

Executive Summary

The domestic oilseeds and oil cake prices appreciated on firm global cues and lower supplies in beans. Higher BMD CPO and strong CBOT soy complex lend continued to support the domestic oils and fats market during the month in review.

Weak seasonal soybean supplies and decline in crushings have pushed up the soy meal prices during the month in review. However, the higher coverage area under soybean and sluggish buying from solvent extractors restricted the gains. Several soybean crushing plants are currently under maintenance due to lean season.

The domestic soy meal usage has improved due to rise in poultry production while the export sales have gone down due to weak availability due to lean period in soybean.

RM seed fundamentals continued to remain firm with lower stocks and slow farmers selling. Stronger Malaysian palm oil remained supportive for the domestic seed. Farmers are anticipating higher seed prices in Oct and Nov on series of festivities.

Pro Farmer has pegged the US soybean crop lower at 2.6 billion bu with estimated average yield of 34.8 bu per acre. The estimates are lower than the USDA's latest WASDE forecast. Besides, developing El Nino weather pattern overseas which is expected to hamper the palm oil production in Malaysia and Indonesia will remain bullish factors and limit any major fall in the domestic oilseeds prices.

Lower US soybean production estimates and fear of developing El Nino weather pattern overseas will remain bullish for the local oilseeds and meals in near-term. However, lower India's export sales in soy meal will restrict the gains.

However, cool weather over US Midwest has provided some relief to the standing soybean, may cap the gains to some extent. Domestic soybean will remain under pressure during September due to poor soy meal export sales followed by lean season. However, RM seed will not fall much due to its strong fundamentals.

International

- ❖ In August Brazil's soybean exports increased by more than 50 per cent from a month earlier to 1.96 Mn T.
- ❖ Oil World has estimated world production of soya meal to decline by at least 1.5 Mn T or 3.4% from a year earlier in Oct/Dec 2012, enforcing a further decline in stocks as well as a cutback in world consumption.
- ❖ Chinese soybean output for 2012 seen at 13 million tons, down 10.25 percent as compared to same period last year due to lower acreage - CNGOIC.
- ❖ Brazil's area of soybean planting area in 2012-13 is likely to surpass the 24.8 million hectares sown last year by 2 million hectares, or 8 percent. As farmers are eyeing record-high soybean future prices, most seed suppliers in the country have already cleared their inventory for the season. This could leave Brazil with a seed and pesticide shortage as reported by Syngenta, the world's largest agrochemicals company.

- ❖ As per, International Grain Council, the global soy meal trade is expected to be at 57.2 MnT during the next marketing season.
- ❖ World 2012/13 soybean production is projected at 255m t, up by 7% y/y as a rebound in South America compensates for a disappointing US crop. Expanding feed demand in China will continue to shape world soybean trade, forecast at a record 94.0 Mn T, up 2% y/y. Global soy meal trade is expected to be little changed, at 57.2 Mn T (Source: IGC).
- ❖ A record rapeseed/canola outturn in Canada should more than offset disappointing crops elsewhere, with global production up slightly, to 60.6 Mn T, close to the 2009/10 record. Larger shipments to the EU and China are set to boost world rapeseed/canola trade by 5%, to 12.5 Mn T (Source: IGC).

Oilseed Prices at Key Spot Markets:

Commodity	Centre	Prices (Rs/Qtl)		Change
Soybean		31-08-2012	31-07-2012	
	Indore –Plant	4450-4550	4400-4500	+50
	Indore –Mandi	4380-4480	4350-4450	+30
	Nagpur-Plant	4650-4700	4500	+200
	Nagpur – Mandi	4600-4650	4400-4500	+150
	Kota-Plant	4500	4700	-200
	Kota – Mandi	4400-4430	4250-4300	+130
	Bundi-Plant	4550	4400	+150
	Bundi-Mandi	4500	4400	+100
	Baran-Plant	-	-	-
	Baran-Mandi	4400	4200	+200
	BhawaniMandiJhalawar – Kota Plant Delivery	4475	4400-4500	-25
	Jhalwar-Mandi	4400-4425	4400-4450	-25
Rapeseed/Mustard	Jaipur – C	4560-4565	4385-4390	+175
	Alwar – C	4400	4200	+200
	SriGanganagar	4000	3800	+200
	Delhi– C	4460	4375	+85
	Kota (Non-Condition)	4250	4150	+100
	Neewai	4550	4350	+200
	Hapur (UP)	4525	4430	+95
Groundnut Seed	Rajkot	1050	1100	-50

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/atl.

