

**Executive Summary**

The average monthly domestic oilseeds and meal prices posted gains during the month under review, in tandem with seasonality index. However, the prices fell towards the end of January. Boost in the seasonal (winter) usage in edible oils and meals, consistent demand for seed from solvent extractors and bullish global factors lend support to the prices.

The prices tend to fall towards the end of the month but were limited by the strong global factors in soybean and lower covered area in RM seed domestically.

The soybean production has been hit in Latin America due to drought and even some intermittent rains failed to respite the crop in the region. The analysts have already started trimming the crop estimates in Argentina, Brazil and Paraguay.

The RM seed planting is reportedly 8.2 per cent lower at 65.3 lakh hectares compared to 71.1ha last year. Likely fall in production in the seed will keep the seed prices strong during the season.

Slow but consistent Indian soy meal export sales remained supportive but the gains were capped after China stopped buying oilmeal from India citing traces of hazardous chemicals in some rapeseed meal shipments last year. The decision is likely to hit the India's meal exports to some extent in near to medium-term.

Further, appreciation in Indian rupee against US dollar has made the vegetable oil imports slightly comfortable for India which is again a bearish factor in the days ahead.

**International**

**Latin America:** Soybean crop continues to deteriorate in Latin America following persistent drought in the region. The analysts have already started trimming their crop estimates in Argentina, Brazil and Paraguay.

Oil World has estimated crop loss of about 3 Mln T in Brazil alone primarily attributed to drought in South Brazil. The global soybean supply outlook still remains critical with crop losses in Argentina, Paraguay and Uruguay also.

Argentina's 2011-12 Soybean crop outturn is estimated at 46.2 million tonnes by Buenos Aires Grain Exchange. This is the first crop estimate by the Exchange. The output estimate is lower compared to 48.9 Mln T by the Agriculture Ministry of Argentina which had lowered earlier estimate for 52-53 Mln T.

**China:** China increased its September to December Soybean purchases by 6.3 per cent over the previous year owing to higher local demand. However, the US soybean export sales to China declined 23 per cent.

Beside, China's soy meal demand is also likely to be higher this season on growing demand from the poultry, pork, and aquaculture industries. However, their suspension of oilmeal imports from India is expected to hit India's meal exports to some extent.

Overall, the global soybean supplies are seen lower this season which is expected to keep the bean prices throughout the season.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>31-01-2012</b>	<b>31-12-2011</b>	
	Indore –Plant	2410-2454	2470-2500	<b>-46</b>
	Indore –Mandi	2320-2370	2360-2435	<b>-65</b>
	Nagpur-Plant	2380-2400	2450-2460	<b>-60</b>
	Nagpur – Mandi	2300-2380	2370-2450	<b>-70</b>
	Kota-Plant	2440-2450	2440-2450	<b>Unch</b>
	Kota – Mandi	2350-2360	2350-2400	<b>-40</b>
	Bundi-Plant	2450	2500	<b>-50</b>
	Bundi-Mandi	2350	2420-2425	<b>-75</b>
	Baran-Plant	-	2450	-
	Baran-Mandi	-	2325	-
	BhawaniMandiJhalawar – Kota Plant Delivery	2450	2460-2475	<b>-25</b>
	Jhalwar-Mandi	2350-2375	2340-2400	<b>-25</b>
<b>Rapeseed/Mustard</b>	Jaipur – C	3275-3280	3650	<b>-370</b>
	Alwar – C	3200	3500	<b>-300</b>
	SriGanganagar	3050	3070	<b>-20</b>
	Kota	2600-2900	3100	<b>-200</b>
	Neewai	3250	3570	<b>-320</b>
	Delhi– C	3275	3600	<b>-325</b>
	Hapur (UP)	3275	3600	<b>-325</b>
<b>Groundnut Seed</b>	Rajkot	810	800	<b>+10</b>
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Latur	30000-30150	32000-35000	<b>-4850</b>
	Gulbarga	28000-30000	29000-31000	<b>-1000</b>
	Solapur	30000-30150	32000-33250	<b>-3100</b>

