

Executive Summary

Oilseeds and oilmeals prices in domestic market extended gains on continued seasonal buying and limited edible oil imports during month under review.

No aggressive buying featured in the soybean across the major producing centers. The domestic giants were more active in buying and crushing the beans compared to the MNCs. However, seasonal rise in edible oil and meal demand remained an attractive factor for solvent extractors. Soy meal export sales are facing stiff competition with South American sales due to their competitive prices. However, shipments of Far and South East Asia remained supportive for the Indian soy meal.

Besides, stressful weather conditions in South America have already posed threat to the soybean production potential which also lends support to the Indian soybean.

RM seed fundamentals are intact and bullish with good demand from millers following a surge in seasonal usage in RM oil and supportive rapeseed-mustardseed oilcake demand. Limited supply, good demand and reports of lower planting in the seed remained supportive for the seed prices at higher level and further likely to lend support to the seed prices.

RM seed, the major Rabi oilseed, planting is reported at 64.6 lha down 5.4% compared to 68.2 lha during the corresponding period last year.

Lower edible oil imports, by India, due to stronger US dollar, and the likely fall in area coverage in RM seed subsequently leading to lower production in RM seed will lend support to the domestic soybean and RM seed prices at higher level in medium-term. Besides, rise in seasonal domestic edible oil and oilmeal usage continue to remain bullish factor.

International

Latin America: Stressful weather has posed a threat to soybean production in South America. Ongoing La Nina creates a high risk of below-normal rainfall also in January, which is expected to boost the international soybean prices.

In Argentina most oilseed producing regions have received only 20-60% of normal rainfall during the last week of Dec. Soybean planting intentions is probably not fully carried out due to dryness.

In Brazil very dry conditions and crop stress in Parana, Rio Grande do Sul, Santa Catarina and in several parts of western MatoGrosso and MatoGrosso do Sul has been noticed.

China: China's soybean buying in November improved 50% on month to 5.7 Mln T, up 4% from a year ago.

The total imports in the first 11 months declined by 4.4% to 47.22 million tons.

China purchased 21.23 Mln T of Brazil's soybean in Jan-Nov 2011, which is higher than 2010 imports totaled 19.064 Mln T, as mentioned in the data of foreign Trade Secretariat.

Taiwan: Taiwan's Breakfast Soybean Procurement Association is expected to buy 40,000 to 60,000 tonnes of soybean. The association is expected to float a tender in this regard. Taiwan is likely to buy the soybean from U.S. or South America.

US: The USDA is expected to revise their South American (Argentina and Brazil) soybean production estimate downwards due to dry weather condition during December.

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31-12-2011	30-11-2011	
	Indore –Plant	2470-2500	2200-2255	245
	Indore –Mandi	2360-2435	2100-2180	255
	Nagpur-Plant	2450-2460	-	-
	Nagpur – Mandi	2370-2450	-	-
	Kota-Plant	2440-2450	2190-2220	230
	Kota – Mandi	2350-2400	2080-2140	260
	Bundi-Plant	2500	2200-2220	280
	Bundi-Mandi	2420-2425	2075-2140	285
	Baran-Plant	2450	2200	250
	Baran-Mandi	2325	2080-2125	200
	BhawaniMandiJhalawar – Kota Plant Delivery	2460-2475	2200-2230	245
	Jhalwar-Mandi	2340-2400	2100-2140	260
Rapeseed/Mustard	Jaipur – C	3650	3205-3210	3440
	Alwar – C	3500	3125	375
	SriGanganagar	3070	2780	290
	Kota	3100	2800-2850	250
	Neewai	3570	3140	430
	Delhi– C	3600	3295	305
	Hapur (UP)	3600	3275	325
Groundnut Seed	Rajkot	800	650	150
	Junagarh	-	-	-
Sunflower Seed	Latur	3200-3500	3150	350
	Gulbarga	2900-3100	3000-3150	-50
	Solapur	3200-3325	3100-3300	25

Soybean Prices are in INR per Qtl ,Arrivals(1 bag=90 kg). Mandi prices – Loose, Mustard Seed Prices are in INR per Qtl, Arrival (1 bag=85 kg) C – Condition (42%), *Groundnut seed inRs/20 kg, Sunflower Seed in Rs/qtl.

