

Executive Summary

Mixed trend featured in the domestic oilseeds and oilmeals on varied factors during the week under review. The local soybean prices fell pressured by US soybeans, CBOT, followed by some precipitation in US Midwest. The buyers refrained themselves from soybean market anticipating further fall in the prices after sharp rise in recent weeks.

However, RM seed prices witnessed steady to firm tone due to its strong fundamentals during the week. Slow farmers and stockists selling in RM seed and bullish local supply scenario in the seed with continued crushing demand from millers boosted the seed prices during the month in cash and futures market. The slow selling was featured in anticipation of higher prices due to the lower seed production this season.

Further, soy meal prices slightly eased in sync with international soy complex during the week. However, decline in soybean crushing due to lean season in the beans and consequently lower availability in the meal will again push up the meal prices in near-term. Besides, other key poultry feed ingredients like maize and bajra prices got stronger during the month due to lower area coverage in the same followed by poor monsoon.

Fresh weather concerns over in US Midwest after slight respite from precipitation for soybean crop towards the end of the month, deficit rains in India's soybean growing region, continued overseas trade enquiries in soy meal to India remained supportive factors for the oilseeds and meal prices. Eventually, the lower estimated US soybean yield is expected to drive the global soybean upwards in coming days.

International Highlights

- ❖ Currently, South American soybean stocks are 22.5 Mn T below last year, which will eventually reduce exports of soybeans and soya meal in the next 4-6 months. Further, the USA is unlikely to fill this gap.
- ❖ Owing to the recent significant soybean crop deterioration, US exports of soybeans and meal cannot be raised sufficiently in Sept/Febr 2012/13 – Oil World.
- ❖ As per Oil World soya meal prices rallied to all-time highs recently to accomplish the required rationing of consumption. The global crushings of soybeans is likely to decline by at least 3-4 Mn T from a year earlier in Sept/Febr 2012/13.
- ❖ Informa Economics lowers its U.S. soybean yield projection by 1.3 bushels per acre to 37.2 bushels per acre and cut its soy production projection to 2.791 billion bushels from the previous 2.9 billion bushels.
- ❖ Brazilian soybean farmers have sold 95% of the 2011/12 crop, according to report released by SAFRAS and Mercado, up to June 31. In year-ago comparative period, sales were at 73%, and the average for the period is 79%. Taking into account a crop estimated at 66.331 million tons, the volume of soybeans already committed hits 62.89 million tons.
- ❖ Brazilian soybean growers sold 39% of the 2012/13 crop in forward business, according to a report released by SAFRAS & Mercado, based on data collected up to August 3. In year-ago comparative period, sales were at 14%, and the average for the period is 11%. Taking into account a crop estimated at 82.295 million tons.

Oil Meal Prices at Key Spot Markets:
Soy DOC Rates at Different Centers

| Centers | Ex-factory rates (Rs/ton) | | |
|----------------|---------------------------|------------|---|
| | 03.08.2012 | 27.07.2012 | Parity To |
| Indore (MP) | 40000 | 42500 | Gujarat, MP |
| Kota | 41000 | 43000 | Rajasthan, Del, Punjab, Haryana |
| Akola | 42000 | 44000 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Hingoli | - | 45000 | Andhra, Chattisgarh, Orissa, Jharkhand, WB |
| Nanded/Latur | 43000 | 46500 | Andhra, AP, Kar, TN |
| Dhulia/Jalna | 43000 | - | Mumbai, Maharashtra |
| Nagpur (42/46) | 40500 | 44500 | Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN |
| Sangli | - | - | Local and South |
| Solapur | - | - | Local and South |
| Bundi | 41200 | 43000 | - |

Soy DOC at Port

| Centers | Port Price | |
|-----------------------|------------|------------|
| | 03.08.2012 | 27.07.2012 |
| Kandla (FOR) (INR/MT) | 42000 | 43500 |
| Kandla (FAS) (USD/MT) | 749 | 785 |

