

Executive Summary

The domestic oilseeds and oil meals prices extended gains and recorded all-time highs during the month under review. Soybean prices featured significant gains during the period followed to strong domestic and international factors. Lower supplies in beans due to lean season, weak monsoon and better soy meal exports enquiries in domestic front and adverse weather in US Midwest, the largest soybean growing region in US, remained supportive factors for soybean and lead in the rally during the period.

Besides, 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 continued to register gains on better export sales and improved seasonal domestic seasonal. Decline in soybean crushing due to lean season in the beans and consequently lower availability in the meal remained supportive factor for the meal prices. 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

- ❖ As per Oil World report the world demand for soya meal has slightly declined in April/June 2012. Although the price rally in soya meal has gained momentum only in July. Demand for soya meal suffered a setback primarily in the EU-27. G-4 exports to the EU declined by as much as 0.9 Mn T in April/June.
- ❖ Oil World has estimated the soya meal usage in the EU-27 declined by roughly 1.2 Mn T on the year in Oct/June 2011/12.
- ❖ Soybean growers in Brazil, the world's second-largest producer, had sold 96 percent of the current crop as of second week of July, compared with 76 percent a year earlier.
- ❖ Combined soybean exports of the US, Argentina and Brazil exceeded the year-ago level at 7.3 Mn T in June – Oil World.
- ❖ As per Safras and Mercado, Brazil's soybean crop seen at 82.3 million tons for 2012/13, up 24 percent from current crop and planted area for soy is likely to grow by 8.4 % to 27.22 million hectares in the next season.
- ❖ Oil world raised its world rapeseed output estimate for 2012/13 by 0.3 million tons to 61.9 million tons compared to its previous estimate. Tighten South American soybean supply and dry weather concern over standing US soybean crop could lead to better buying interest for Canadian Rapeseed and expecting bulls rally stay intact in near to medium term.
- ❖ The current US crop conditions are expected to worsen due to dry weather. China's official data confirm a significant rise in soybean imports to a 7-month high of 5.6 Mn T in June..

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31-07-2012	30-06-2012	
	Indore –Plant	4400-4500	3850-3900	+600
	Indore –Mandi	4350-4450	3725-3825	+625
	Nagpur-Plant	4500	3850	+650
	Nagpur – Mandi	4400-4500	3700-3800	+700
	Kota-Plant	4700	3950	+750
	Kota – Mandi	4250-4300	3850-3900	+400
	Bundi-Plant	4400	3950	+450
	Bundi-Mandi	4400	3900	+500
	Baran-Plant	-	-	-
	Baran-Mandi	4200	3900	+300
	BhawaniMandiJhalawar – Kota Plant Delivery	4400-4500	3950-3975	+525
	Jhalwar-Mandi	4400-4450	3900-3950	+500
Rapeseed/Mustard	Jaipur – C	4385-4390	3965-3970	+420
	Alwar – C	4200	3850	+350
	SriGanganagar	3800	3500	+300
	Delhi– C	4375	3980	+395
	Kota (Non-Condition)	4150	3700	+450
	Neewai	4350	3925	+425
	Hapur (UP)	4430	3975	+455
Groundnut Seed	Rajkot	1100	1000	+100
	Junagarh	-	-	-
Sunflower Seed	Gulbarga	-	-	-
	Latur	40000-41000	Closed	-
	Solapur	40000-41000	Closed	-

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
		31 Jul 12	30 Jun 12	
Soybean				
	Madhya Pradesh	951000	1070000	-119000
	Maharashtra	182000	311000	-129000
	Rajasthan	170000	176000	-6000
	Bundi (Raj)	1380	1375	+5
	Baran (Raj)	27050	27150	-100
	Jhalawar (Raj)	9200	5900	+3300
Rapeseed/Mustard	Rajasthan	1284000	1445000	-161000
*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg				

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.

Expected 2012 Area in *Kharif* Oilseeds

Area in Lakh Ha.