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
<b>Soybean</b>		<b>Jan'12</b>	<b>Dec'11</b>	
	Madhya Pradesh	3555000	4450000	<b>-895000</b>
	Maharashtra	1635000	-	-
	Rajasthan	502000	855000	<b>-353000</b>
	Bundi (Raj)	21200	36600	
	Baran (Raj)	56500	117700	<b>-61200</b>
	Jhalawar (Raj)	37500	60000	<b>-22500</b>
<b>Rapeseed/Mustard</b>	Rajasthan	923000	963000	<b>-40000</b>
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

**Crop Progress, India**

There was no detailed break-up in planting progress of the rabi oilseeds in the recent report of the Ministry of Agriculture. The total area under the oilseeds stands lower by 9.4 per cent at 84.4 lakh hectares compared to 93.2lha during the corresponding period last year.

Area in lakh hectares

Rabi Oilseeds	As on 27th January 2012	As on 27th January 2011	% Change
<b>Total Oilseeds</b>	<b>84.4</b>	<b>93.2</b>	<b>-9.4</b>

Source: GOI

Reportedly, RM seed, the major rabi oilseed, planting is lagging by 8.2 per cent at 65.3lha compared to 71.1 lhaduring the same period last year.

**Soybean**

Soybean prices edged-up on supportive seasonal buying from solvent extractors and fall in supplies in beans during the month under review. However, the prices eased in the last week of January. The soyoil and meal usage increases during winters and prices remain strong during the period.

However, the downward price pressure on soybean is inevitable in the month of February which is attributed to the commencement of new rapeseed-mustard seed crop and its mounting pressure. Besides, increase innew soybean crop arrivals in Brazil will remain a bearish global and subsequently domestic factor during February.

Slow farmer'sselling in beans is persistent in the cash market and the farmers are seen off-loading their produce only when the prices get stronger. The active traders in beans are expected to divert towards Chana in days ahead.

**Balance Sheet – Soybean, India**

Fig. in MnT

Oil Year (Oct-Sep)	2008-09	2009-10	2010-11	2011-12
<b>Carry In</b>	0.49	0.45	1.12	0.37
<b>Production</b>	<b>9.60</b>	<b>9.67</b>	<b>10.10</b>	<b>12.00</b>
Imports	0.00	0.00	0.00	0.00
<b>Total Availability</b>	<b>10.09</b>	<b>10.12</b>	<b>11.22</b>	<b>12.37</b>
Crush	9.64	9.00	10.85	11.07
Exports	0.00	0.00	0.00	0.00
Total Usage	9.64	9.00	10.85	11.07
<b>Carry Out</b>	<b>0.45</b>	<b>1.12</b>	<b>0.37</b>	<b>1.30</b>
Monthly Use	0.80	0.75	0.90	0.92
Stock/Consumption Ratio	0.05	0.12	0.03	0.12
Stock to Month Use Ratio	0.56	1.49	0.41	1.41

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 Y-on-Y basis, but edible oil imports fell in Nov-Dec 2011 due to strong US dollar index in recent past.