Commodity	Centre	Arrivals in Bags/Qtl		Change
Soybean		31 Aug 2012	31 Jul 2012	
	Madhya Pradesh	320000	951000	-631000
	Maharashtra	90000	182000	-92000
	Rajasthan	119500	170000	-50500
	Bundi (Raj)	567	1380	-813
	Baran (Raj)	3745	27050	-23305
	Jhalawar (Raj)	2615	9200	-6585
Rapeseed/Mustard	Rajasthan	792000	1284000	-492000

*Soybean: 1 bag = 90 kg; RM Seed: 1 bag = 85 kg

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Jammu & Kashmir	---	---	---	---	---	---	0.03	0.08	---	---	---	---	0.03	0.08
Punjab	0.03	0.03	---	---	---	---	0.06	0.07	---	---	---	---	0.09	0.10
Rajasthan	3.33	4.24	9.87	8.82	---	---	3.75	4.10	---	---	1.10	1.62	18.05	18.79
Uttar Pradesh	0.94	0.85	0.19	0.11	---	---	3.57	3.23	---	---	---	---	4.70	4.19
Uttarakhand	---	---	0.19	0.09	---	---	0.01	0.05	---	---	---	---	0.20	0.14
Total	4.31	5.14	10.25	9.02	---	---	7.45	7.58	---	---	1.11	1.64	23.12	23.38
Central India														
Chhattisgarh	0.54	0.53	1.52	1.50	---	---	0.41	0.42	0.10	0.02	---	---	2.57	2.47
Gujarat	11.88	14.27	0.83	0.85	---	---	0.55	1.73	0.07	0.10	3.64	6.81	16.97	23.77
Madhya Pradesh	2.25	2.18	58.12	57.30	---	---	2.68	2.38	0.78	0.60	0.01	---	63.84	62.46
Maharashtra	1.86	2.21	32.13	30.54	0.22	0.29	0.28	0.40	0.27	0.36	0.20	0.08	34.96	33.88
Odisha	0.84	0.86	---	---	---	---	0.55	0.69	0.23	0.15	0.07	0.08	1.69	1.78
Total	17.36	20.05	92.60	90.19	0.22	0.29	4.47	5.62	1.46	1.23	3.92	6.97	120.03	124.36
Southern Peninsula														
Andhra Pradesh	10.16	10.13	1.95	1.55	0.14	0.13	0.24	0.34	---	---	1.89	2.31	14.38	14.46
Karnataka	3.52	5.07	2.00	2.17	1.25	1.92	0.39	0.61	0.08	0.17	0.10	0.17	7.34	10.11
Kerala	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Tamil Nadu	1.42	1.54	---	---	0.06	0.03	0.14	0.21	---	---	0.04	0.04	1.65	1.83
Total	15.10	16.74	3.95	3.72	1.45	2.08	0.77	1.16	0.08	0.17	2.03	2.52	23.37	26.40
East & North East India														
Assam	---	---	---	---	---	---	0.03	---	---	---	---	---	0.03	---
Bihar	0.01	0.02	---	---	0.01	0.01	0.03	0.03	---	---	---	---	0.05	0.06
Jharkhand	0.15	0.12	---	---	---	---	0.05	0.06	0.05	0.06	---	---	0.25	0.24
West Bengal	0.03	0.03	---	0.02	---	---	0.02	0.02	---	---	---	---	0.05	0.08
Total	0.19	0.17	---	0.02	0.01	0.01	0.13	0.11	0.05	0.06	---	---	0.38	0.38
Others	0.01	0.01	0.14	0.17	---	---	0.10	0.17	---	---	---	---	0.25	0.35
Total - All India	36.97	42.12	106.94	103.12	1.68	2.39	12.92	14.63	1.59	1.46	7.06	11.13	167.15	174.86

Source: Ministry of Agriculture, GOI

However, the soybean planting is up 4 per cent compared to the same period last year. Further, Niger seed sowing is up 9 per cent at 1.59 lha compared to 1.46 lha last year.