International Soy DOC

| Argentina FOB \$/MT | 03.08.2012 | 27.07.2012 | Change |
|---------------------|------------|------------|--------|
| Soybean Pellets | 592 | 580 | +8 |
| Soybean Cake Meal | 592 | 580 | +8 |
| Soybean Meal | 600 | 588 | +12 |
| Soy Expellers | 600 | 588 | +12 |

Sunflower Meal Rates

| Centers | Ex-factory rates (Rs/ton) | | |
|----------|---------------------------|------------|--------|
| | 03.08.2012 | 27.07.2012 | Change |
| Adoni | 26000 | 26000 | Unch |
| Khamgaon | 27500 | 27500 | Unch |
| Parli | 27000 | 27000 | Unch |
| Latur | 27500 | 27500 | Unch |

Groundnut Meal

| Groundnut Meal | 03/08/2012 | 27.07.2012 | Change |
|---------------------------|------------|------------|--------|
| Basis 45% O&A, Saurashtra | - | 34000 | - |
| Basis 40% O&A, Saurashtra | - | 33000 | - |
| GN Cake, Gondal | - | 36000 | - |

Mustard DOC/Meal

| Mustard DOC/Meal | 03/08/2012 | 27.07.2012 | Change |
|-------------------------|------------|------------|--------|
| Jaipur (Plant Delivery) | 17500 | 18600 | -1100 |
| Kandla (FOR) | 18000 | 19200 | -1200 |
| Sri Ganganagar | - | - | - |

Oilseed Prices at Key Spot Markets:

| Commodity | Centre | Prices (Rs/Qtl) | | Change |
|------------------|--|-----------------|------------|--------|
| Soybean | | 03/08/2012 | 27/07/2012 | |
| | Indore –Plant | 4350-4425 | 4600-4650 | -225 |
| | Indore –Mandi | 4250-4325 | 4300-4600 | -275 |
| | Nagpur-Plant | 4450-4500 | 4700-4750 | -250 |
| | Nagpur – Mandi | 4400-4500 | 4650-4750 | -250 |
| | Kota-Plant | 4550 | 4750 | -200 |
| | Kota – Mandi | 4450 | 4600 | -150 |
| | Bundi-Plant | 4400 | 4700 | -300 |
| | Bundi-Mandi | 4400 | 4600 | -200 |
| | Baran-Plant | - | - | - |
| | Baran-Mandi | 4325 | 4500 | -175 |
| | BhawaniMandiJhalawar– Kota Plant Delivery | 4450 | 4750 | -300 |
| | Jhalwar-Mandi | 4300-4350 | 4700 | -350 |
| Rapeseed/Mustard | Jaipur – C | 4510-4515 | 4490-4495 | +20 |
| | Alwar – C | 4300 | 4300 | Unch |
| | SriGanganagar(NC) | 3810 | 3840 | -30 |
| | Kota | 4250 | 4200-4250 | Unch |
| | Neewai | 4450 | 4400 | +50 |
| | Delhi– C | 4525 | 4490 | +35 |
| | Hapur (UP) | 4490 | 4450 | +40 |

| | | | | |
|-----------------------|----------|-------------|-------------|--------------|
| Groundnut Seed | Rajkot | 1060 | 1100 | -50 |
| | Junagarh | - | - | - |
| Sunflower Seed | Latur | 39000-40500 | 39000-41000 | -500 |
| | Gulbarga | - | - | - |
| | Solapur | 39000-40500 | 41000-42000 | -1500 |

Soybean Prices are in INR/Qtl. Mandi prices – Loose, Mustard Seed Prices are in INR/Qtl.C – Condition (42%),

*Groundnut seed in Rs/20 kg, Sunflower Seed in Rs/Qtl

Oilseed Arrivals in Key Centers:

| Commodity | Centre | Arrivals in Bags/Qtl | | Chg |
|--------------------------------|----------------|------------------------------|------------------------------|----------------|
| Soybean | | Week End (03/08/2012) | Week End (27/07/2012) | |
| | Madhya Pradesh | 79000 | 182000 | -103000 |
| | Maharashtra | 26000 | 27000 | -1000 |
| | Rajasthan | 20000 | 39000 | -19000 |
| | Bundi (Raj) | 210 | 450 | -240 |
| | Baran (Raj) | 2750 | 5500 | -2750 |
| | Jhalawar (Raj) | 1300 | 2300 | -1000 |
| | | | | |
| Rapeseed/Mustard | Rajasthan | 249000 | 313000 | -64000 |
| *Sum Arrivals during the week. | | | | |

Crop Progress, India

The *kharif* oilseeds planting are almost done and it has picked-up in recent weeks which was initially lagging compared to the normal and previous year's coverage.

