

**Executive Summary**

The domestic oilseeds and meal prices surged on supportive buying and stronger international oil and fats market during the period under review.

The buying in soybean has been tied to talk of reduced global production possibilities coinciding with rise in demand from China. Besides, the USDA baseline number reveals a 1 million acre reduction in possible soybean plantings, though the figure is difficult to take seriously in mid-February.

Further, lower planting in RM seed and consequent fall in the crop output this season remained bullish factor for the domestic oilseeds market.

Both the global and domestic factors are further expected to lend support to the domestic oilseeds and meal markets in short-term. However, mounting new RM seed supply will cap the gains.

**International**

**World:** World production of soybeans is estimated to fall by 18 Mn T in 2011/12 to a 3-year low of 247 Mn T. Soybean crop losses in South America alone is estimated at 12 Mn T. The estimates are by Oil World.

Due to frost damage there is a very only chance that world supply of rapeseed and canola to recover in 2012/13 from the depressed level of the current season, lending support to the rapeseed oil prices at higher levels.

**US:** In view of South American drought losses, the USA will have to contribute a larger than expected portion of world import demand for soybeans in 2012. The demand shift will provide a good opportunity to the US soybean market.

**Latin America:** Brazil's soybean crop in 2011/12 seen at 69.23 million tons. Earlier estimate was 71.75 million tons in early January – Conab. As per UGP association, Paraguay's soy output is expected to fell by 45 percent to 4.6 million tonnes compared with a record 8.4 million tonnes last season due to a drought in Paraguay. This may support the international soybean prices in medium-term.

**China:** The overall soybean imports of China continued to grow in Oct/Feb 2011/12, with the large partition of them coming from South American to the detriment of US. Due to increasing domestic soybean import demand and losses in South America bean crop due to drought, the Chinese dependence on US exports will increase in days ahead.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>11/02/2012</b>	<b>04/02/2012</b>	
	Indore –Plant	2460-2500	2440-2460	+40
	Indore –Mandi	2380-2440	2320-2390	+50
	Nagpur-Plant	2420-2440	2420-2460	-20
	Nagpur – Mandi	2425-2400	2350-2420	-20
	Kota-Plant	2450	2425-2450	Unch
	Kota – Mandi	2400	2370-2375	+25
	Bundi-Plant	2440-2460	2430-2440	+20
	Bundi-Mandi	2315-2350	2330-2350	Unch
	Baran-Plant	2450	-	-
	Baran-Mandi	2380	-	-
	BhawaniMandiJhalawar – Kota Plant Delivery	2440	2450-2475	-35
	Jhalwar-Mandi	2375-2400	2360-2380	+20
<b>Rapeseed/Mustard</b>	Jaipur – C	3425	3260	+165
	Alwar – C	3400	3200	+200
	SriGanganagar (NC)	2940	2900	+40
	Kota	3475	3315	+160
	Neewai	3100	2900	+200
	Delhi– C	3400	3250	+150
	Hapur (UP)	3300	3300	Unch
<b>Groundnut Seed</b>	Rajkot	840	820	+20
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Latur	28000-30000	29000-30500	-500
	Gulbarga	31000-32000	30000-31000	+1000
	Solapur	31000-32000	31000-32000	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		Chg
Soybean		Week End. (11/02/2012)	Week End. (04/02/2012)	
	Madhya Pradesh	675000	735000	-60000
	Maharashtra	535000	395000	+14000
	Rajasthan	87000	56000	+31000
	Bundi (Raj)	5000	4900	+100
	Baran (Raj)	8200	1500	+6700
	Jhalawar (Raj)	2450	2700	-250
Rapeseed/Mustard	Rajasthan	123000	189000	-66000
*Sum Arrivals during the week.				

### Crop Progress, India

The Rabi oilseeds planting is reportedly 6.7 per cent lower at 86.3 lakh hectares compared to 92.4 lha the same period last year.

Area in lakh hectares			
Crop	As on 09 February 2012	As on 03 February 2011	% Change
Rapeseed & Mustard	65.9	70.9	-7.0
Groundnut	7.9	7.4	6.8
Sunflower	4.5	5.3	-14.8
<b>Total Oilseeds</b>	<b>86.3</b>	<b>92.4</b>	<b>-6.7</b>

Source: GOI

The RM seed sown area is lagging by 7 per cent at 65.9 lha compared to 70.9 lha during the corresponding period last year.

### Soybean

Supportive buying in the beans from solvent extractors to meet the edible oil needs after depleting oil stocks in Indian ports encouraged the crushers to improve the crushing in the bean during week in review.

Besides, the waning supply in beans lent support to the bean prices. The ban arrivals are expected to fall further as the active soybean traders are likely to switch in Chana and RM seed trading with new crop harvesting.

However, the new RM seed arrival pressure is mounting gradually with harvesting picking up in major producing regions of Rajasthan, Uttar Pradesh and Madhya Pradesh and Haryana. But the global soybean supply scenario is expected to limit the losses in domestic soybean in near-term.

### Soy meal - FAS Kandla Vs FOB Argentina (Spread)

The soy meal prices remained slightly strong on higher soybean during the period under review. However, absence of Chinese buying capped the gains.

