

Executive Summary

The domestic oilseeds and meal prices eased during the week under review. The prices were pressured by new RM seed crop arrivals in some of the growing regions and lower demand in meal and edible oils.

However, the fall was limited by the strong global factors in soybean and lower covered area in RM seed domestically.

The soybean production has been hit in Latin America due to drought and even some intermittent rains failed to respite the crop in the region. The analysts have already started trimming the crop in Argentina, Brazil and Paraguay.

Besides, the RM seed planting is reportedly 8.2 per cent lower at 65.3 lakh hectares compared to 71.1 lha last year. Likely fall in production in the seed will keep the seed prices strong during the season.

Slow but consistent Indian soy meal export sales remained supportive for the market but the gains were capped after China stopped buying oilmeal from India citing traces of hazardous chemicals in some rapeseed meal shipments last year. The decision is likely to hit the India's meal exports to some extent in near to medium-term.

Further, appreciation in Indian 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

Latin America: Soybean crop continues to deteriorate in Latin America on persistent drought in the region. The analysts have already started trimming the crop in Argentina, Brazil and Paraguay.

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's 2011-12 Soybean crop out turn is estimated at 46.2 million tonnes by Buenos Aires Grain Exchange. This is the first crop estimate by the Exchange. The output estimate is again lower compared to 48.9 Mln T by the Agriculture Ministry of Argentina which had lowered earlier estimate for 52-53 Mln T.

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. 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. However, their suspension of oilmeal imports from India is expected to hit India's meal exports to some extent.

Overall, the global soybean supplies are seen lower this season which is expected to keep the bean prices throughout the season.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		28/01/2012	21/01/2012	
	Indore –Plant	2450-2490	2430-2490	Unch
	Indore –Mandi	2350-2425	2370-2430	-5
	Nagpur-Plant	2420-2430	2450-2475	-45
	Nagpur – Mandi	2380-2420	2325-2425	-5
	Kota-Plant	2550	2450-2470	+80
	Kota – Mandi	-	2350-2375	-
	Bundi-Plant	2450-2475	2470-2500	-25
	Bundi-Mandi	-	2390-2410	-
	Baran-Plant	2470	2400-2425	+45
	Baran-Mandi	-	2300-2390	-
	BhawaniMandiJhalawar – Kota Plant Delivery	2450	2275-2500	-50
	Jhalwar-Mandi	-	2400-2425	-
Rapeseed/Mustard	Jaipur – C	3400-3405	3540-3550	-145
	Alwar – C	-	3300	-
	SriGanganagar (NC)	3080	3135	-55
	Kota	-	3400	-
	Neewai	3300	3350	-50
	Delhi– C	3375	3350	+25
	Hapur (UP)	3300	3375	-75
Groundnut Seed	Rajkot	810	840	-30
	Junagarh		-	
Sunflower Seed	Latur	30500-32000	31000-33000	-1000
	Gulbarga	28000-30000	27000-30000	Unch
	Solapur	30500-32000	31500-33000	-1000

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		Chg
Soybean		Week End. (28/01/2011)	Week End. (21/01/2011)	
	Madhya Pradesh	635000	775000	-140000
	Maharashtra	300000	470000	-170000
	Rajasthan	105000	155000	-50000
	Bundi (Raj)	3000	5500	-2500
	Baran (Raj)	7000	14500	-7500
	Jhalawar (Raj)	1200	3800	-2600
Rapeseed/Mustard	Rajasthan	132000	250000	-118000
*Sum Arrivals during the week.				

Crop Progress, India

There was no detailed break-up in planting progress of the rabi oilseeds in the recent report of the Ministry of Agriculture. The total area under the oilseeds stands lower by 9.4 per cent at 84.4 lakh hectares compared to 93.2 lha during the corresponding period last year.

Area in lakh hectares

<i>Rabi Oilseeds</i>	<i>As on 27th January 2012</i>	<i>As on 27th January 2011</i>	<i>% Change</i>
Total Oilseeds	84.4	93.2	-9.4

Source: GOI

Reportedly, RM seed, the major rabi oilseed, planting is lagging by 8.2 per cent at 65.3 lha compared to 71.1 lha during the same period last year.