Despite weak monsoon during the period, the overall *kharif* planting is lagging by just 3.2 per cent at 145.2 lakh hectares compared to 150.0 lha during the corresponding period last year.

However, the groundnut sowing is around 19 per cent below the same period last year

Area in lakh hectares

| Crop | As on 02 Aug 2012 | As on 02 Aug 2011 | % Change |
|-----------------------|--------------------------|--------------------------|-----------------|
| Groundnut | 28.8 | 35.4 | -18.8 |
| Soybean | 103.2 | 97.5 | 5.9 |
| Sunflower | 1.1 | 1.5 | -23.1 |
| Sesamum | 9.6 | 11.3 | -15.8 |
| Niger | 0.52 | 0.53 | -1.1 |
| Castor | 2.0 | 3.7 | -47.0 |
| Total Oilseeds | 145.2 | 150.0 | -3.2 |

*MP and Guj has not submitted the area coverage report for this week end.

Source: GOI

Except soybean, the planting of all the other oilseeds are lagging behind compared to the same period last year due to poor rains. Between 1 Jun – 1 Aug India has received 19 per cent less rains than the normal.

Soybean

The soybean prices fell pressured by US soybeans followed by mild respite from precipitation in US Midwest as well as in the key growing states of India, Madhya Pradesh, Maharashtra and Rajasthan. The soybean buyers, mainly crushers, refrained themselves from the cash market in anticipation further fall in the prices. The soybean prices significantly rose in previous week and a correction was expected.

However, further forecast of dry weather in US Midwest, the largest soybean growing region in US, which has already posed threat to soybean yield, may again strengthen the soybean prices during the period.

Besides, lower supplies in beans in domestic cash markets due to lean season and better overseas trade enquiries in soy meal kept the bean prices strong during the period.

Practically the soybean planting is almost done in key growing states, but the actual coverage is only clear with the official planting progress updated w-o-w basis by the Ministry of Agriculture. Despite weak monsoon the soybean planting have showed a remarkable gain in recent weeks, which was lagging a month ago, as compared to the same period last year. The recovery in the soybean acreage is primarily due to higher planting intention of farmers citing better returns in the beans during the season. The final whole India area coverage under soybean is expected to be higher this year at around 105 lakh hectares compared to around 103 lha last season.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The domestic soy meal prices continued its upward trend during the month on better export sales and renewed seasonal domestic demand from poultry feed industry. Lower crushings in soybean due to lean season and better demand in soy meal lend continued support to the meal prices at higher levels.

India's soy meal exports remained good thought the year despite competitive meal price of South America. India registered higher y-o-y exports sales even during the lean season in soybean this season. India exported around 168,341 MT of soy meal in Jul 2012.

Iran, Japan, Korea, Vietnam, Thailand and Turkey remained major and consistent buyers from India in previous months due to their preference in non-GMO meal, logistic and trade advantage.

India had exported around 165,610 MT of soy meal in Aug 2011 and it is expected to ship between 182,000-183,000 MT in Aug 2012, considering the fact that India's soybean production was higher in 2012 season compared to the previous season.

