals in some rapeseed meal shipments last year. The decision will negatively hurt the India's meal exports.

Besides, Japan, Vietnam and South Korea, China buys large quantity of rapeseed and soy meal from India. China had pointed out Indian exporters in June last year that they have found the chemical, malachite green, in rapeseed meal shipments from India. However, Indian authorities identified the substance as green dye used in the packing material.

Oilmeal exports to China have slowed down in last three months. Oilmeal shipments to China have declined to 127,391 MT during October-December, compared to 131,022 tons during the same period last year.

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>
-813	-698	-691

The soybean crush margin continues to stay in negative territory and the disparity has widened due to the relatively steep fall in soy oil prices in comparison to soybean and meal. Expected lower soybean crop in Latin America is expected to slightly favour the Indian soy meal exports during the season and support the meal prices at higher levels and consequently leading the crush margin into positive territory. Though small crushing units may not find the levels comfortable for crushing, but big crushers could start if disparity is marginal.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The bird flu fears have hit the domestic poultry production with suspension of orders (poultry products) from West Asia and some South Asian countries after confirmed reports of the flu in Orissa and Meghalaya.

Some of the hatcheries have already stopped their sale to north-eastern states due to slack in demand and in anticipation of further fall in the consumption.

The situation will lead to a lower poultry production and consequently the soy meal demand following slow down in meal purchases from poultry feed industry. In view of this situation coupled with Chinese suspension of oilmeal orders in recent past, the pressure on the soy meal prices will continue in the short-term.

Soy meal prices in Argentina are competitive compared to Indian meal prices.

Quotes in US \$

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
16-21 Jan	354	350	4
9-14 Jan	342	339	3

***FAS Kandla less FOB Argentina**

As light difference in the soy meal price spread of FAS, Kandla and FOB, Argentina featured compared to the previous week. Despite the soybean crop loss in Argentina their meal prices seem attractive. However, consistent export sales of Indian meal to South and Far East Asian countries will lend support in the medium-term. Proximity and logistic advantages continues to make the Indian meal exports to the Asian countries viable.

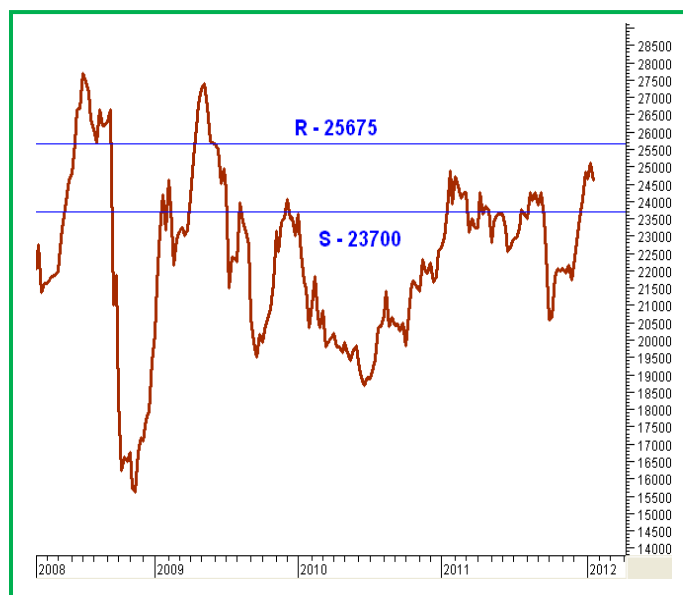
Recommendation: *The exporters are advised to aggressively market the meal to the key destinations in view of likely **price pressure and attractive Brazilian prices** with the commencement of their new crop in the market in near-term. Any dip in FOR, Kandla (18300-18400) meal quotes is a buying opportunity.*

Technical Analysis:

NCDEX Soybean Futures(Feb.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Feb.Soybean				
S2	S1	PCP	R1	R2
2454	2493	2542	2600	2636

- The weekly candlestick chart pattern reveals prices at uptrend.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI is rising in neutral region while stochastic is easing in neutral zone. Prices are expected to move upwards towards 2580 –2600 levels.
- **Trade Recommendation (NCDEX Soybean - Feb) – 1 Week:** Buy towards 2545– 2555 levels. T1 – 2570; T2 - 2595; SL - 2540.