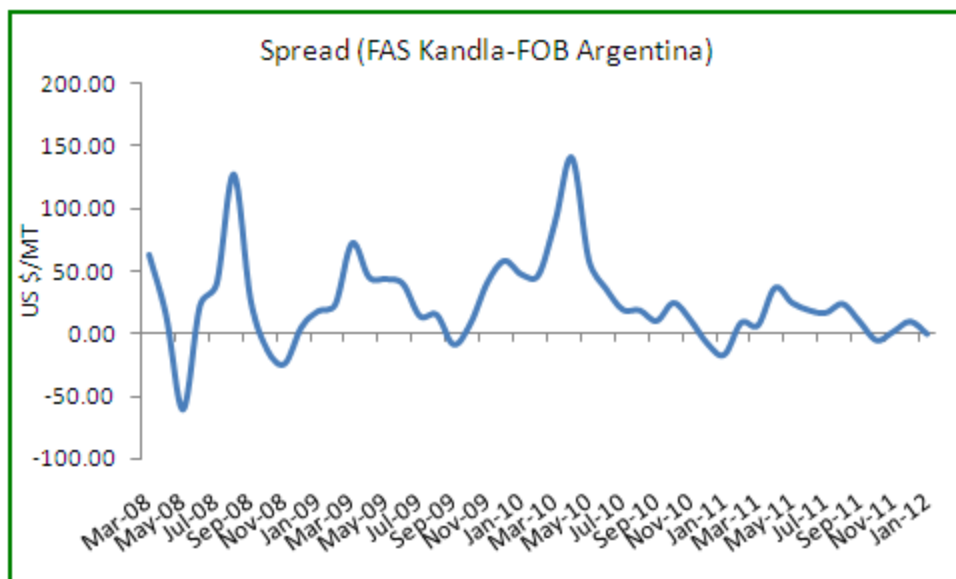
**Soy meal- FAS Kandla Vs FOB Argentina (Spread)**

China has suspended buying oilmeals from India citing traces of hazardous chemicals- malachite green, in some rapeseed meal shipments last year. However, Indian authorities identified the substance as green dye used in the packing material. The decision has negatively hurt the India's meal exports to some extent.

.Oilmeal shipments to China have declined to 127,391 MT during October-December, compared to 131,022 tons during the same period last year.

However, in a positive move, a team from the Chinese General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) is expected to inspect vegetable oil processing units of India in due course.

The year-on-year rise in soybean supply and eventually slight rise in crushing is expected to keep India's soy meal export sales intact and they are expected to be in line with last year's figure in February. India exported 5.4 lakh tonnes of soy meal in February 2011.



\*FAS, Kandla less FOB Argentina

The Argentine soy meal prices are competitive compared to India's. However, proximity, logistic and freight advantage continues to remain positive factor for Indian meal exports especially to Far and South East Asian countries.

There was no difference in the average monthly soy meal price spread between FAS Kandla and FOB Argentina which was US \$10/MT in Dec (\* 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 – Jan2012	Avg Crush Margin – Dec2011	Avg Crush Margin – Jan2011	Avg Crush Margin – Jan 2010
-700	-590	-547	-814

The average January soybean crush margin slightly widened in January compared to December. The widening disparity in crushing is expected to discourage the solvent extractors to some extent. Either relatively better gains in soy oil and meal compared to soybean will improve the crush margin towards positive region or greater fall in soybean prices could push the margin in positive territory. The greater changes are fall in soybean prices in near to medium term in view of new RM seed crop arrival and commencement of Brazilian new crop soybean.

### Expected Price Range in Soy Complex During February:

Commodity	Price Range	Crush Margin
Soybean	23300-23700	-75
Soy Meal	16500-16800	
Soy Oil	6200-62500	

## Technical Analysis:

### NCDEX Soybean Futures(Mar.)



### Soybean Spot, Indore



\*In Rs/MT

Supports & Resistances NCDEX Mar.Soybean				
S2	S1	PCP	R1	R2
2205	2399	2496	2753	2828

- The Monthly candlestick chart pattern indicate fall in the price.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are easing in neutral region indicating further weakness. Prices are expected to move downwards towards 2450 – 2400 levels.
- **Trade Recommendation (NCDEX Soybean - Mar) – 1 Month:** SELL on rise towards 2550 – 2560 levels. T1 – 2450; T2 - 2400; SL - 2608.

**Trade Recommendation Soybean Spot:** We recommend refrain from buying at the current levels as prices are expected to fall towards 2300–2350 levels (Indore, Plant basis).

**Review of Previous Call:** In our previous call we had recommended BUY towards 2540 – 2550 levels. T1 – 2620; T2 - 2635; SL - 2507. The call got triggered and both the targets were achieved.