	State	2012 (*E) Area	2011 Area	2010 Area
Soybean	Madhya Pradesh	60	57.3	53.9
	Maharashtra	34	30.69	26
	Rajasthan	9	8.48	7.65
	#Total	105	102.91	93.2
Groundnut	Gujarat	15.5	14.73	16.73
	Andhra Pradesh	10.6	10.24	13.47
	Rajasthan	3.9	3.74	3.33
	Karnataka	5.4	5.18	6.68
	Total	43.2	42.98	49.86
Sunflower	Karnataka	2.26	2.15	1.83
	Maharashtra	0.46	0.33	0.57
	Andhra Pradesh	0.32	0.21	0.43
	Total	2.79	2.76	2.89

***E: Expected. Source: AW-Farmers and Trade. #Total: Including Others. States: Only Major Producing States.**

The estimated area is based on the telephonic interview of farmers, their intention of area coverage under the oilseeds. Their intention of coverage is primarily based on the last year's return in the commodity and rainfall. The oilseeds planting is under progress the estimated figures are closer to the official plating reports by the Ministry of Agriculture.

Although, the groundnut sowing has been hit due to the deficit rains but soybean coverage showed a remarkable gains compared to the corresponding period last year despite poor rains in the growing region. The higher coverage in beans was due to early and faster pace in sowing this year.

Soybean

Upbeat trend featured in the domestic soybean prices during the month under review followed domestic and international factors. Weak monsoon in the key soybean growing states and dry weather in US Midwest, the largest soybean growing region in US, which eventually posed the threat to soybean yield remained major factors for the strong soybean during the period.

Besides, lower supplies in beans 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.

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
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
Carry Out	0.45	1.12	0.37	1.30
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 their crushings in 2010/11 consequently leading to lower carry in 2011/12.
- India's 2011/12 soybean output is expected to be around 12.0 Mn T.

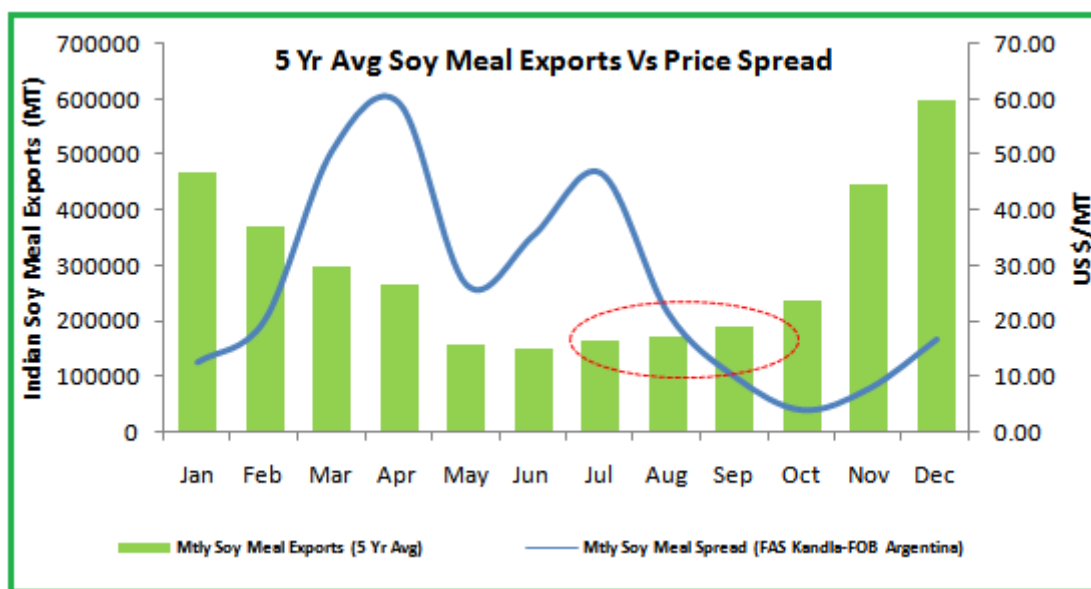
- We expect 2011/12 soybean crush at 11.07 Mn T owing to higher production compared to previous years. India's soy meal prices have to compete with the meal prices of South America, which will eventually make the crushing more viable depending on its exports.

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.

