

Executive Summary

Mixed trend featured in domestic oilseeds and meal markets during the week under review. The soybean prices showed a marginal gain besides soy meal prices edged-up on short supplies in bean and consistent export sales to traditional destinations, though the sales have been slowed down.

Of the daily soybean supplies in Madhya Pradesh a large portion is reportedly bought by farmers for sowing and the bean from MP is even sourced to Maharashtra for the same as their germination rate is higher compared to the native bean of Maharashtra. The early soybean planting has commenced in some of the districts of Maharashtra.

The soy meal prices posted gains despite poor overseas buying inquires and eventually fall in export sale in the month of May. India registered a fall of 19% in soy meal exports year-on-year in the month of May.

However, the RM seed prices eased during the period pressured by the outside market and sluggish miller's buying in anticipation of further fall in the prices. However, persistent slow farmer's selling limited the downside.

Weak global economic factors and consequently fall in Malaysian palm oil and CBOT soy complex is expected to mount pressure on domestic oilseeds and oilmeals. Besides, depreciating Indian rupee against US dollar will lead to expensive edible oil imports in near-future. International demand shift in soy meal towards South America due to their attractive will further pressure the soy meal exports in near-term.

International Highlights

- ❖ The US soybean planting progress is in full swing and reported at 94 per cent ahead of 5-year average of 75 per cent which was just 63 per cent previous year in the corresponding period last year. Besides, the sown 79 per cent has emerged compared to 39 per cent in the corresponding period last year and five year average of 50 per cent. This translates into faster sowing in and early harvesting if weather remains conducive for the crop.
- ❖ The Brazilian soybean cultivators have sold above 86 per cent of the 2011/12 season, as reported by SAFRAS and Mercado in their recent report. In year-ago corresponding period, the sales involved 67 per cent, and the average for the period is 66 per cent. Taking into account in a crop estimated at 66.331 mln tons, the volume of soybeans already committed hit 57.1 mln tons.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		08/06/2012	01/06/2012	
	Indore –Plant	3400-3500	3425-3480	+20
	Indore –Mandi	3300-3400	3300-3375	+25
	Nagpur-Plant	3435	3400	+35
	Nagpur – Mandi	3425	3300-3400	+25
	Kota-Plant	3425	3400	+25
	Kota – Mandi	3300-3350	3350-3360	-10
	Bundi-Plant	3425	3400	+25
	Bundi-Mandi	3400	Closed	-
	Baran-Plant	-	3350	-
	Baran-Mandi	3350	3350	Unch
	BhawaniMandiJhalawar– Kota Plant Delivery	3475	3400	+75
	Jhalwar-Mandi	3400	3350-3400	Unch
Rapeseed/Mustard	Jaipur – C	3845-3850	3920-3925	-75
	Alwar – C	3750	3800	-50
	SriGanganagar(NC)	3340	3370	-30
	Kota	3500-3650	Closed	-
	Neewai	3825	3900	-75
	Delhi– C	3850	3850	Unch
	Hapur (UP)	3900	3950	-50
Groundnut Seed	Rajkot	960	925	+35
	Junagarh	-	-	-
Sunflower Seed	Latur	32000-33500	32000-33000	+500
	Gulbarga	-	-	-
	Solapur	33000-34000	33350-33425	+575

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 (08/06/2012)	Week End (01/06/2012)	
	Madhya Pradesh	190000	127000	+63000
	Maharashtra	117000	83000	+34000
	Rajasthan	40000	38000	+2000
	Bundi (Raj)	85	45	+40
	Baran (Raj)	2600	1400	+1200
	Jhalawar (Raj)	1050	700	+350
Rapeseed/Mustard	Rajasthan	378000	415000	-37000
*Sum Arrivals during the week.				

Soybean

The weekly soybean prices posted mild gains on tight supplies due to lean period. The buyers were comprised of crushers to meet the edible oil and meal demand and the farmers who are in short of beans for planting. In Madhya Pradesh alone, about 40 per cent of the total daily arrivals are bought for planting by the farmers of Madhya Pradesh and even Maharashtra. The farmers of Maharashtra prefer beans from MP for planting due to their higher germination rate.

The early soybean planting has commenced in Maharashtra, though it is reportedly slow paced, which should pick-up with the increase in precipitation. However, the planting in Madhya Pradesh and Rajasthan is likely in late June and mid July respectively.

