

Executive Summary

The Domestic oilseeds firmed-up on strong global and domestic factors during the week under review. Soybean featured gains on firm CBOT soybeans followed by lower US soybean yield potential. Dry weather during crop development stage deteriorated the US soybean yield prospects. Besides, lower supplies in beans in domestic cash markets due to lean season and eventually decline in crushing and fall in the availability of soy meal for exports pushed up the local bean prices.

Better rains in key soybean growing states have increased the crop prospects. However, excessive rains over some of the growing regions in Madhya Pradesh have posed the threat to the crop to some extent. However, damage assessment not been done yet.

Besides, RM seed prices witnessed gains on better millers buying to cater the mustard oil demand from pickle industry and festive demand. However, the farmers were keen in offloading their produce at the higher prices.

Improved domestic soybean crop prospects, higher coverage area under soybean and slack in overseas demand during the week will slightly pressure the domestic oilseed and fats market in near-term. Besides, bearish MPOB palm oil stock figure and some respite to US soybean crop with the dip in temperature will remain bearish factors for short-term.

International Highlights

- ❖ **USDA's WASDE Report:** U.S. oilseed production for 2012/13 is furcated at 83.4 million tons, down 9.4 million from last month, as a lower soybean production estimate is only partly offset by higher crops of peanuts and cottonseed. Soybean production for 2012/13 is projected at 2.7 billion bushels, down 358 million due to lower harvested area and yields. Harvested area is projected at 74.6 million acres, down 0.7 million from the July projection. The first survey-based soybean yield forecast of 36.1 bushels per acre is 4.4 bushels below last month's projection and 5.4 bushels below last year's yield.
- ❖ **USDA's WASDE Report:** Global oilseed production for 2012/13 is projected at 457.3 million tons, down 8.5 million tons from last month. Reductions for soybeans, sunflowerseed, peanuts, and cottonseed are only partly offset by increased rapeseed production. Lower soybean production is projected for the United States, Canada, and EU-27 due to lower yields resulting from hot, dry weather. Soybean production is raised for Brazil and Paraguay as producers are expected to respond to sharply higher prices with increased plantings. Brazil's soybean production is projected up 3 million tons at a record 81 million.
- ❖ South American soybean stocks 22.5 Mn T below last year, which will significantly reduce exports of soybeans and soya meal in the next 4-6 months. The USA is unlikely to fill this gap – Oil World.
- ❖ Owing to the huge crop loss, US exports of soybeans and meal cannot be raised sufficiently in Sept/Febr 2012/13 – Oil World.
- ❖ Soya meal prices boosted to all-time highs recently to accomplish the required rationing of consumption. World crushings of soybeans likely to decline by at least 3-4 Mn T from a year earlier in Sept/Febr 2012/13 – Oil World.
- ❖ US soybean crop conditions likely to improve on arrival of rains and lower temperatures in the US Midwest. But world supplies remain critically tight in Sept/Febr 2012/13, requiring considerable demand-rationing, primarily in soybeans and meal.

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

Centers	Ex-factory rates (Rs/ton)		
	11.08.2012	03.08.2012	Parity To
Indore (MP)	41000	40000	Gujarat, MP
Kota	40800	41000	Rajasthan, Del, Punjab, Haryana
Akola	43000	42000	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Hingoli	41000	-	Andhra, Chattisgarh, Orissa, Jharkhand, WB
Nanded/Latur	42500-44000	43000	Andhra, AP, Kar, TN
Dhulia/Jalna	42500-43000	43000	Mumbai, Maharashtra
Nagpur (42/46)	42000	40500	Chattisgarh, Orissa, Bihar, Bangladesh, AP, Kar, TN
Sangli	42000	-	Local and South
Solapur	42000	-	Local and South
Bundi	41000	41200	-

Soy DOC at Port

Centers	Port Price	
	11.08.2012	03.08.2012
Kandla (FOR) (INR/MT)	42500	42000
Kandla (FAS) (USD/MT)	769	749

International Soy DOC

Argentina FOB \$/MT	11.08.2012	03.08.2012	Change
Soybean Pellets	596	592	+4
Soybean Cake Meal	596	592	+4
Soybean Meal	604	600	+4
Soy Expellers	604	600	+4

Sunflower Meal Rates

Centers	Ex-factory rates (Rs/ton)		
	11.08.2012	03.08.2012	Change
Adoni	26000	26000	Unch
Khamgaon	27500	27500	Unch
Parli	27000	27000	Unch
Latur	27500	27500	Unch