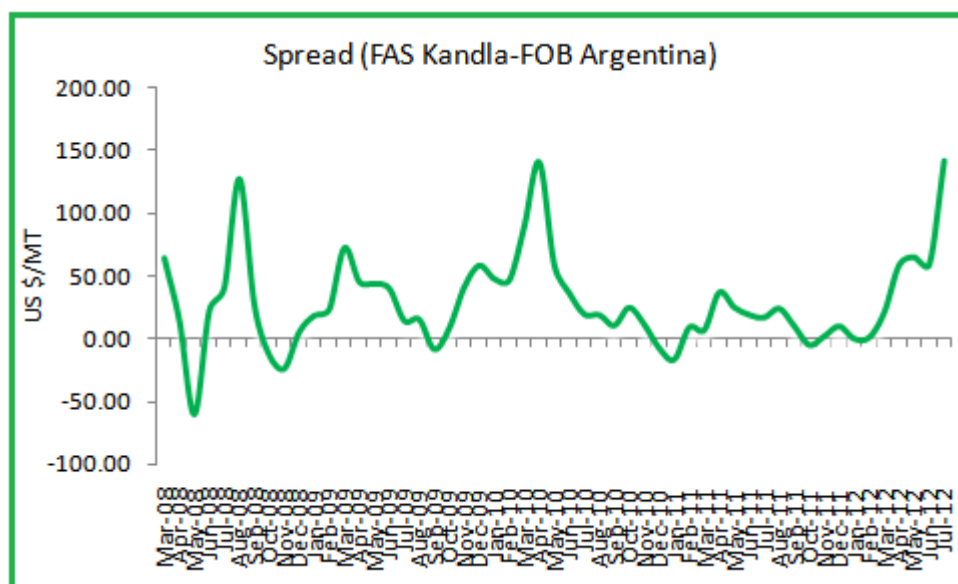
India's soy meal exports remained good thought the year despite competitive meal price of South America. India registered higher y-o-y exports sales even during the lean season in soybean this season. India exported around 180,987 MT of soy meal in June 2012 compared to 117,600 MT during the same period last year.

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.



*FAS, Kandla less FOB Argentina

The average monthly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$412/MT in Jul which translates that the Argentine soy meal prices are far more competitive than the Indian meal prices. (* 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. Any dip in FOR, Kandla towards **40000-41000** is a viable level to go for buying.

Soy meal Dynamics and Crush Margin

Avg Crush Margin – Jul 2012	Avg Crush Margin Jun 2012	Avg Crush Margin – Jul 2011	Avg Crush Margin – Jul 2010
-949	-1202	-364	-557

The soybean crush margin has deteriorated in the month of Jul compared to the corresponding period last year. Rate of increase in the soybean prices have lead to the widening of the disparity. The disparity remained a discouraging factor for solvent extractors.

Expected Price Range in Soy Complex During Aug:

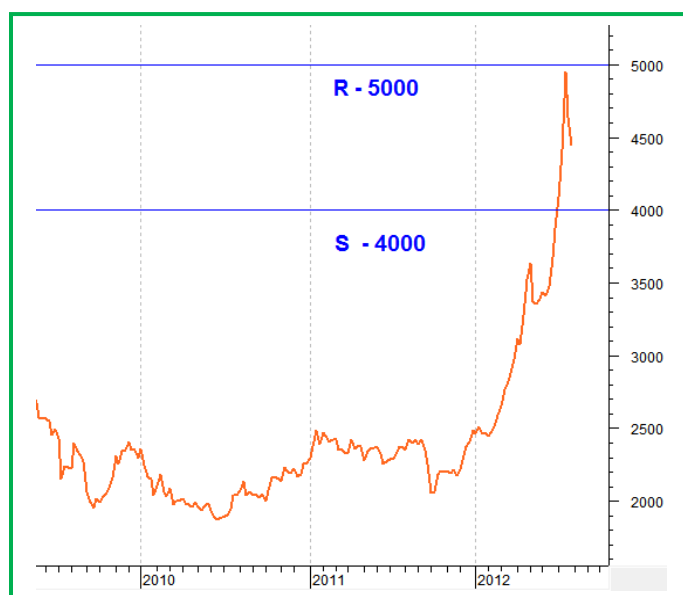
Commodity	Price Range	Crush Margin
Soybean	41500-42000	5443
Soy Meal	44000-48000	
Soy Oil (CSO)	70000-71700	