The soybean crushings have drastically fallen across all the three major producing states due to the dried-up pipeline supplies. In MP the crushing units are operating 5-7 days a month.

As per the NCDEX circular dated 06 June 2012: The trading and clearing members are informed that in terms of Bye-laws, Rules and regulations of the exchange, existing Special Margin of 10% (in cash) on the Long side shall be reduced to 5% on all the running contracts and yet to be launched contracts in Soybean with effect from beginning of day Friday, June 08, 2012.

Further, weak soy meal export sales, euro zone economic crisis and faster pace in US soybean planting remained bearish factors for the soybean and may further restricted the gains in near-term.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The domestic soy meal prices edged-up despite fall in export sales, the tight soybean supplies remained a supportive factor for domestic soy meal. However, Iran, Japan, Korea and Turkey consistently remained the top soy meal buyers of Indian origin; their cumulative buying in the month of May is registered at 328706 MT. The better buying is due to preference for Indian non-GMO meal, trade and logistics advantage.

India's total meal exports in May fell 19 per cent at 142588 MT compared to 176819 MT during the same period last year.

Further, the soy meal prices remained competitive compared to the meal of Indian origin. This is primarily due to their peak new soybean crop supplies. Eventually the international demand shift towards South America has hit the Indian meal exports. The situation will continue to negatively affect the Indian meal exports in June.

However, competitive South American soy meal prices compared to the meal of Indian origin have lead to the diversion of demand shift towards South America.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
02 Jun-08 Jun	527	473	54
26 May -01 Jun	522	470	52

*FAS Kandla less FOB Argentina (Quotes in US \$)

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$54/MT compared to US \$52/MT a week ago, indicating a wide 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).

Recommendation: The Indian meal exporters are advised to aggressively market their meal to the countries in vicinity including traditional South and Far-East Asian destinations to materialize the freight and logistics advantage. Any dip in FOR, Kandla towards **29500-29600** 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
-1145	-1279	-1165

The soybean crush margin has marginally improved deteriorated in the week under review compared to the corresponding period last month. However, the margin is still in negative territory. Declining export sales and falling returns is resulting in negative crush margin. The disparity still remained a discouraging factor for solvent extractors.

Technical Analysis:

NCDEX Soybean Futures (Jul)



Soybean Spot, Indore



Supports & Resistances NCDEX Jul Soybean

S2	S1	PCP	R1	R2
3148	3213	3414	3515	3649

- The weekly soybean prices featured gains.
- Prices closed above 9-day and 18-day EMA.
- RSI is rising in neutral region while stochastic is falling in neutral zone.
- Prices are likely to recover from the current levels.
- **Trade Recommendation (NCDEX Soybean – Jul) – 1 Week:** BUY between 3430-3450 levels. T1 – 3520; T2 – 3560; SL -3415.

Trade Recommendation Soybean Spot: We feel the beans prices to gain in near-term. We recommend the buyers to go for buying at current levels as the bean prices are expected to improve and witness 3550-3580 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had BUY between 3390-3400 levels. T1 – 3500; T2 – 3550; SL -3343. The call triggered but could not achieve any target.

Rapeseed - Mustard Seed

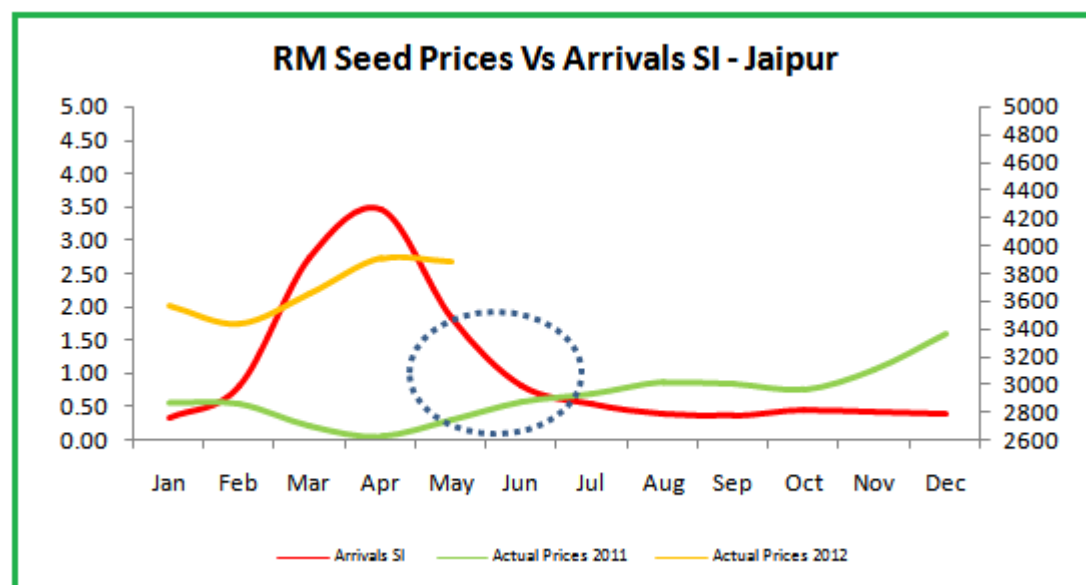
The RM seed prices witnessed losses due to weak millers buying and pressure from international vegetable oil markets. The buyers refrained themselves in anticipation of further fall in the seed prices and weakness in global market.