Groundnut Meal

Groundnut Meal	11.08.2012	11.08.2012	Change
Basis 45% O&A, Saurashtra	-	-	-
Basis 40% O&A, Saurashtra	-	-	-
GN Cake, Gondal	-	-	-

Mustard DOC/Meal

Mustard DOC/Meal	11.08.2012	03.08.2012	Change
Jaipur (Plant Delivery)	17300	17500	-200
Kandla (FOR)	18200	18000	+200
Sri Ganganagar	-	-	-

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		11.08.2012	03.08.2012	
	Indore –Plant	4550-4600	4350-4425	+175
	Indore –Mandi	4400-4480	4250-4325	+155
	Nagpur-Plant	4700	4450-4500	+200
	Nagpur – Mandi	4550-4600	4400-4500	+100
	Kota-Plant	4500	4550	-50
	Kota – Mandi	Closed	4450	-
	Bundi-Plant	4550	4400	+150
	Bundi-Mandi	Closed	4400	-
	Baran-Plant	-	-	-
	Baran-Mandi	Closed	4325	-
	BhawaniMandiJhalawar– Kota Plant Delivery	4500-4550	4450	Unch
	Jhalwar-Mandi	4400-4500	4300-4350	+150
Rapeseed/Mustard	Jaipur – C	4470-4480	4510-4515	-35
	Alwar – C	4350	4300	+50
	SriGanganagar(NC)	3840	3810	+30
	Kota	Closed	4250	-
	Neewai	4400	4450	-50
	Delhi– C	4475	4525	-50

	Hapur (UP)	4450	4490	-40
Groundnut Seed	Rajkot	Closed	1060	-
	Junagarh	-	-	-
Sunflower Seed	Latur	Closed	39000-40500	-
	Gulbarga	-	-	-
	Solapur	39000-40000	39000-40500	-500

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 (11/08/2012)	Week End (03/08/2012)	
	Madhya Pradesh	102000	79000	+23000
	Maharashtra	32000	26000	+6000
	Rajasthan	22500	20000	+2500
	Bundi (Raj)	250	210	+40
	Baran (Raj)	730	2750	-2020
	Jhalawar (Raj)	700	1300	-600
Rapeseed/Mustard	Rajasthan	266000	249000	+17000
*Sum Arrivals during the week.				

Crop Progress, India

In the official *kharif* planting report, India's coverage under various oilseeds has much recovered which was lagging in previous weeks due to weak rainfall.

The *kharif* oilseeds planting are lagging by 3.8 per cent at 151.8 lakh hectares compared to 157.9 lha during the same period last year.

Area in lakh hectares

Crop	As on 07 Aug 2012	As on 07 Aug 2011	% Change
Groundnut	31.5	37.1	-15.1
Soybean	105.4	100.1	5.3
Sunflower	1.2	1.5	-22.1
Sesamum	10.2	12.8	-20.1
Niger	0.76	0.86	-11.1
Castor	2.8	5.5	-50.0
Total Oilseeds	151.8	157.9	-3.8

Source: GOI

However, the soybean planting is above 5 per cent at 105.4 lha from previous year at 100.1 lha, crossing the last year's total coverage area of 102.9 lha.

Except soybean, all other *kharif* oilseeds planting are lagging from the same period last year. The groundnut sowing is still 15 per cent below the corresponding period last year.

Soybean

The soybean prices regained followed firm global and domestic factors during the week under review. USDA has again lowered the US soybean yield to 36.1 bushels from 40.5 bu in their last report. Besides, weak domestic soybean supplies due to lean season remained supportive factors for the soybean during the period. Good overseas soy meal exports enquiries and lower soybean crushing remained additional bullish factor.

Improved rains in key soybean states like Madhya Pradesh, Maharashtra and Rajasthan in recent week has revived the soybean crop in need of precipitation.

Besides, the soybean area has improved this year compared to previous years and reported at 105.42 lha which was 100.13 lha during the same period last year. The covered area in Madhya Pradesh improved to 58.07 lha as on 7 Aug 2012 which was 57.25 lha during the same period last year, Maharashtra has reportedly sown 31.27 lha vs 28.26 lha and Rajasthan has reportedly planted 9.87 lha compared to 8.71 lh during the same period last year.

As per our forecast the soybean area has crossed 105 lha, despite weak rains initially. Higher realization in soybean during the season encouraged the farmers to plant the crop early and eventually increased the planting intention compared to the previous year.

The soybean prices are expected to gradually ease with marketing year coming to an end in September, however, we rule out any sudden and drastic fall in the prices in near-term.