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Oct Soybean

S2	S1	PCP	R1	R2
3050	3453	3857	4240	4623

- Persistent buying interest in the bean finally lead the bean market to overbought situation.
- Though price are well above 9-day and 18-day EMA.
- RSI and stochastic are rising in overbought territory, warranting slight correction, during the month.
- **Trade Recommendation (NCDEX Soybean - Aug) – 1 Month:** SELL between 3900–3950 levels. T1 – 3800; T2 - 3700; SL - 3988.

Trade Recommendation Soybean Spot: The soybean prices are expected to ease on limited buying owing to sudden rally in soybean prices and forecast of precipitation in US Midwest. Prices are expected to ease and witness 4150-4200 levels (Indore, Plant basis) during the month.

Review of Previous Call: In our previous call we had recommended BUY between 4050–4070 levels. T1 – 4160; T2 - 4220; SL - 4010. The call got the entry and both 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.

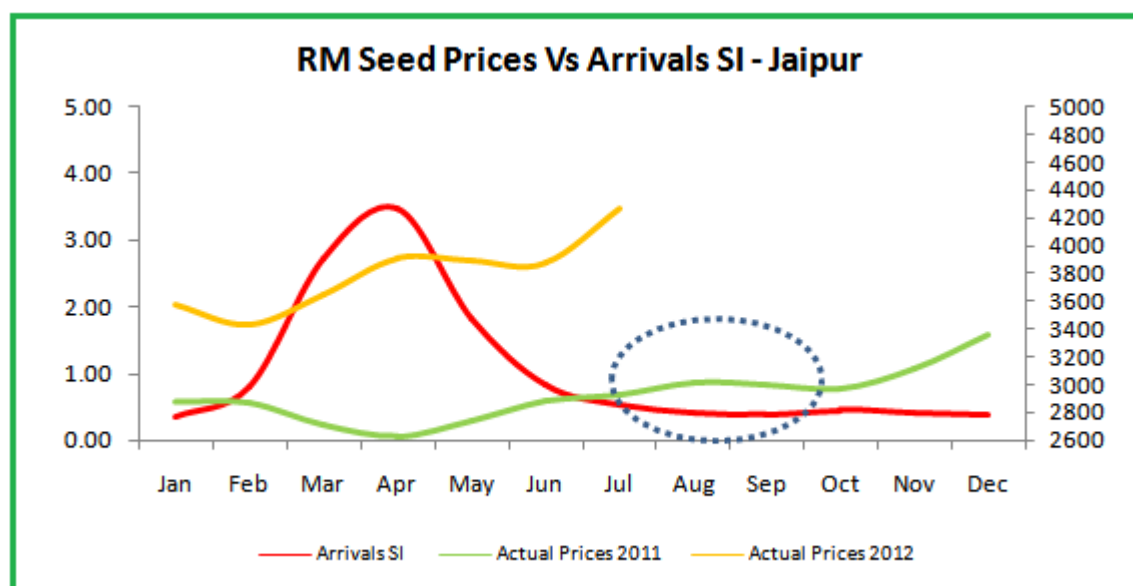
RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Jul	1 Month Ago	Corresponding Period Last Year
12,84,000	14,45,000	22,13,000

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.