Expected 2012 Soybean Production

	Madhya Pradesh				Maharashtra				Rajasthan			
Year	Area	Production	Yield	Rainfall (Jun-Sep) in mm	Area	Production	Yield	Rainfall (Jun-Sep) in mm	Area	Production	Yield	Rainfall (Jun-Sep) in mm
2007-08	52.02	53.68	1033	861	26.6	39.76	1493	1075	7.46	6.34	850	528
2008-09	52.95	59.24	1120	710	30.6	18.4	601	783	8.52	7.33	860	607
2009-10	54.54	64.38	1180	657	30.2	21.97	728	662	8.6	6.09	869	437
2010-11	55.52	67.77	1222	752	27.3	43.16	1581	1216	7.65	11.18	1461	661
2011-12	56.69	62.81	1109	1079	30.6	38.48	1256	898	8.97	13.9	1549	829
2012-13 (F)	58.12	66.84	1150	694	32.1	44.1	1372	681	9.87	16.5	1681	391
Correlation: -0.47					0.92				0.85			

Note: Area in Lakh Ha, Production in Lakh Tonnes, Yield in kg/ha

There is a strong correlation between rainfall and the soybean yield in Maharashtra and Rajasthan. However, it was weak in Madhya Pradesh. Although, the soybean is a rainfed crop and mainly dependent on monsoonal rainfall but it doesn't require too much rains. The variety and other weather conditions may affect the yield from pocket to pocket.

As per correlation the average India's soybean yield is estimated at around 1401 kg/ha which translate into an outturn of little above 127 lakh tonnes in the key growing states of Madhya Pradesh, Maharashtra and Rajasthan. However, the other minor growing states will slightly add to the total India's production.

Soybean

Soybean prices extended gains on strong global cues during the month in review. Lower US soybean production estimates and Increasing rising usage in key consuming countries like China remained supportive for the local soybeans. Besides, improved domestic soy meal usage on increase in poultry production continued to keep the bean prices higher.

However, higher soybean planting this season restricted the gains during the period. India's area under soybean this season is at all time high at around 107 lha reported in the last official planting report which is much above previous year's final area of 103 lha.

Weather is reportedly favorable for the soybean across all the key growing states of Madhya Pradesh, Maharashtra and Rajasthan.

The soybean prices may slightly fall in near-term to reduce the gap between new soybean prices expected late September or early October. However, higher acreage and short-term fall in soy meal export sales will weigh on prices in days ahead.

Soybean Crop Condition

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

The soybean crop in Madhya Pradesh and Maharashtra is in pod formation stage. Besides, it is in flowering and pod stage in the state of Rajasthan.

There are no reports disease, pest and abiotic stress in the soybean crop in any of the key growing states.

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)

Overall, the soy meal prices remained slightly higher during the month in review compared to the previous month tracking gains in international soy meal. Lower soy meal supplies from South America on lower soybean production this season followed by drought in the growing region continued to support the meal prices at higher levels and provide spillover support to the Indian meal.

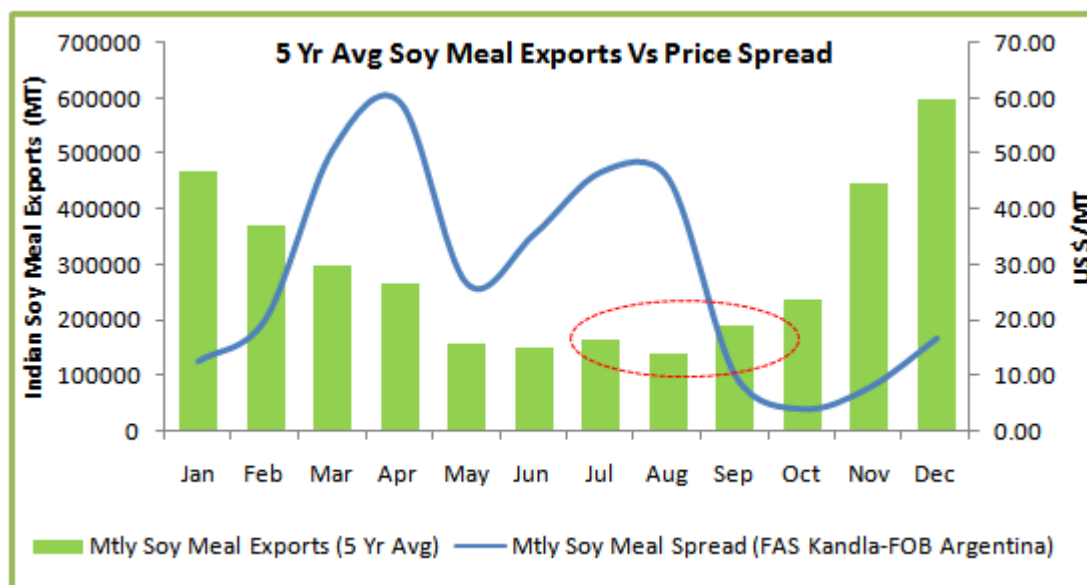
No major activity reported during the second half of the Aug month at major Indian ports in soy meal.