The Indian soy meal exports have been partially hit due to suspension of Chinese buying which was reflected in India's January meal exports. India's soy meal exports during Jan 2012 is reported 16% low at 4,84,196 MT compared to 5,76,383 MT in Jan 2011.

Besides, attractive Argentine meal prices compared to Indian origin remained slightly negative factor for the Indian meal exports. Indian meal price may face a stiff price competition with the South American meal prices in coming days, with the commencement of harvesting of new bean crop.

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
06 Feb-011 Feb	371	368	3
30 Jan-04 Feb	368	367	1

\*FAS Kandla less FOB Argentina

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

**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 **18300-18400 level** 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
-814	-704	-498

The disparity in soybean crushing has widened further which is a discouraging factor for the solvent extractors. This is due to waning overseas soy meal demand of Indian origin and demand shift towards US and Latin America.

## Technical Analysis:

### NCDEX Soybean Futures (Mar)



### Soybean Spot, Indore



\*In Rs/MT

### Supports & Resistances NCDEX Mar Soybean

S2	S1	PCP	R1	R2
2460	2490	2551	2610	2660

- The weekly candlestick chart pattern indicates mild gains in the price.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI is rising in neutral region while stochastic is easing neutral zone. Prices are expected to move up towards 2600 – 2610 levels.
- **Trade Recommendation (NCDEX Soybean - Mar) – 1 Week:** BUY towards 2555 – 2560 levels.T1 – 2690; T2 - 2605; SL - 2492.

**Trade Recommendation Soybean Spot:** We recommend buy at the current levels as prices are expected to recover and move towards 2520 – 2550 levels (Indore, Plant basis).

**Review of Previous Call:** In our previous call we had recommended BUY towards 2520 – 2525 levels.T1 – 2560; T2 - 2570; SL - 2504. The call triggered and the first target was achieved.

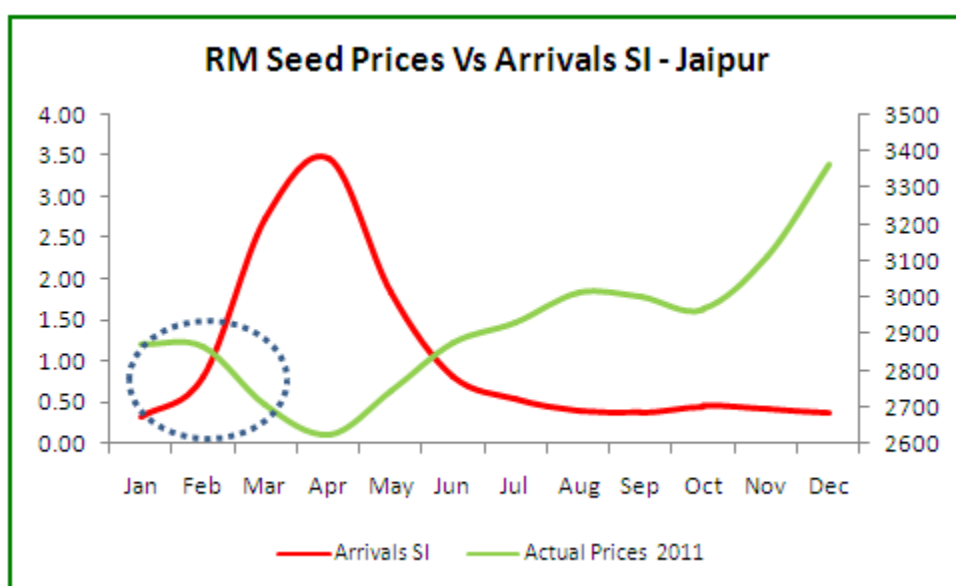
## Rapeseed - Mustard Seed

The RM seed prices witnessed gains on good buying from millers during the period. The new crop supply is gradually picking up with increasing pace in harvesting in various growing regions of Rajasthan, UP, MP and Haryana.

The RM seed sown area is lagging by 7 per cent at 65.9 lha compared to 70.9 lha during the corresponding period last year. This will consequently lead to fall in the seed output this season. Hence, the overall fundamentals are expected to remain strong during the season.

However, in near to medium-term seed prices will face downward pressure with the rising new crop arrivals.

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



The RM seed arrivals improved during the week compared to the previous week in Rajasthan. The supplies are expected to further 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
1,96,000	1,89,000	3,90,000

**Technical Analysis:**
**NCDEX RM Seed Futures (Apr)**

**RM Seed Spot, Jaipur**

**Supports & Resistances NCDEX Apr RM Seed**

S2	S1	PCP	R1	R2
3147	3240	3368	3520	3577

- The weekly RM seed candlestick chart pattern reveals fall in the prices.
- Prices closed below 9-day EMA.
- Price indicators and oscillators reflect prices to ease during the week. The RM seed prices are expected to fall and move towards 3220 – 3230 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week: SELL** towards 3360 – 3365 levels. T1 – 3230; T2 - 3230; SL - 3430.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to ease on new crop arrival pressure. The prices are expected to fall towards 3250-3300 level. We recommend buy the seed at the said levels in physical.

**Review of Previous Call:** In our previous call we had recommended **BUY** towards 3325 – 3330 levels. T1 – 3360; T2 - 3370; SL - 3312. The call triggered and both the targets were achieved.

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