Oilseed Arrivals in Key Centers

Commodity	Centre	Arrivals in Bags/Qtl		Change
		Dec'11	Nov'11	
Soybean				
	Madhya Pradesh	4450000	9055000	-4605000
	Maharashtra	-	4820000	-
	Rajasthan	855000	3365000	-2510000
	Bundi (Raj)	36600	249000	-212400
	Baran (Raj)	117700	435000	-317300
	Jhalawar (Raj)	60000	129000	-69000
Rapeseed/Mustard	Rajasthan	963000	1026000	-63000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

Crop Progress, India

The Rabi oilseeds planting are slow paced and nearing completion. The planting of all the major oilseeds of the season is lagging by 6.3% and reported at 79.2 lakh hectares compared to 84.6 lha during the same period last year.

Area in lakh hectares

Crop	As on 30th December 2011	As on 30th December 2010	% Change
Rapeseed & Mustard	64.6	68.2	-5.4
Groundnut	4.1	4.2	-2.9
Sunflower	3.5	4.4	-20.5
Total Oilseeds	79.2	84.6	-6.3

Source: GOI

RM seed, the major Rabi oilseed, planting is reported at 64.6 lha down 5.4% compared to 68.2 lha during the corresponding period last year.

Soybean

The soybean prices extended gains during the month on supportive buying and limited supplies. Though no aggressive buying featured during the period but the major solvent extractors were active to cater their daily crush requirement.

The domestic solvent extractors were more active in the soybean market compared to MNCs. The MNCs purchased but with caution. However, farmers and stockists are keen in releasing their soybean stock at higher levels.

Surge in seasonal edible oil and meal demand and bullish global soybean fundamentals are expected to support soybean buying at higher quotes during the month of January.

Balance Sheet – Soybean, India

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12
Carry In	0.49	0.45	1.12	0.37
Production	9.60	9.67	10.10	12.00
Imports	0.00	0.00	0.00	0.00
Total Availability	10.09	10.12	11.22	12.37
Consumption	9.64	9.00	10.85	10.85
Exports	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	10.85
Carry Out	0.45	1.12	0.37	1.52
Monthly Use	0.80	0.75	0.90	0.90
Stock/Consumption Ratio	0.05	0.12	0.03	0.14
Stock to Month Use Ratio	0.56	1.49	0.41	1.68

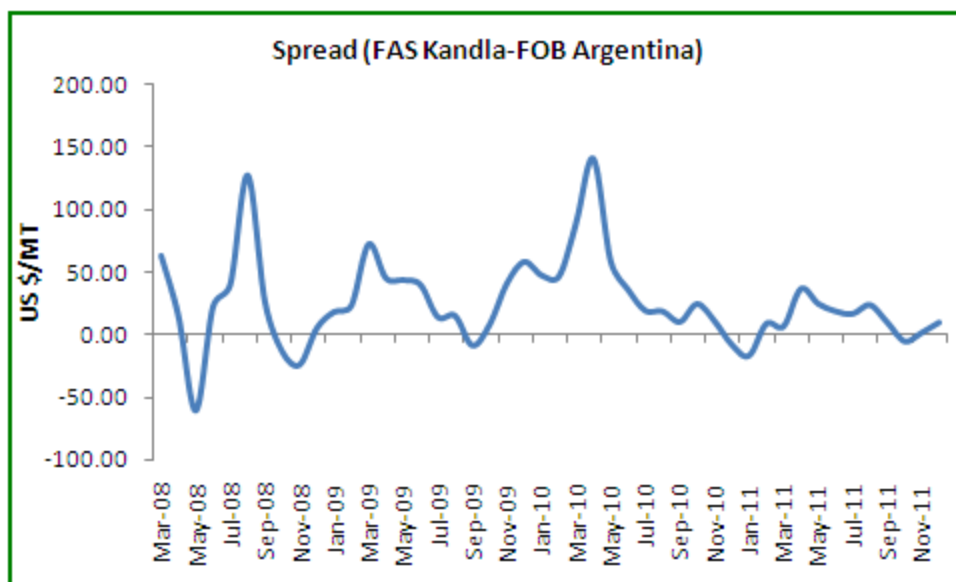
Source: Agriwatch

- Higher domestic availability in oilseeds in 2010/11 season due to rise in production during the year improved crushing in 2010/11 consequently leading to lower carry in this year.
- India's 2011/12 soybean output is expected to be around 12.0 Mn T.
- The total usage is kept unchanged compared to previous season at 10.85 Mn T. Soy meal export sales are almost steady m-on-m basis, but edible oil imports fell in Nov-Dec 2011 due to strong US dollar index.