India will not be able to export 1 soy meal in large volume for medium-term due to the lean season in soybean and eventually fall in crushings.

International Grain Council (IGC) has pegged the global soy meal export trade at 57.2 MnT during the next marketing season.

The soy meal of Indian origin at Indonesia's port, C&F was quoted steady at US \$ 785/MT during the last week of Aug.

The soy meal prices of South America are competitive compared to the meal of Indian origin. However, lower outturn in Argentina and Brazil will lead to the lower supplies in soy meal from South America. The soy meal prices FOB, Argentina was quoted around US \$ 635-641/MT during the last week of Aug which was between US \$401-402/MT a year ago.



India's soy meal shipments during August, 2012 stood at 10,006 tonnes as compared to 1,65,408 tonnes in August, 2011, a significant Y-o-Y fall of 94 per cent.

On a financial year basis, the export sales during April 2012 to August 2012 stood at 8,34,214 MT as compared to 9,02,930 MT during the same period last year.

During current Oil year, (October - September), exports during October 2011 to August 2012 is reported 36,20,045 MT as against 39,00,777 MT same period last year.

We expect India's meal prices to remain weak during September on sluggish export sales.



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 **40500-41000** is a viable level to go for buying.

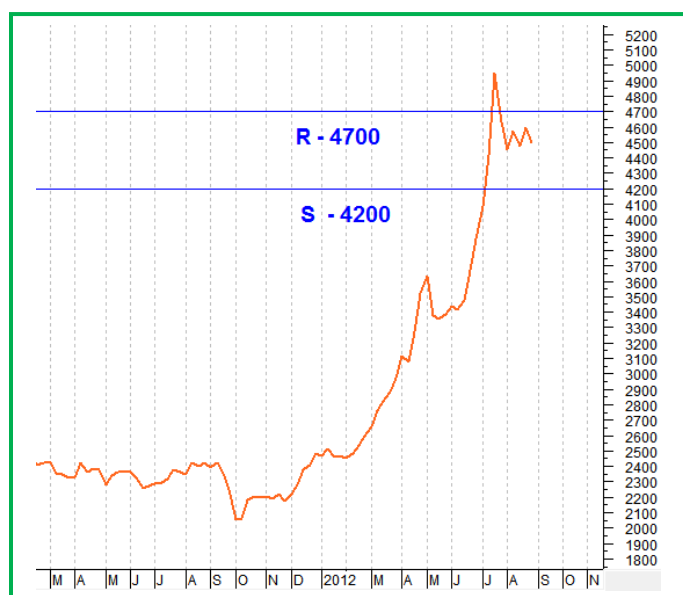
<i>Avg Crush Margin – Aug 2012</i>	<i>Avg Crush Margin Jul 2012</i>	<i>Avg Crush Margin – Aug 2011</i>	<i>Avg Crush Margin – Aug 2010</i>
-1045	-949	-257	-587

Technical Analysis:

NCDEX Soybean Futures



Soybean Spot, Indore



*In Rs/MT

Supports & Resistances NCDEX Nov Soybean

S2	S1	PCP	R1	R2
3346	3518	3916	4260	4459

- The candlestick chart pattern reveals selling pressure in the market.
- Prices closed above 9-day and 18-day EMA.
- RSI and stochastic are easing in neutral region.
- The soybean prices are expected to ease during the month.
- **Trade Recommendation (NCDEX Soybean - Nov) – 1 Month:** SELL between 3960–3980 levels. T1 – 3800; T2 - 3700; SL - 4055.

Trade Recommendation Soybean Spot: The soybean prices are expected to ease on limited buying 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 SELL between 3900–3950 levels. T1 – 3800; T2 - 3700; SL - 3988. The call failed to achieve the targets.

Rapeseed - Mustard Seed

The RM seed prices edged-up tracking gains in Malaysian palm oil and slow farmers selling in cash market during the in the month under review.

The stockists and the farmers are anticipating higher prices in Oct – Nov with the series of Hindu festivities. The overseas demand for Indian rapeseed meal is good and about 2 vessels are working at the cargo jetties to load 21500 T of rapeseed meal for exports.