Soybean

Soybean prices declined on slowed down crushing in beans and new RM seed crop arrival pressure during the period under review.

The downward price pressure on soybean is inevitable in the month of February which is attributed to the commencement of new rapeseed-mustard seed crop and its mounting pressure. Besides, increase in new soybean crop arrivals in Brazil will remain a bearish global and subsequently domestic factor during February.

Slow farmer's selling in beans is persistent in the cash market and the farmers are seen off-loading their produce only when the prices get stronger. The active traders in beans are expected to divert towards Chana in days ahead.

Soy meal - FAS Kandla Vs FOB Argentina (Spread)

China has suspended buying oilmeals from India citing traces of hazardous chemicals - malachite green, in some rapeseed meal shipments last year. However, Indian authorities identified the substance as green dye used in the packing material. The decision has negatively hurt the India's meal exports to some extent.

Oilmeal shipments 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.

However, in a positive move, a team from the Chinese General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) is expected to inspect vegetable oil processing units of India in due course.

The year-on-year rise in soybean supply and eventually slight rise in crushing is expected to keep India's soy meal export sales intact and they are expected to be in line with last year's figure in February. India exported 5.4 lakh tonnes of soy meal in February 2011.

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
23-28 Jan	369	366	3
16-21 Jan	354	350	4

*FAS Kandla less FOB Argentina

A slight difference in the soy meal price spread of FAS, Kandla and FOB, Argentina featured compared to the previous week (* Spread - FAS Kandla less FOB Argentina). 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.

The Argentine soy meal prices are competitive compared to India's. However, proximity, logistic and freight advantage continues to remain positive factor for Indian meal exports especially to Far and South East Asian countries.

Recommendation: The Indian soy meal exporters are advised to take the freight and logistic advantage and continue to aggressively market their meal to South and Far East Asian countries. Any dip in FOR, Kandla towards 18100-18200 is a viable level to go for buying. The soybean crushers are advised to continue with their normal regular crushing to cater the domestic and overseas demand.

Soybean Crush Margin

Avg Crush Margin – This Week	Avg Crush Margin – Last Week	Avg Crush Margin – Corresponding Period Last Month
-758	-813	-622

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.

Technical Analysis:

NCDEX Soybean Futures (Feb.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Feb. Soybean

S2	S1	PCP	R1	R2
2205	2399	2496	2753	2828

- The Monthly candlestick chart pattern indicate fall in the price.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are easing in neutral region indicating further weakness. Prices are expected to move downwards towards 2450 –2400 levels.
- **Trade Recommendation (NCDEX Soybean - Feb) – 1 Week:** SELL on rise towards 2550 – 2560 levels. T1 – 2450; T2 - 2400; SL - 2608.

Trade Recommendation Soybean Spot: We recommend refrain from buying at the current levels as prices are expected to fall towards 2300–2350 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended BUY towards 2540 – 2550 levels. T1 – 2620; T2 - 2635; SL - 2507. The call got triggered and both the targets were achieved.

