

Executive Summary

Mixed trend featured in the domestic oilseeds and meal market due to varied factors during the week in review. The soybean prices gained on buying support from solvent extractors for crushing to meet the improved demand in oil due to auspicious Hindu wedding dates.

Subsequently the meal prices edged-up on higher bean prices during the period.

However, the average weekly RM seed prices eased on increasing new crop arrival pressure, but the fall the was limited due to improved edible oil demand and lower oil stocks at Indian ports.

Both, soybean and RM seed are likely to face price pressure on rising new RM seed supply in the days ahead. Besides, soy meal of Indian origin is likely to face stiff price competition with South American as their new soybean crop is about to commence. India's soy meal exports have already suffered in the month of Jan partially due to ban on Indian meal imports by China.

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 chance that world supply of rapeseed and canola may recover only in 2012/13 from the depressed level of the current season, lending support to the rapeseed oil prices at higher levels.

China: China has reportedly signed a deal to buy record 13.4 Mln T of US soybean valued US \$6.7 billion. The purchase agreements were signed in Iowa (8.6 Mln T), Los Angeles (4.8 Mln T). This will support the increasing Chinese demand in oils and fats due to rising poultry, fisheries and piggeries industry.

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 fall by 45 percent to 4.6 million tonnes compared to a record 8.4 million tonnes last season due to the drought in Paraguay. This may support the international soybean prices in the medium-term.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		18/02/2012	11/02/2012	
	Indore –Plant	2510-2555	2460-2500	+55
	Indore –Mandi	2400-2490	2380-2440	+50
	Nagpur-Plant	2450-2475	2420-2440	+35
	Nagpur – Mandi	2300-2400	2425-2400	Unch
	Kota-Plant	2480-2490	2450	+40
	Kota – Mandi	2400-2425	2400	+25
	Bundi-Plant	2500-2540	2440-2460	+80
	Bundi-Mandi	2390-2425	2315-2350	+75
	Baran-Plant	2500	2450	+50
	Baran-Mandi	2400-2425	2380	+45
	BhawaniMandiJhalawar– Kota Plant Delivery	2525-2550	2440	+110
	Jhalwar-Mandi	2460-2480	2375-2400	+80
Rapeseed/Mustard	Jaipur – C	3420-3425	3425	Unch
	Alwar – C	3450	3400	+50
	SriGanganagar(NC)	3000	2940	+60
	Kota	3500-3550	3475	+75
	Neewai	2800-3200	3100	+100
	Delhi– C	3480	3400	+80
	Hapur (UP)	3375	3300	+75
Groundnut Seed	Rajkot	875	840	+35
	Junagarh	-	-	-
Sunflower Seed	Latur	28000-30000	28000-30000	Unch
	Gulbarga	31000-32000	31000-32000	Unch
	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. (18/02/2012)	Week End. (11/02/2012)	
	Madhya Pradesh	635000	675000	-40000
	Maharashtra	290000	535000	-245000
	Rajasthan	112000	87000	-25000
	Bundi (Raj)	3600	5000	-1400
	Baran (Raj)	9700	8200	+1500
	Jhalawar (Raj)	4300	2450	+1850
Rapeseed/Mustard	Rajasthan	105000	123000	-18000
*Sum Arrivals during the week.				

Crop Progress, India

No significant change noticed in the latest official rabi oilseeds planting data. The figures revealed that the overall oilseeds planting is about 7 per cent lower at 65.9 lakh hectares compared to 70.9 lha during the same period last year.

Area in lakh hectares

Crop	As on 16February 2012	As on 16February 2011	% Change
Rapeseed & Mustard	65.9	70.9	-7.0
Groundnut	8.2	8.0	2.3
Sunflower	4.6	5.4	-15.5
Total Oilseeds	86.8	93.2	-6.9

Source: GOI

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

Soybean

Soybean prices improved on supportive buying from solvent extractors to meet the improved edible oil demand along with increased wedding led demand. Besides, falling soybean supply at key centers remained bullish for the beans.

A gradual fall in the soybean arrivals is featured in the market which is expected to continue further with active soybean traders switching to RM seed, Chana and Wheat.

The domestic soybean prices are likely to face price pressure with the mounting arrival pressure of new RM seed crop domestically and expected new soybean supply from Latin America. However, the shortfall in global soybean supply this season will limit the losses in domestic soybean in near to medium-term.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The soy meal prices witnessed gains following lower supply of seeds and meal during the period under review.

However, slow down in overseas export sales due to the absence of Chinese buying, capped the gains. India's soy meal shipments during Jan 2012 fell 16% at 4,84,196 MT compared to 5,76,383 MT in Jan 2011.

The soy meal from South America is competitive compared to the Indian meal and should lead to a stiff price competition in the medium-term as harvesting commences in Brazil followed by Argentina and Paraguay in medium-term.

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
13-18 Feb	374	378	-4
06 -11 Feb	371	368	3

*FAS Kandla less FOB Argentina

The Indian meal quotes at Indian ports eased compared to Argentine meal prices but the soy meal prices of Argentina is still more competitive compared to the meal of Indian origin.