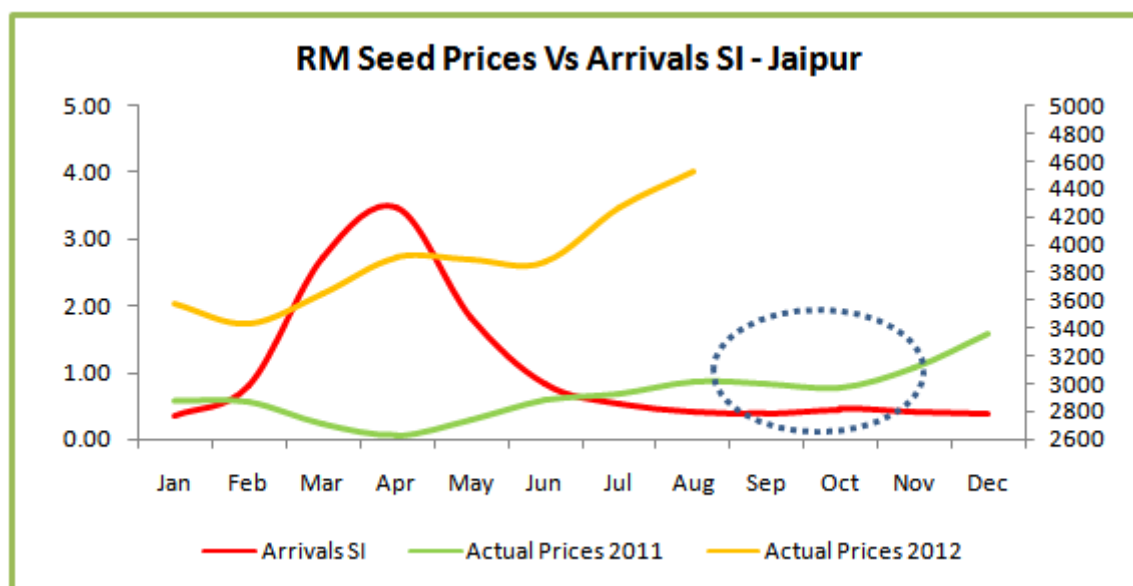
The RM seed prices are likely to get some pressure from expected weakness in soybeans in near-term.

RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Monthly Arrivals–Aug	1 Month Ago	Corresponding Period Last Year
7,92,000	12,84,000	9,29,000

The RM seed supplies have declined compared to previous month while also they were lower compared to the same period last year.

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
T5total 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

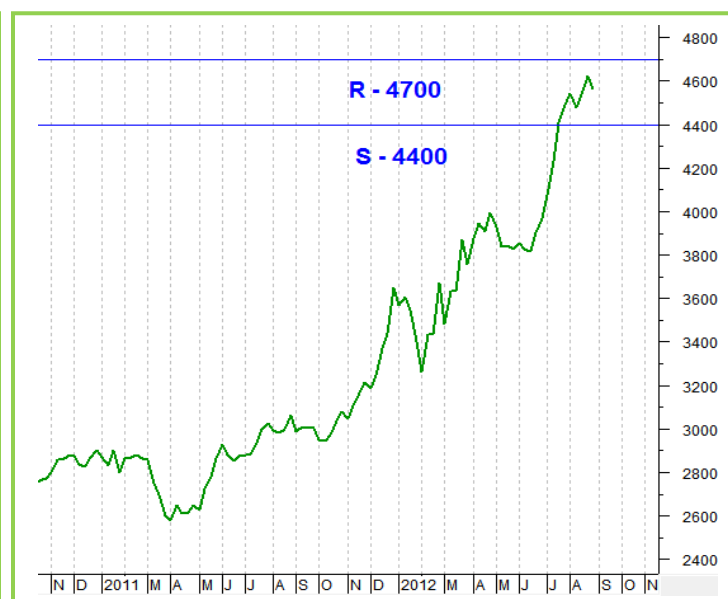
- We have revised the 2011/12 RM seed output downwards to 6.0Mn T compared to 6.5Mn T estimated in February.
- Lower coverage in RM seed area by 7%, missing winter rains and frost damage is expected hamper the productivity in RM seed this season.

Technical Analysis:

NCDEX RM Seed Futures



RM Seed Spot, Jaipur



Supports & Resistances NCDEX Oct RM Seed

S2	S1	PCP	R1	R2
4169	4310	4452	4653	4835

- The RM seed prices could not sustain at higher levels.
- However, prices closed above 9-day and 18-day EMA, supporting the gains.
- RSI and stochastic are slightly easing in overbought region, warranting correction during the month.
- **Trade Recommendation (NCDEX RM SEED – Oct) – 1 Month:** SELL between 4480 – 4500 levels. T1 – 4400; T2 - 3950; SL - 4535.

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 4350 – 4370 levels. T1 – 4450; T2 - 4500; SL - 4315. The call got the entry and both the targets were achieved.

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