Besides, lower than usual export sales in soy meal from South America followed by crop damage due to drought in Argentina and Brazil this season continued to lend support to the Indian soy meal exports. The buyers from South and Far East Asia are have diverted their demand towards India and consistently placed their soy meal order due to trade, logistic and freight advantage.

| Week | FAS, Soy meal Kandla | FOB, Soy meal Argentina | Avg.*Spread |
|-----------------------|----------------------|-------------------------|-------------|
| 28 Jul – 3 Aug | 767 | 607 | 160 |
| 21 – 27 Jul | 789 | 599 | 190 |

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$160/MT compared to US \$190/MT a week ago, indicating persistent gap in prices between Indian and Argentine meal prices, 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 **39000-40000** 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 |
|------------------------------|------------------------------|--|
| -497 | -1032 | -163 |

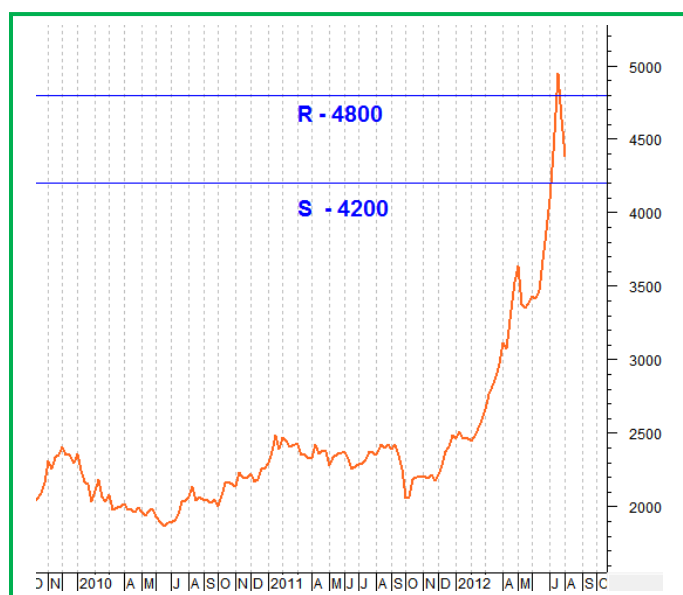
The soybean crush margin has recovered compared to previous week but it is still below previous month's level.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



Supports & Resistances NCDEX Oct Soybean

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 3655 | 3844 | 4034 | 4179 | 4325 |

- The soybean prices extended slight weakness during the week under review.
- However, prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in overbought zone.
- Prices are expected to further decline during the week.
- **Trade Recommendation (NCDEX Soybean – Aug) – 1 Week:** SELL between 4020-4030 levels. T1 – 3920; T2 – 3870; SL -4078.

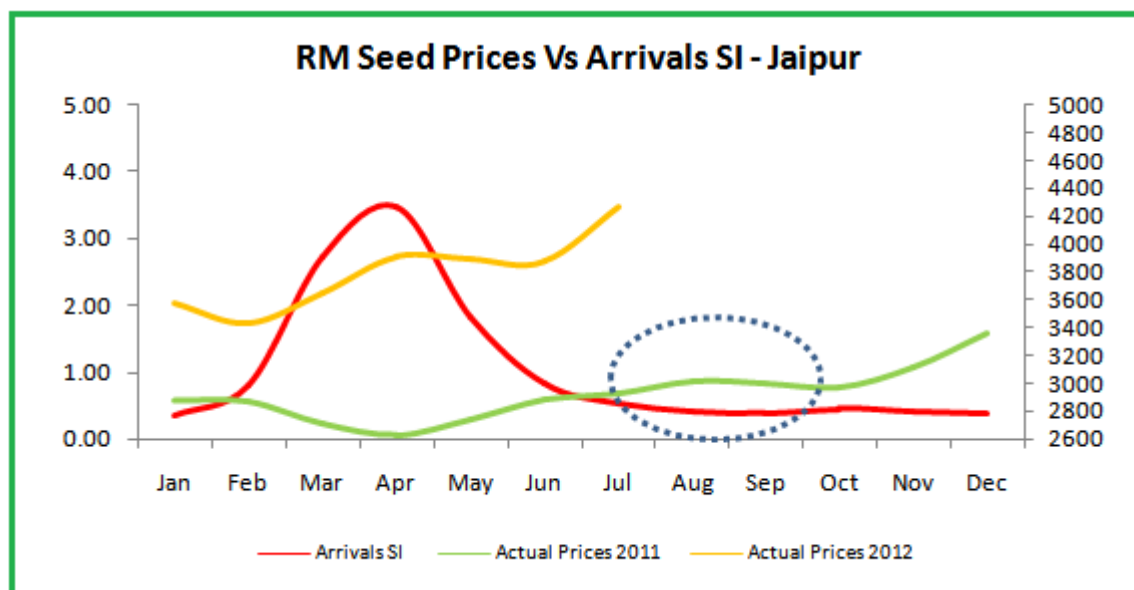
Trade Recommendation Soybean Spot: We feel the beans prices to slightly ease in near-term and witness 4350-4400 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended: BUY between 4600-4620 levels. T1 – 4700; T2 – 4750; SL -4565. The call got entry but none of the targets were achieved.

