

Executive Summary

The domestic soybean prices edged-up tracking strong global fundamentals and short supply in beans in cash markets for solvent extractors during the week under review. However, the RM seed prices witnessed a fall due to poor-offtake by the stockists and millers at the current higher price levels. Besides, the soy meal prices eased due to the weak export sales during the period.

Reportedly, the soybean crushers do not have huge stocks in hand due to slow farmer's selling and subsequently they had to reduce their crushing in bean to as low as 5-10 days a month. In a bid to attract the sellers the solvent extractors quoted the bean prices higher.

The soy meal prices declined due to spillover effect of lower crushing in previous weeks mainly due to state holidays, festivities and week long trader's strike in the largest soy hub, Madhya Pradesh. Consequently, lower export sales were reported during the week under review. However, we expect the sales to pick-up in near-term, though the Indian soy meal prices are facing a stiff price competition with the South American meal prices, which continues to remain a negative factor for the Indian export sales in meal.

The RM seed prices too fell on weak stockists buying at the current higher levels. The stockists and the millers slowed down their buying anticipating further fall in the seed prices. Recently, the RM seed prices featured a downward move after a continued rally for a long time.

Bullish global supply and demand fundamentals this season, continued depreciating Indian rupee against US dollar (2-month-low) and lower domestic Rabi oilseeds outturn has raised the risk of appreciation in the prices over the next few weeks, specially for soybean and meal. RM Seed may witness range-bound move with firm bias. The stronger dollar against rupee has made the edible oil imports expensive for India.

However, slow-down in edible oil usage, domestically and expected demand shift for soy meal towards South America may restrict the upward potential.

International Highlights

- ❖ Yet another downward revision, by Oil World, of soybean outturn in 4 major South American countries to only 114.7 Mn T, down 20.0 Mn T from last season. Oil World has now estimated the global production of soybeans to show an unprecedented fall by 27 Mn T from last season to only 239 Mn T in 2011/12.
- ❖ China's soybean output prospects have further deteriorated for 2012, probably falling below 12.5 Mn T, a 20-year low, further increasing China's dependence in imports in 2012/13.
- ❖ China has bought 120,000 tonnes of US soybeans from private exporters for 2012/13 delivery. Besides South Korean traders bought a total of 110,000 tonnes of soybean from Brazil.
- ❖ The soybean harvest in Brazil is 91% complete of the estimated area till April 20, as reported in SAFRAS and Mercado report. Previous week, the figure was 85%. In year-ago comparative period, the index was 92%, and the historic average for the period is 85%. The harvest is over in Sao Paulo, Mato Grosso and Mato Grosso do Sul and almost done in Goias (99%) and Parana (98%).

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		21/04/12	14/04/12	
	Indore –Plant	3250-3300	2900-3250	+50
	Indore –Mandi	3150-3230	Closed	-
	Nagpur-Plant	3200-3275	3200-3250	+25
	Nagpur – Mandi	3150-3250	Closed	-
	Kota-Plant	3225	3200	+25
	Kota – Mandi	3150	3050-3100	+50
	Bundi-Plant	3240	3200	+40
	Bundi-Mandi	3200	3100-3150	+50
	Baran-Plant	3250	3200	+50
	Baran-Mandi	3100	3150	-50
	BhawaniMandiJhalawar– Kota Plant Delivery	3300	3250	+50
	Jhalwar-Mandi	Closed	Closed	Closed
Rapeseed/Mustard	Jaipur – C	3905-3910	3945-3950	-40
	Alwar – C	3750-3775	3775	Unch
	SriGanganagar(NC)	3600	3540	+60
	Kota	3600	3650-3700	-100
	Neewai	3800	Closed	-
	Delhi– C	3875	3900	-25
	Hapur (UP)	3700	Closed	-
Groundnut Seed	Rajkot	925	950	-25
	Junagarh			
Sunflower Seed	Latur	32000-34000	Closed	-
	Gulbarga	-	-	-
	Solapur	32500-34000	32500-34250	-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		Chg
Soybean		Week End (21/04/2012)	Week End (14/04/2012)	
	Madhya Pradesh	217000	Closed	-
	Maharashtra	135000	180000	-45000
	Rajasthan	113000	123000	-10000
	Bundi (Raj)	530	655	-125
	Baran (Raj)	4000	2900	+1100
	Jhalawar (Raj)	2200	2000	+200
Rapeseed/Mustard	Rajasthan	680000	860000	-180000
*Sum Arrivals during the week.				

Soybean

Soybean prices improved on short supplies followed by slow farmer's selling in anticipation of higher bean prices, given the strong global demand and supply scenario.

The domestic crushing of the beans has significantly declined in recent days. Almost all the big soybean crushing units in key soy growing belt have reduced their crushings due to the fall in the availability of the beans.

Most of the crushing units in Madhya Pradesh are operating for just 5-7 days a month. However, decline in the usage of edible oils remained supportive but better overseas meal demand of Indian origin, despite attractive South American meal prices.

Bullish global soybean supply and demand fundamentals will limit downward potential and raise the risk of appreciating prices in the upcoming weeks, which will subsequently support to the domestic soybean prices. However, reduced seasonal domestic edible oil usage will limit the gains.

Any fresh overseas demand in meal of Indian origin will encourage the crushings, but there is risk of demand shift of traditional buyers towards South America due to their attractive prices in the meal.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

Soy meal prices featured losses followed by lower crushing and subsequently leading to the fall in the meal exports during the week in review. The lower crushings is attributed to a trader's strike in Madhya Pradesh and state holidays in recent weeks.

The Iran could be seen as a potential and emerging destination for Indian soy meal exports, Japan stands as a consistent big buyer of the non-GMO meal of Indian origin.