## Rapeseed - Mustard Seed

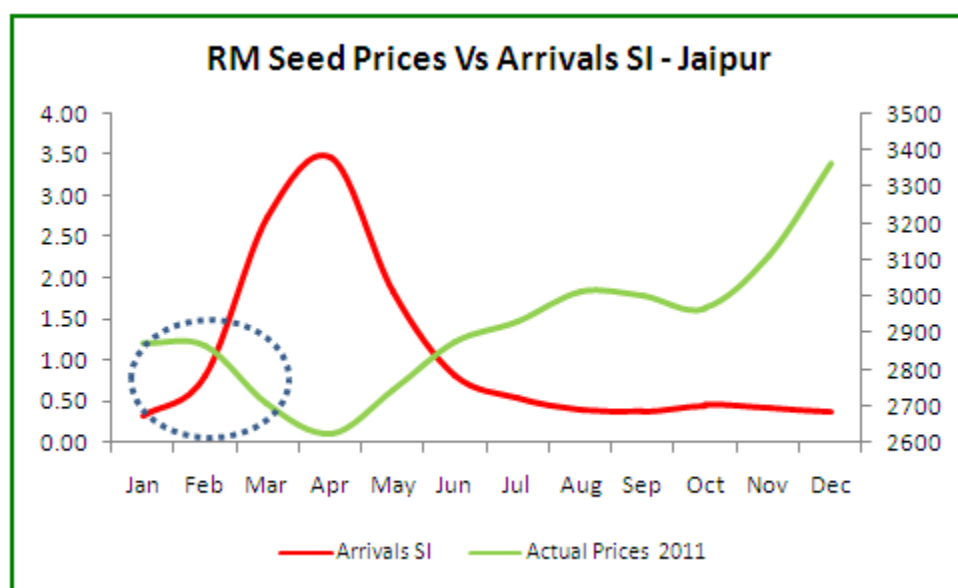
Overall, the RM seed prices featured gains during the month but slightly fell towards the end of the month. The long term prospects of the seed remains bullish due to fall in covered area this season. The RM seed planting is

reportedly 8.2 per cent lower at 65.3 lakh hectares compared to 71.1 lha last year. This will consequently lead to lower outturn in the RM seed this season.

The harvesting in Kota division has already started, though it is slow paced. The harvesting in Alwar, Bharatpur and Sri Ganganagar is expected in the mid of Feb. Further, the harvesting in Agra belt is expected to commence between 15-20 Feb.

Therefore, the seed prices will face price pressure primarily due to the new crop arrivals in Feb and Mar, when the key producing region will start their harvest.

### RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



The RM seed supplies declined in January due to lean season and lower availability in Rajasthan. The supplies are likely to gradually pick-up late February.

### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals– Jan	1 Month Ago	Corresponding Period Last Year
9,23,000	9,63,000	9,57,000

**Balance Sheet – Rapeseed-Mustard Seed, India**

Fig in MnT

Marketing Year	2008-09	2009-10	2010-11	2011-12
<b>Carry In</b>	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.5
Imports	0	0	0	0
<b>Total Availability</b>	<b>6.65</b>	<b>6.75</b>	<b>7.75</b>	<b>7.75</b>
Crush	5.9	6	6.5	7.55
Exports	0	0	0	0
Total Usage	5.9	6	6.5	7.55
<b>Carry Out/Ending Stock</b>	<b>0.75</b>	<b>0.75</b>	<b>1.25</b>	<b>0.2</b>
Monthly Use	0.49	0.50	0.54	0.63
<b>Stock/Consumption Ratio</b>	<b>0.13</b>	<b>0.13</b>	<b>0.19</b>	<b>0.03</b>
Stock to Month Use Ratio	1.53	1.50	2.31	0.32