Rapeseed - Mustard Seed

The RM seed prices surged on weak supplies due to slow farmers and stockists selling in anticipation of higher prices in future. Besides, stronger Malaysian palm oil initially during the month, Jul, and firm global soybean lend spillover support to the domestic RM seed prices.

Limited buying was featured at the higher prices and in the absence of any fresh demand in mustard oil, except for some demand from pickle industry. Hence, a regular buying in RM seed by the millers was featured in the key cash markets.



RM Seed Supply, Rajasthan

| RM Seed Arrivals in Rajasthan in Bags (85 kg each). | | |
|---|----------|------------------------------|
| Weekly Arrivals | Week Ago | Corresponding Week Last Year |
| 2,49,000 | 3,13,000 | 2,38,000 |

It is evident that the RM seed supplies in key cash markets were quite low compared to the volume offloaded during the corresponding period last year.

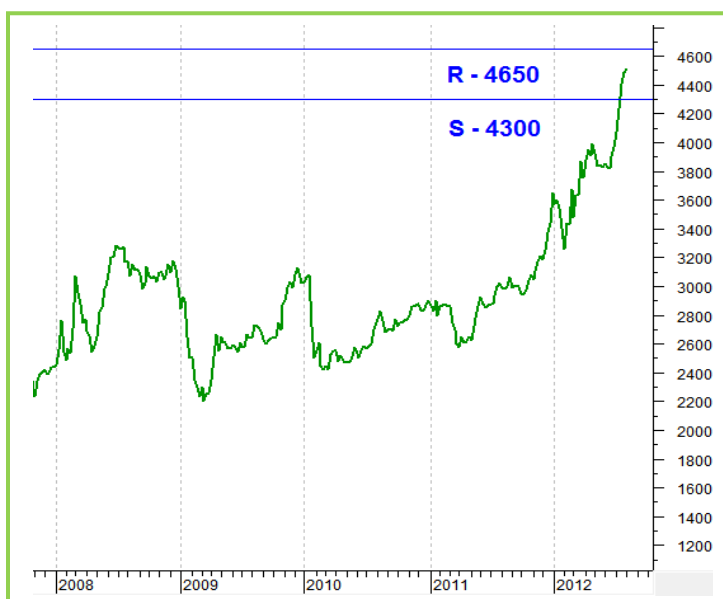
However, the prices are likely to remain range-bound with firm-bias in medium and long term, in view of dried-up pipeline supply in beans and subsequently dependence in crushing on RM seed.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Sep RM Seed

| S2 | S1 | PCP | R1 | R2 |
|------|------|------|------|------|
| 4223 | 4363 | 4502 | 4603 | 4705 |

- Candlestick chart pattern indicates side-ways movement in the market.
- Prices closed above 9-day and 18-day EMA indicating firmness in the near and medium-term.
- RSI and stochastic are easing in neutral territory.
- **Trade Recommendation (NCDEX RM SEED - Aug) – 1 Week:** SELL between 4515—4530 levels. T1 – 4400; T2 –4370; SL -4595.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to slightly ease in the absence of any fresh edible oil demand and subsequently need based crushings in the seed. The prices may witness 4450-4500 level in near term.

Review of Previous Call: In our previous call we had recommended: **BUY between 4350—4380 levels. T1 – 4480; T2 –4520; SL -4307. The call triggered and the first target was achieved.**

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