Recommendation: The Indian soy meal exporters are advised to continue to aggressively market their meal to South and Far East Asian countries taking freight and logistic advantage. Any dip in FOR, Kandla towards 18400-18500 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

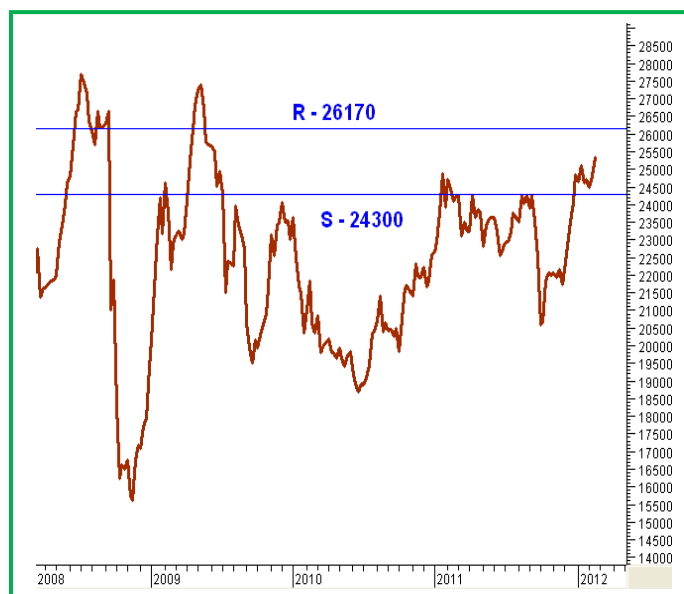
Avg Crush Margin – This Week	Avg Crush Margin – Last Week	Avg Crush Margin – Corresponding Period Last Month
-969	-814	-782

The disparity in soybean crushing has further widened, discouraging aggressive crushing by the solvent extractors. Falling overseas export sales in meal has eventually led to the widening of the disparity in crushing.

Technical Analysis:

NCDEX Soybean Futures(Mar)

Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX MarSoybean				
S2	S1	PCP	R1	R2
2480	2524	2625	2680	2750

- The weekly candlestick chart pattern indicates prices in the oversold region.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI is rising in oversold territory while stochastic is heading upwards in neutral zone. Prices are expected to fall towards 2550 -2525 levels.
- **Trade Recommendation (NCDEX Soybean - Mar) – 1 Week:** Sell between 2600-2615 levels. T1 – 2550; T2 - 2525; SL - 2637.

Trade Recommendation Soybean Spot: We recommend slow down buying at the current levels as prices are expected to ease in near-term towards 2430–2450 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended BUY towards 2555–2560 levels. T1 – 2605; T2 - 2690; SL - 2535. The call triggered and the first target was achieved.

Rapeseed - Mustard Seed

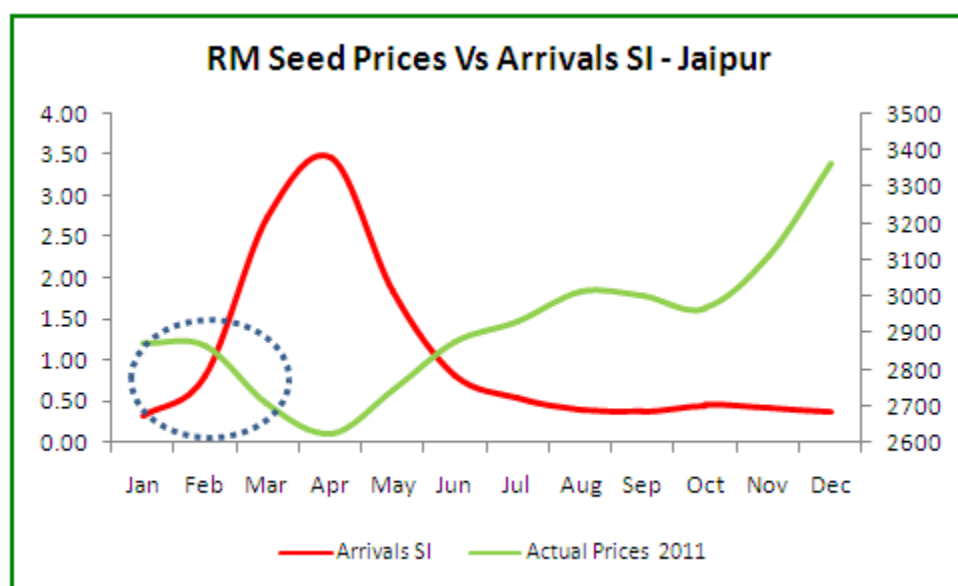
The average RM seed prices witnessed mild losses due to new crop arrival pressure. However, the losses were limited due to improved edible oil demand ahead of auspicious Hindu marriage dates.

The new crop arrivals are gradually picking up with increasing pace in harvesting in various growing regions of Rajasthan, UP, MP and Haryana. In Uttar Pradesh over 40 per cent of the crop has been harvested. In Rajasthan the harvesting in major producing divisions of Kota, Bharatpur and Alwar is in full swing.

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

In near to medium-term RM seed prices will face downward pressure on increasing supply followed by harvesting of the crop.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



The RM seed arrivals are improving on a week-on-week basis. However, they are slightly lower compared to the same period last year, reflecting lower output this season.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,96,000	1,96,000	3,00,000

Technical Analysis:

NCDEX RM Seed Futures (Apr)
RM SeedSpot, Jaipur

Supports & Resistances NCDEX AprRM Seed

S2	S1	PCP	R1	R2
3345	3396	3577	3675	3786

- The weekly RM seed candlestick chart pattern reflects strong buying support.
- Prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- Price indicators and oscillators reflect prices to gain during the week. The RM seed prices are expected to gain and move towards 3660 –3670 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:BUY**towards 3580– 3585levels.T1 – 3660; T2 - 3675; SL - 3545.

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 3300-3325 level. We recommend buying the seed at the said levels in physical.*

Review of Previous Call:*In our previous call we had recommended SELL towards 3360– 3365 levels.T1 – 3230; T2 - 3220; SL - 3430.The call got entry but could not achieve any target as prices gained during the week.*

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