Trade Recommendation Soybean Spot: We recommend buy on dips towards 2500– 2525 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 2520– 2525 levels. T1 – 2535; T2 - 2540; SL - 2518. The call triggered and both the targets were achieved.

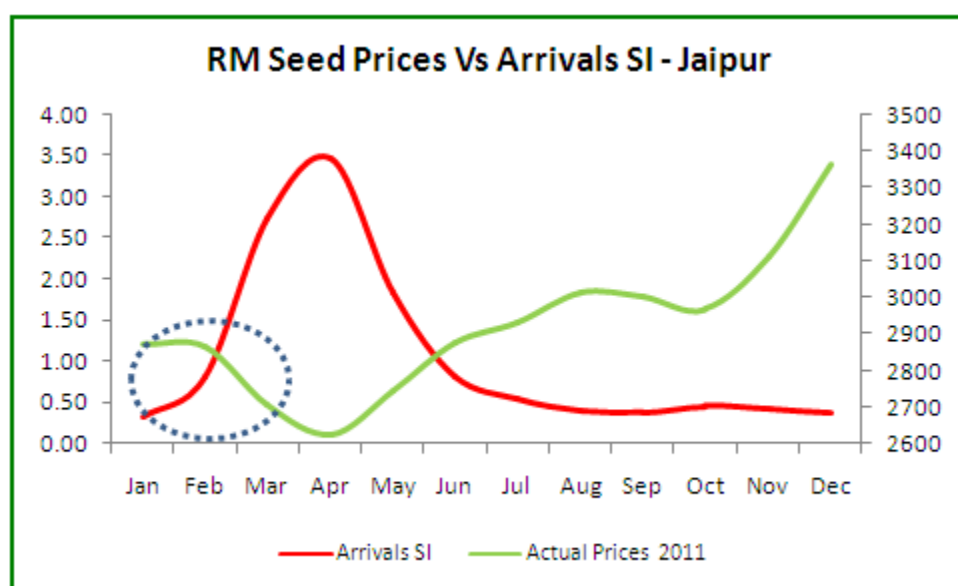
Rapeseed - Mustard Seed

Commencement of RM seed crop harvesting in some parts of Rajasthan remained a bearish factor for the seed during the period. However, lower area coverage in the seed this season limited the fall. The RM seed prices are likely to get pressured in key Rajasthan markets but are expected to remain steady to firm in the markets of Uttar Pradesh in the near-term.

However, the long-term fundamentals remain strong on expected lower outturn this season. Weather is reportedly favourable for the standing crop and no pest or disease reported in the crop yet.

Harvesting of the RM seed crop is picking pace in the Kota division. However, it is expected to begin only in late February in North Rajasthan and in mid February in the state of Uttar Pradesh.

RM Seed Prices Vs Seasonality Index, Arrivals- Jaipur



The new crop arrival pressure is expected to mount between late February and March.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,50,000	2,65,000	2,32,000

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gradually fall on new crop pressure. Farmers and stockists are advised to offload the seed between 3600-3650 levels during the week.

Technical Analysis:

NCDEX RM Seed Futures (Apr.)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX Apr.RM Seed

S2	S1	PCP	R1	R2
3300	3339	3394	3525	3550

- The weeklyRM seed candlestick chart pattern reveals selling pressure in the market.
- Prices closed below 9-day EMA supporting bearish momentum.
- The RM seed prices are expected to fall and move towards 3360 –3345 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:** Sell between 3395– 3380 levels. T1 – 3360; T2 - 3345; SL –3392.

Review of Previous Call: *In our previous call we had recommended BUY towards 3410–3430 levels. T1 – 3480; T2 - 3490; SL - 3390. The call triggered and both the targets were achieved.*

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