However, Indian meal is facing strong price competition compared to the meal prices of South America which consequently lead to the demand shift of the international meal buyers towards Argentina and Brazil.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
16-21 Apr	505	448	57
9-14 Apr	514	440	74

*FAS Kandla less FOB Argentina

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$57/MT compared to US \$74/MT a week ago, indicating a huge gap in prices between Indian and Argentine meal, where Argentine soy meal prices continued to remain competitive compared to the meal of Indian origin. (* Spread - FAS Kandla less FOB Argentina).

Indian soy meal exporters are recommended to negotiate more deals with Iran, Japan and other South and Far East Asian countries.

Quotes in US \$

Recommendation: The Indian soy meal exporters are advised to aggressively market the meal and take the freight and logistic advantage shipping to South and Far East Asian countries. Any dip in FOB, Kandla towards 26500-27000 is a viable level to go for buying.

Soybean Crush Margin

Avg Crush Margin – This Week	Avg Crush Margin – Last Week	Avg Crush Margin – Corresponding Period Last Month
-906	-546	-910

The disparity in crushing soybean has continued to widen with steep rise in the soybean prices due to lower availability in the same.

Technical Analysis:

NCDEX Soybean Futures (May)



Soybean Spot, Indore



Supports & Resistances NCDEX MaySoybean

S2	S1	PCP	R1	R2
3145	3225	3371	3450	3480

- The weekly candlestick chart pattern reflects continued buying interest in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are rising in overbought zone.
- **Trade Recommendation (NCDEX Soybean - May) – 1 Week:** BUY between 3350–3360 levels. T1 – 3420; T2 – 345; SL - 3323.

Trade Recommendation Soybean Spot: We recommend slow down buying at the current levels as prices are expected to ease in the near-term. The prices are expected to witness the level of 3190-3220 levels (Indore, Plant basis).

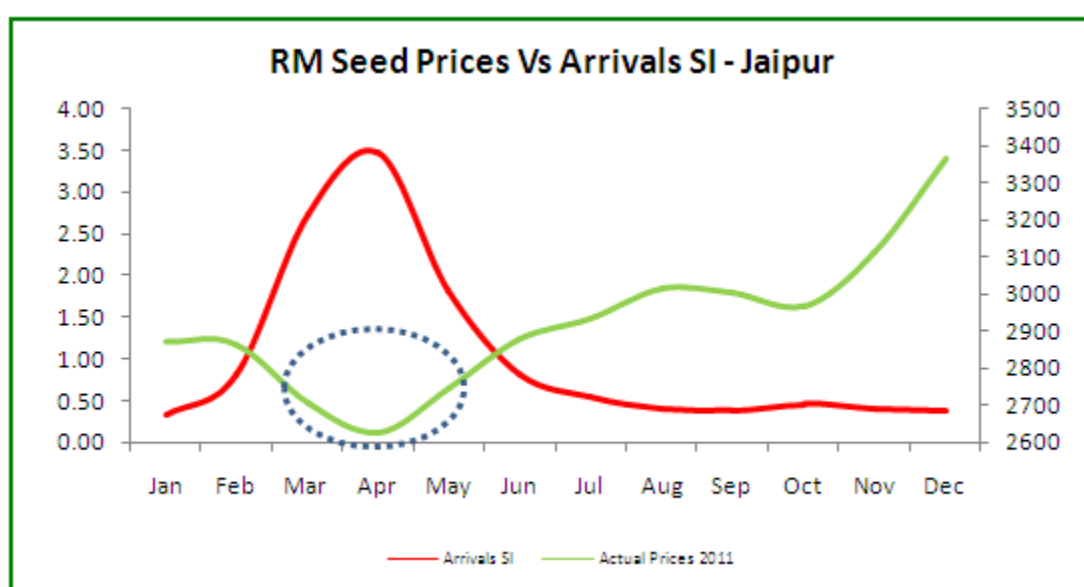
Review of Previous Call: In our previous call we had recommended SELL between 3279–3290 levels. T1 – 3230; T2 - 3205 SL - 3314. The call triggered and only first target was achieved.

Rapeseed - Mustard Seed

The RM seed prices plunged due to sluggish buying by the stockists during the week under review. Significant fall in the RM seed supply compared to the corresponding period last year was evident during the week. The stockists and the millers slowed down their buying in anticipation of fall in the seed prices. The seed prices declined recently after a long rally.

The seed prices may slightly ease as they are still strong but, slow farmer's selling and further short supply scenario due to lower seed output this season and expected higher soybean this season is will limit the downward potential.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
6,80,000	8,60,000	20,20,000

We expect the seed arrivals to improve during the upcoming weeks for short-term with expected rise in supplies from north Rajasthan, Sri Ganganagar and Hanumangarh. However, bullish international factors in oilseeds will continue to support the RM seed prices in near-term.

Technical Analysis:

NCDEX RM Seed Futures (May)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX MayRM Seed

S2	S1	PCP	R1	R2
3773	3837	3953	4100	4150

- Side ways movement featured in RM seed market.
- However, prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- RSI is slightly easing in overbought region while stochastic is rising in overbought zone.
- **Trade Recommendation (NCDEX RM SEED - May) – 1 Week:** SELL between 3960– 3980 levels.T1 – 3800; T2 –3835; SL -4045.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to fall on arrival pressure. The prices are expected to ease and may witness 3800-3850 level in near term. We recommend stockists to sell the seed at the current higher levels and buy when it falls to the said levels to liquidate in medium to long term.

Review of Previous Call: In our previous call we had recommended BUY between 4010–4020 levels. T1 – 4055; T2 – 4075; SL -3995. None of the targets were achieved as the call was not triggered.

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