Soy meal- FAS KandlaVs FOB Argentina (Spread)

India's domestic soy meal usage has slightly increased on seasonal growth in domestic poultry. Poultry industry is the biggest buyer of soy meal for feed which continues to boost the meal prices during the winter season. We expect the meal prices to remain strong during January.

Besides, the soy meal export sales are steady and they are expected to be close to last year's volume in January. India exported 5.75 lakh tonnes of soy meal to various destinations in Jan 2010.



*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$10/MT in Dec compared to US \$2/MT in Nov. The soy meal prices of Latin America are still competitive compared to the meal of Indian origin. (* Spread - FAS Kandla less FOB Argentina)

Recommendation: The Indian soy meal exporters are advised to take the freight and logistic advantage and continue to aggressively market their meal to South and Far East Asian countries. Any dip in FOR, Kandla towards 18100-18200 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.

Soy meal Dynamics and Crush Margin

Avg Crush Margin – Dec 2011	Avg Crush Margin – Nov 2011	Avg Crush Margin – Dec 2010	Avg Crush Margin – Dec 2009
-590	-200	-366	-396

The disparity in soybean crush margin has widened which is a discouraging factor for the solvent extractors. The crush margin is expected to improve and result into positive parity if the soy oil and meal prices relatively gain more than the soybean prices. The average monthly crush margin in December was recorded at Rs -590/MT compared to Rs -200/MT in November. The December figure is higher compared to last two year.

Expected Price Range in Soy Complex During January:

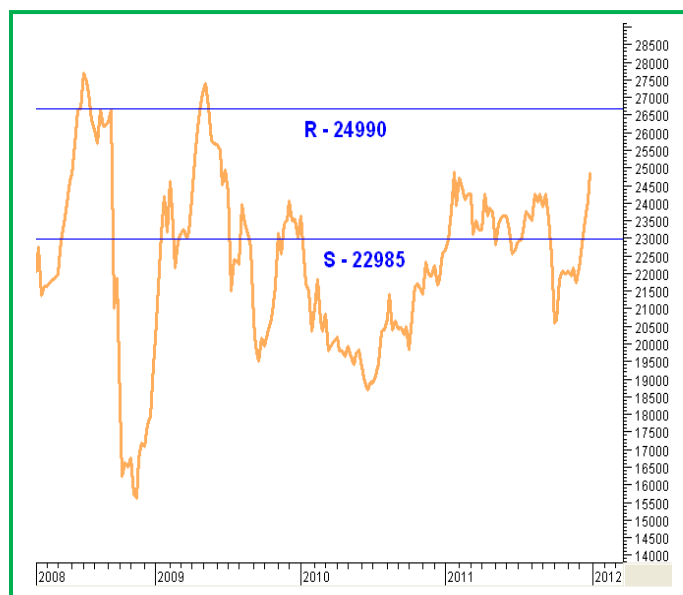
Commodity	Price Range	Crush Margin
Soybean	26500-27000	-965
Soy Meal	18000-18500	
Soy Oil	67500-69000	

Technical Analysis:

NCDEX Soybean Futures(Feb.)



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Feb.Soybean				
S2	S1	PCP	R1	R2
2190	2366	2545	2640	2735

- The Monthly candlestick chart pattern reveals strong buying support.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are heading upwards in neutral region supporting gains. Prices are expected move upwards towards 2620–2640 levels.
- **Trade Recommendation (NCDEX Soybean - Feb) – 1 Month:** Buy towards 2540– 2550 levels. T1 – 2620; T2 - 2635; SL - 2507.

Trade Recommendation Soybean Spot: We recommend buy on dips towards 2490– 2500 levels. The prices are expected to move towards 2700 level (Indore, Plant basis).

Review of Previous Call: In our previous call we had recommended BUY towards 2300– 2310 levels. T1 – 2370; T2 - 2390; SL - 2272. The call got triggered and both the targets were achieved.