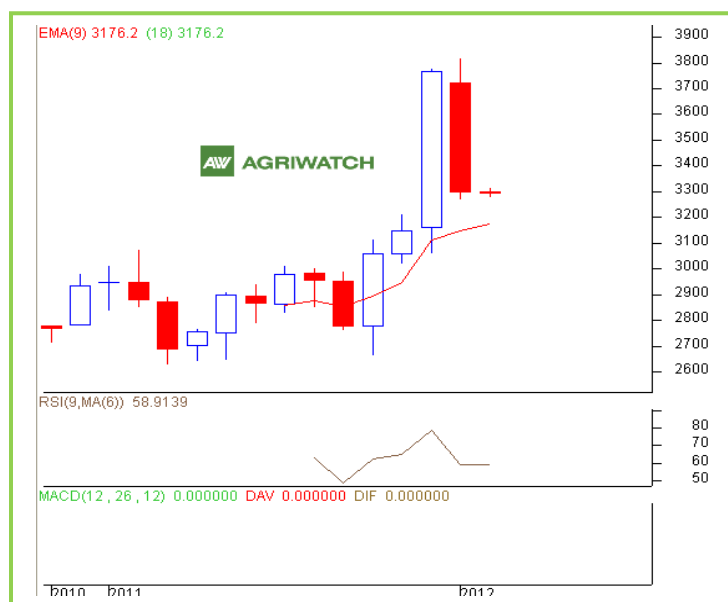
Source: Agriwatch

- We have revised the 2011/12 RM seed output downwards to 6.5 Mn T compared to 6.8 Mn T estimated in January.
- Lower coverage in RM seed area by 8.2% and the missing winter rains is expected hamper the productivity in RM seed this season.

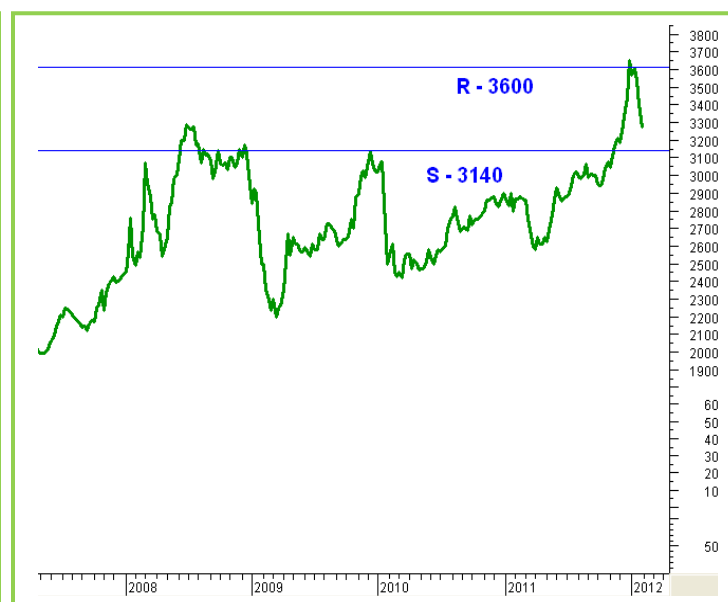


## Technical Analysis:

### NCDEX RM Seed Futures (Apr.)



### RM SeedSpot, Jaipur



### Supports & Resistances NCDEX Apr.RM Seed

S2	S1	PCP	R1	R2
2550	2908	3288	4000	4200

- The monthly RM seed candlestick chart pattern reveals strong selling pressure in the market.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to ease during the month. The RM seed prices are expected to fall and move towards 3050–3100 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Month:** SELL towards 3250– 3260 levels. T1 – 3050; T2 - 3100; SL - 3358.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to fall during the month towards 3100–3150 level. We recommend buy the seed during harvesting between the said levels and liquidate when prices get stronger. The seed fundamentals are strong in view of lower sown area.

**Review of Previous Call:** In our previous call we had recommended BUY towards 3320– 3330 levels. T1 – 3410; T2 - 3425; SL - 3582. Both the Targets were achieved during the period.

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