Besides, dull edible oil demand has slowed down the RM seed crushing during the period. Meanwhile, slow farmer's selling continued to be a notable feature in RM seed during the period.

As per the NCDEX circular dated 06 June 2012: The trading and clearing members are informed that in terms of Bye-laws, Rules and regulations of the exchange, existing Special Margin of 10% (in cash) on the Long side shall be reduced to 5% on all the running contracts and yet to be launched contracts in RM Seed with effect from beginning of day Friday, June 08, 2012.

The seed supplies in Rajasthan fell significantly, about 4-5 times lower in the month of May this year compared to the corresponding period last year.

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
3,78,000	4,15,000	14,50,000

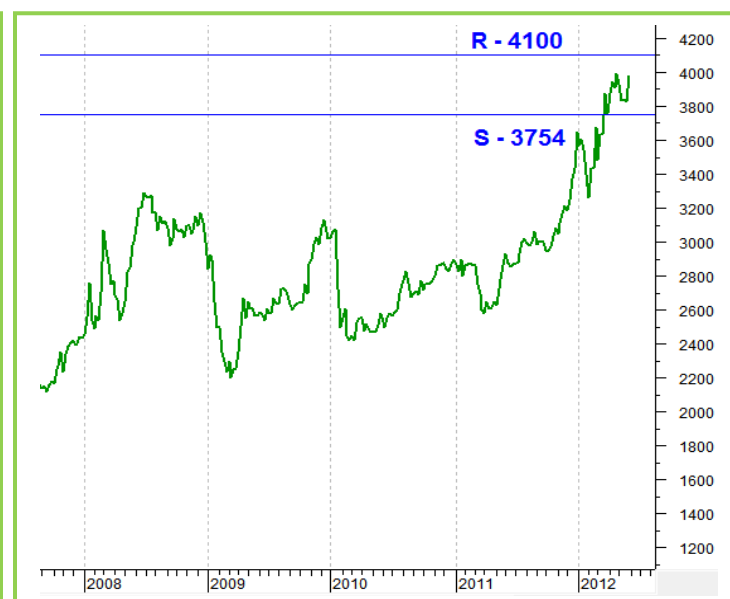
The farmers and the stockists are anticipating higher prices during the lean season, citing lower seed production this season. The seed prices are expected to surge in the month of June due to dried-up pipeline supply in soybean and demand shift in RM seed to cater the domestic edible oil demand.

Technical Analysis:

NCDEX RM Seed Futures (Jul)



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Jul RM Seed

S2	S1	PCP	R1	R2
3469	3590	3766	3932	4004

- Candlestick chart pattern indicates side-ways movement in the prices.
- Prices closed below 9-day and 18-day EMA indicating weakness in the near and medium-term.
- RSI is rising in neutral region while stochastic is falling in oversold territory.
- **Trade Recommendation (NCDEX RM SEED - Jul) – 1 Week:** BUY between 3770-3780 levels. T1 – 3820; T2 –3850; SL -3753.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain further and witness 3920-3950 level in near term. We recommend stockists to buy on dips.

Review of Previous Call: In our previous call we had recommended: BUY between 3850-3860 levels. T1 – 3900; T2 –3950; SL -3665. The call triggered but failed to achieve the target.

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