Rapeseed - Mustard Seed

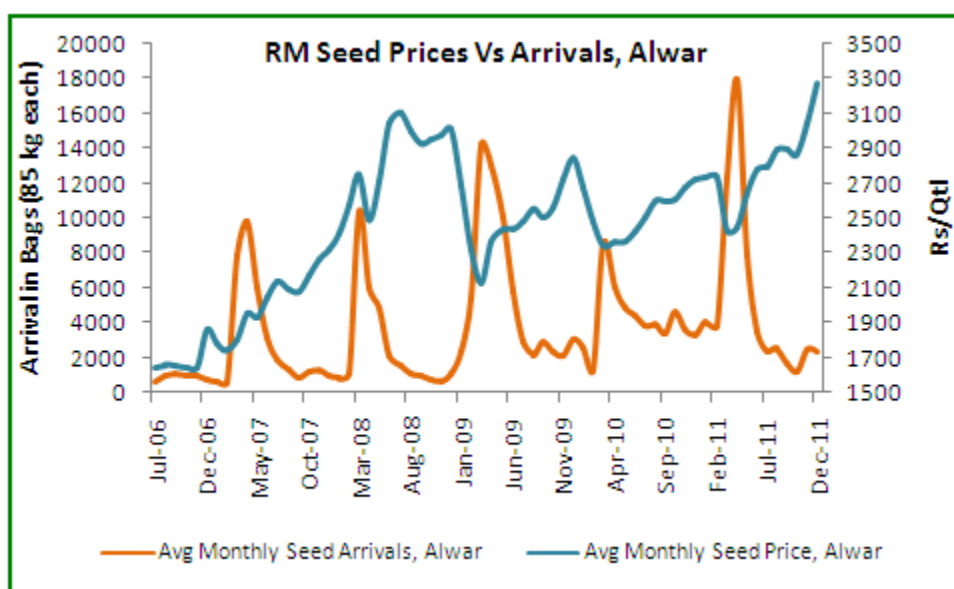
Firm trend featured in the RM seed prices during the period under review. Bullish domestic fundamentals seen backed by lower acreage in the seed this season and expected decline in yield output due to unfavorable weather conditions.

RM seed, the major Rabi oilseed, planting is reported at 64.6 lha down 5.4% compared to 68.2 lha during the corresponding period last year.

In Kota region of Rajasthan, the harvesting of RM crop is expected by 15 th February. The crop is disease and pest free there. The weather is reportedly conducive. Overall, the crop is in good shape in Uttar Pradesh and there are no reports of pest or disease there. The harvesting of the crop is expected between 15-20 Feb in UP.

India's rapeseed production is expected to fall this year as winter rains elude the key growing region, limiting crop sowing, a processors' group said. Production may fall as much as 21 percent to 5.5 million metric tons in the crop year that started Oct. 1, from 7 million tons a year earlier, vice president of the Solvent Extractors' Association of India, said.