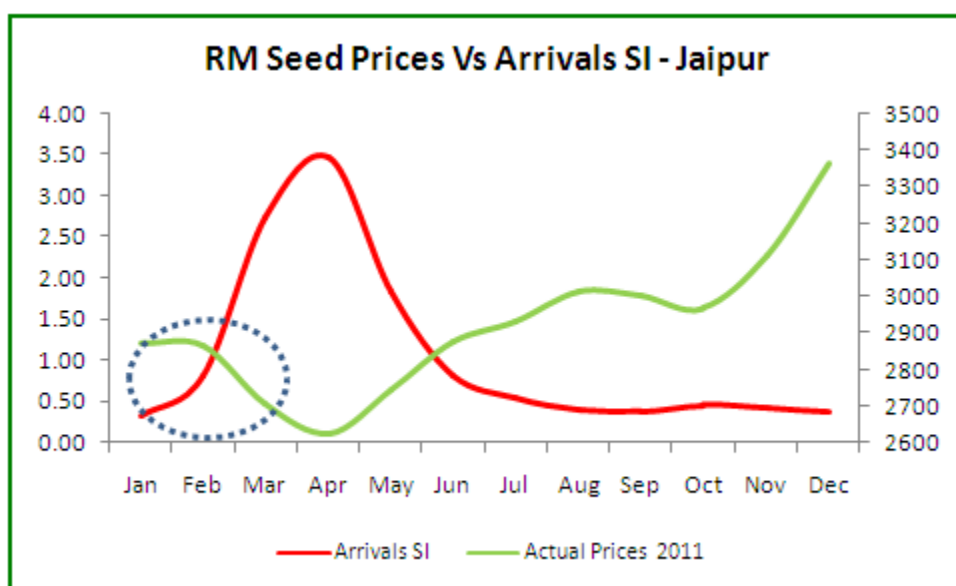
Rapeseed - Mustard Seed

The RM seed prices featured losses during the week on sluggish millers demand. The long term prospect of the seed remains bullish due to fall in covered area this season. The RM seed planting is reportedly 8.2 per cent lower at 65.3 lakh hectares compared to 71.1 lha last year. This will consequently lead to lower outturn in the RM seed this season.

The harvesting in Kota division has already started, though it is slow paced. The harvesting in Alwar, Bharatpur and Sri Ganganagar is expected in the mid of Feb. Further, the harvesting in Agra belt is expected to commence between mid 15-20 Feb.

However, the seed prices will face price pressure primary attributed to the new crop arrivals in medium-term, Feb and Mar. As the key producing region will start their harvest during the period.

RM Seed Prices Vs Arrivals – Jaipur (Rajasthan)

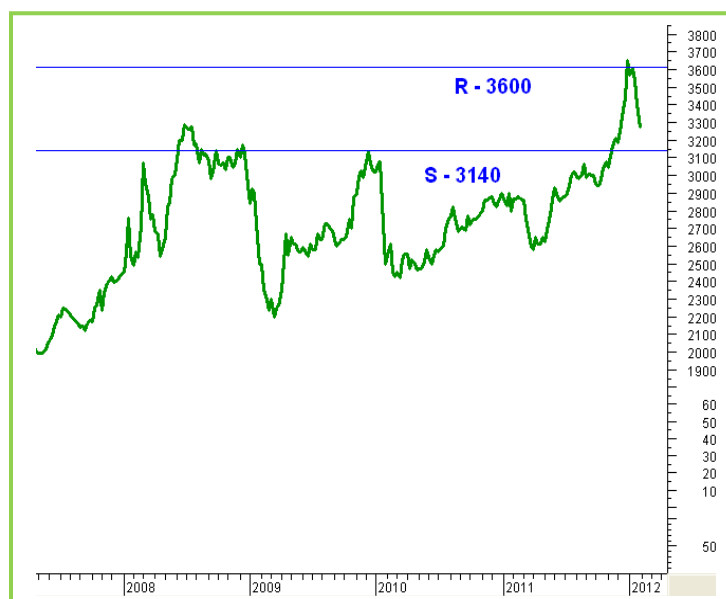


The RM seed supplies declined in January due to lean season and lower availability in Rajasthan. The supplies are likely to gradually pick-up late February.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
1,32,000	2,50,000	1,82,000

Technical Analysis:
NCDEX RM Seed Futures (Apr.)

RM Seed Spot, Jaipur

Supports & Resistances NCDEX Apr. RM Seed

S2	S1	PCP	R1	R2
2550	2908	3288	4000	4200

- The weekly RM seed candlestick chart pattern reveals strong selling pressure in the market.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to ease during the week. The RM seed prices are expected to fall and move towards 3050 – 3100 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:** SELL towards 3250 – 3260 levels. T1 – 3050; T2 - 3100; SL - 3358.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to fall during the month towards 3100-3150 level. We recommend buy the seed during harvesting between the said levels and liquidate when prices get stronger. The seed fundamentals are strong in view of lower sown area.

Review of Previous Call: In our previous call we had recommended BUY towards 3320 – 3330 levels. T1 – 3410; T2 - 3425; SL - 3582. Both the Targets were achieved during the period.

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.