RM Seed Prices Vs Arrivals –Jaipur (Rajasthan)



Balance Sheet – Rapeseed-Mustard Seed, India

Fig in MnT

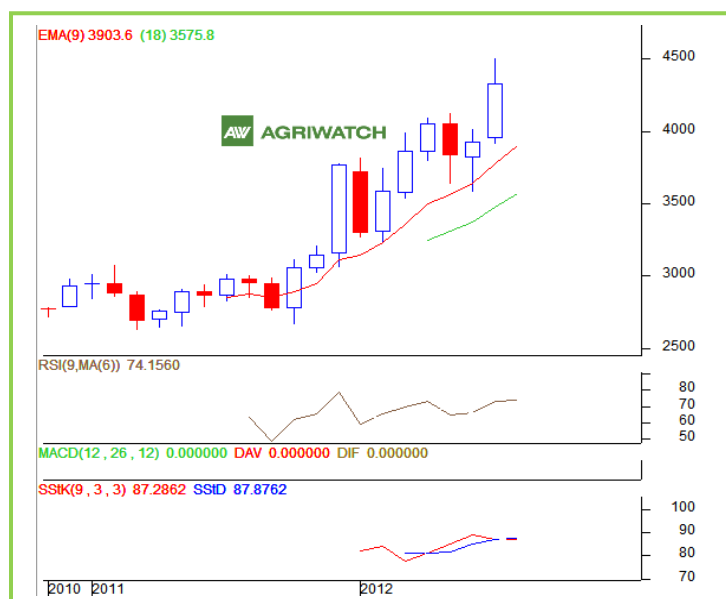
Marketing Year	2008-09	2009-10	2010-11	2011-12
Carry In	0.45	0.75	0.75	1.25
Production	6.2	6	7	6.0
Imports	0	0	0	0
Total Availability	6.65	6.75	7.75	7.25
Crush	5.9	6	6.5	7.05
Exports	0	0	0	0
Total Usage	5.9	6	6.5	7.05
Carry Out/Ending Stock	0.75	0.75	1.25	0.2
Monthly Use	0.49	0.50	0.54	0.59
Stock/Consumption Ratio	0.13	0.13	0.19	0.03
Stock to Month Use Ratio	1.53	1.50	2.31	0.34

Source: Agriwatch

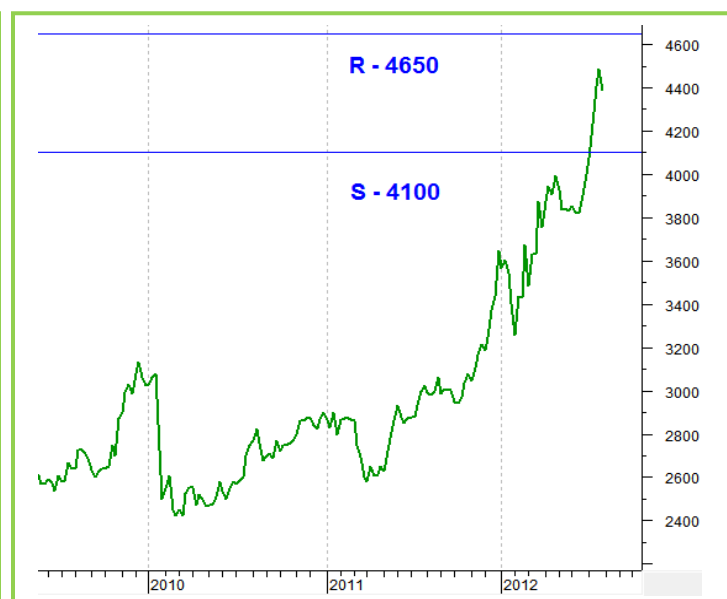
- We have revised the 2011/12 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Sep RM Seed

S2	S1	PCP	R1	R2
3768	4083	4397	4641	4884

- The monthly RM seed candlestick chart pattern reveals continued buying support in the market.
- Prices closed above 9-day and 18-day EMA, supporting the gains.
- RSI and stochastic are heading upwards in overbought region, warranting correction during the month. However the RM seed prices are expected to gain and move towards 4500–4550 levels.
- **Trade Recommendation (NCDEX RM SEED – Aug) – 1 Month:** BUY towards 4350 – 4370 levels. T1 – 4450; T2 - 4500; SL - 4315.

Trade Recommendation RM Seed Spot (Jaipur basis): In spot the RM seed prices are expected to get short-term price pressure and witness 4200-4250 level.

Review of Previous Call: In our previous call we had recommended BUY towards 4000– 4020 levels. T1 – 4100; T2 - 4135; SL - 3965. The call got the entry and both the targets were achieved.

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