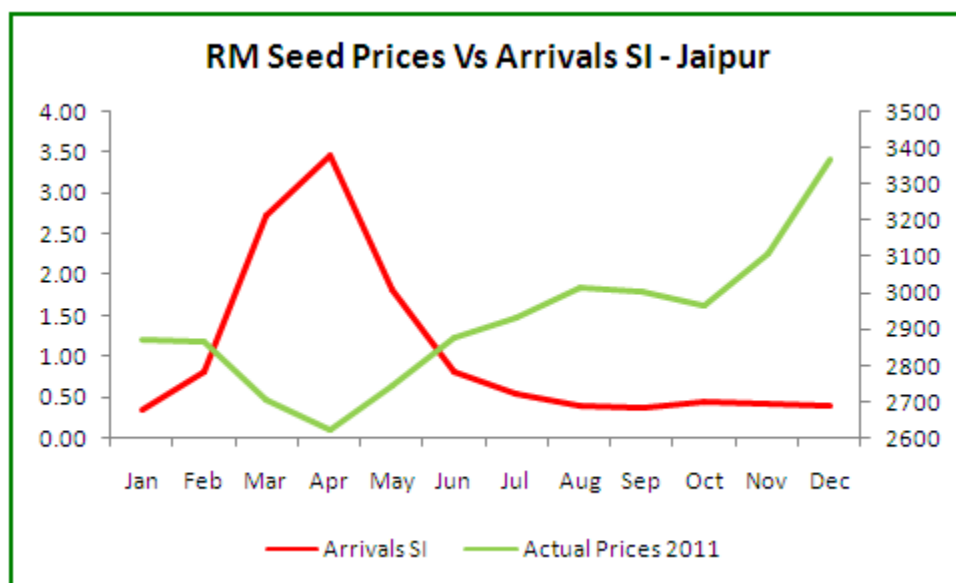
RM Seed Prices Vs Arrivals - Alwar



The RM seed supplies declined in Rajasthan during December compared to November due to slow farmer's selling in anticipation of higher prices in days ahead.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals-Dec	1 Month Ago	Corresponding Period Last Year
963000	10,26,000	935000

RM Seed Prices Vs Seasonality Index


Continued seasonal demand in RM oil owing to the winter season and subsequently millers' continued buying seed will keep the seed prices strong in near to medium-term. Besides, lower supplies and expected fall in area and output in the seed are expected to support the seed prices at higher levels.

Recommendation: We recommend the market participants to buy RM seed at the current levels and off-load in Jan month around Rs 3750/qtl level.

Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

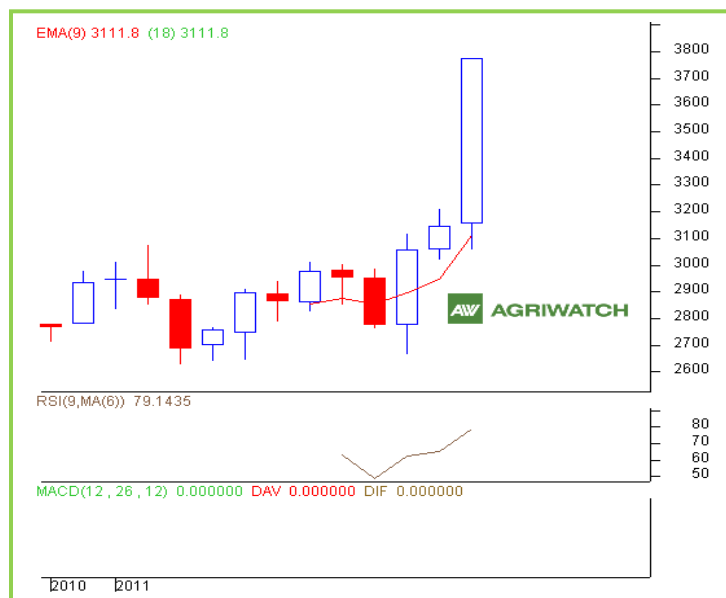
Marketing Year	2008-09	2009-10	2010-11	2011-12
Carry In	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.8
Imports	0	0	0	0
Total Availability	6.65	6.75	7.75	8.05
Domestic Consumption	5.9	6	6.5	6.5
Exports	0	0	0	0
Total Usage	5.9	6	6.5	6.5
Carry Out/Ending Stock	0.75	0.75	1.25	1.55
Monthly Use	0.49	0.50	0.54	0.54
Stock/Consumption Ratio	0.13	0.13	0.19	0.24
Stock to Month Use Ratio	1.53	1.50	2.31	2.86

Source: Agriwatch

- We have revised the 2011/12 RM seed output downwards to 6.8 Mn T compared to 7.2 Mn T estimated in December.
- Lower coverage in RM seed area by 6% and eluded winter rains is expected hamper the productivity in RM seed this season.

Technical Analysis:

NCDEX RM Seed Futures (Apr.)



RM SeedSpot, Jaipur



Supports & Resistances NCDEX Apr. RM Seed

S2	S1	PCP	R1	R2
2880	3096	3310	3430	3549

- The monthly RM seed candlestick chart pattern reveals strong buying interest.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- Price indicators and oscillators reflect prices to improve during the month. The RM seed prices are expected to gain and move towards 3410 – 3425 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Month:** Buy towards 3320 – 3330 levels. T1 – 3410; T2 - 3425; SL - 3282.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to gain during the month towards 3700-3750 level. We recommend buy on dips towards 3640– 3650 levels.

Review of Previous Call: In our previous call we had recommended **BUY** towards 3285 – 3295 levels. T1 – 3320; T2 - 3330; SL - 3275. Both the Targets were achieved during the period.

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