Soybean Crop Condition

Soybean Crop Condition	Stage	Condition
Madhya Pradesh	Vegetative/Flowering	Good
Maharashtra	Flowering	Excellent
Rajasthan	Vegetative	Excellent
*Condition with respect to disease, pest and abiotic stress		

The soybean crop is in vegetative and flowing stage in Madhya Pradesh. As per sources, excess moisture in soil due to heavy rains is a matter of concern for the standing soybean crop in some parts of Madhya Pradesh. However, the soybean crop is in good condition and there are no negative reports for the crop in Maharashtra and Rajasthan.

Soy meal- FAS Kandla Vs FOB Argentina (Spread)

The domestic soy meal prices slightly edged-lower as the overseas buyers refrained themselves from the Indian meal market due to the higher quotes. However, India's soy meal exports were higher and consistent this season compared to last year. However, lower soybean supplies and eventually fall in crushing will

India's soy meal exports in July rose significantly to 168,341 MT, up 20.6 per cent compared to the corresponding period last year, which were 139,551 tons. Moreover, Iran was the top soy meal buyer, bought 50,761 MT of soy meal of Indian origin during the month followed by Thailand, Indonesia and Bahrain. The higher export sales were due to the preference of non-GMO Indian soy meal, logistic and trade advantage.

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 has benefitted in soy meal exports in previous months. The buyers from South and Far East Asia have diverted their demand towards India.

Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
4 – 10 Aug	756	588	168
27 Jul – 3 Aug	767	607	160

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

The average weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$168/MT compared to US \$160/MT a week ago, indicating persistent wide 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.

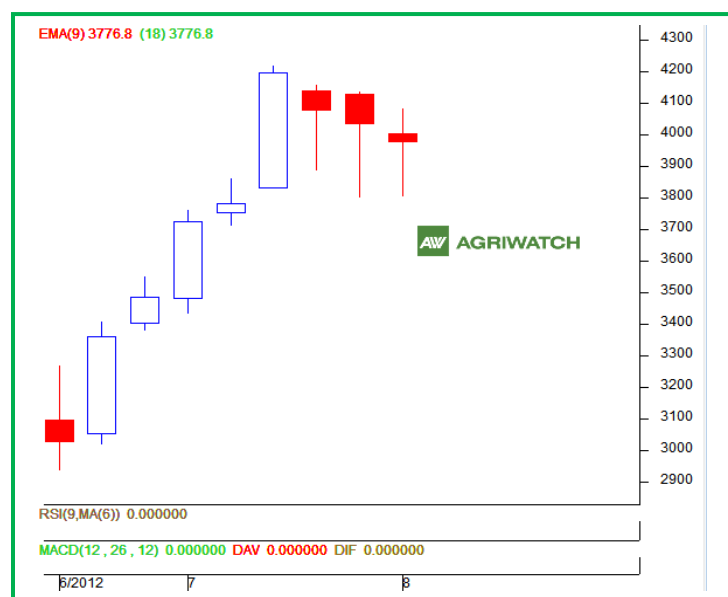
Soybean Crush Margin

<i>Avg Crush Margin – This Week</i>	<i>Avg Crush Margin – Last Week</i>	<i>Avg Crush Margin – Corresponding Period Last Month</i>
-1035	-497	-1021

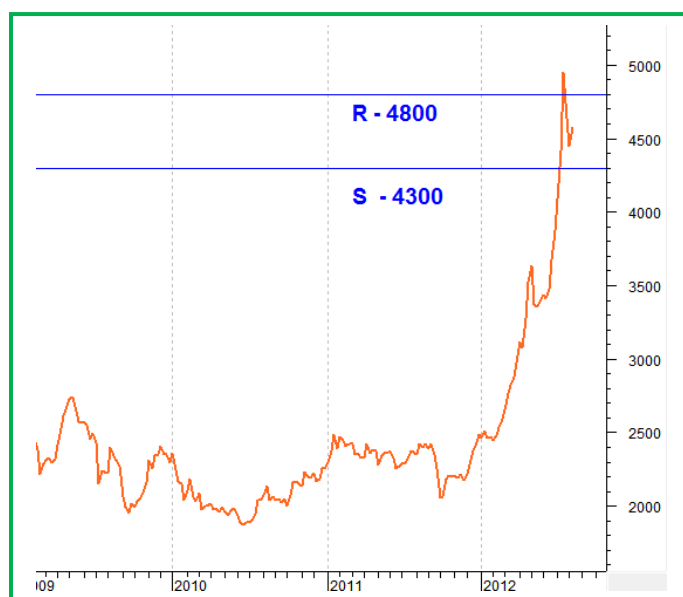
The soybean crush margin has deteriorated compared to previous week and month.

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



Supports & Resistances NCDEX Oct Soybean

S2	S1	PCP	R1	R2
3550	3714	3973	4155	4219

- The soybean prices extended losses during the week under review.
- However, prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral zone.
- Prices are expected to further decline during the week.
- **Trade Recommendation (NCDEX Soybean – Oct) – 1 Week:** SELL between 4020-4030 levels. T1 – 3950; T2 – 3900; SL – 4063.

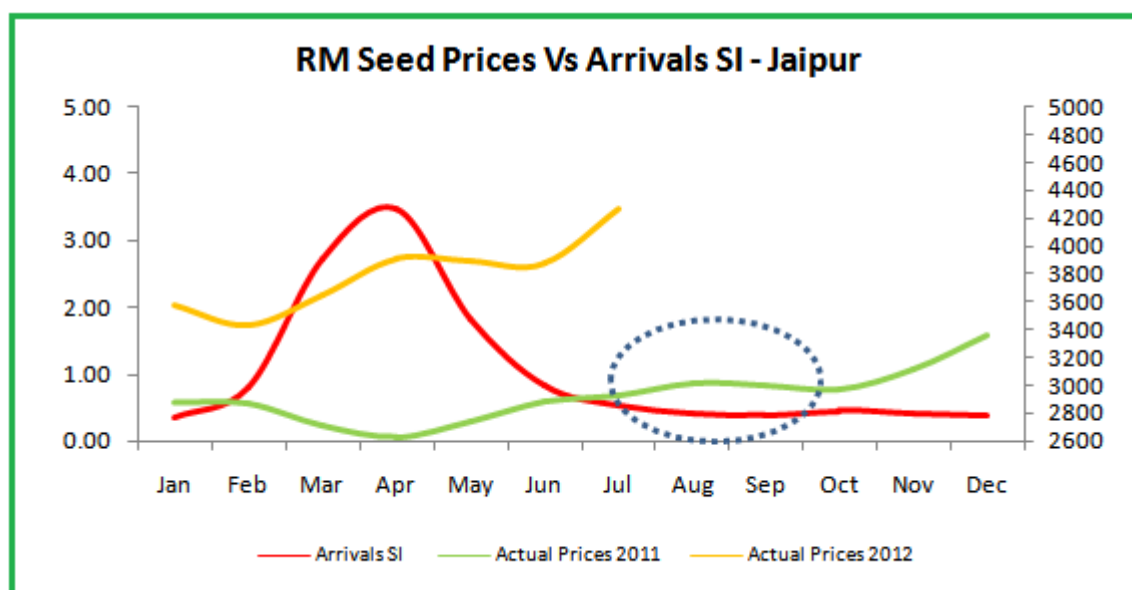
Trade Recommendation Soybean Spot: We feel the beans prices to slightly gain in near-term on bullish global and domestic factors and witness 4600-4650 levels (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended: SELL between 4020-4030 levels. T1 – 3920; T2 –3870; SL -4078. The call triggered and both the entries were achieved.

Rapeseed - Mustard Seed

The RM seed prices extended previous gains on supportive buying to meet the mustard oil demand from pickle industry and due to slow farmers and stockists selling in anticipation of higher prices in coming days. Besides, higher international oil and fats market remained supportive to the domestic seed market.

The RM seed fundamentals are strong and the prices are unlikely to fall drastically, they are expected to get mild pressure from weakness in soybean in near future but in medium to long-term the RM seed fundamentals remain bullish.



RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
2,66,000	2,49,000	2,54,000

However, the RM seed supplies have dramatically recovered as farmers after long started to offload their produce in anticipation of fall in the prices with expected fall in soybean.

Technical Analysis:

NCDEX RM Seed Futures

RM Seed Spot, Jaipur



Supports & Resistances NCDEX Sep RM Seed				
S2	S1	PCP	R1	R2
4181	4275	4369	4489	4609

- 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 - Sep) – 1 Week:** SELL between 4400—4420 levels. T1 – 4300; T2 –4250; SL -4465.

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 3580-4530 level in near term.

Review of Previous Call: In our previous call we had recommended: SELL between 4515—4530 levels. T1 – 4400; T2 –4370; SL -4595. The call triggered and both the targets were achieved.

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