

Executive Summary

Oilseeds and oilmeals prices in domestic market extended gains on continued seasonal buying and limited edible oil imports during the week 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 condition in South America has already posed threat to the soybean production potential continues to lend support to the Indian soybean.

RM seed fundamentals are intact and bullish with good demand from millers followed by 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, 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 threat to soybean production potential 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 Mato Grosso and Mato Grosso do Sul.

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 to 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	24/12/2011	
	Indore –Plant	2470-2500	2370-2440	+60
	Indore –Mandi	2360-2435	-	-
	Nagpur-Plant	2450-2460	2370	+90
	Nagpur – Mandi	2370-2450	2320-2400	+50
	Kota-Plant	-	2350	-
	Kota – Mandi	-	2230-2240	-
	Bundi-Plant	2500	2350-2370	+130
	Bundi-Mandi	2420-2425	2240-2300	+125
	Baran-Plant	2450	2350	+100
	Baran-Mandi	2325	2250-2300	+25
	BhawaniMandiJhalawar – Kota Plant Delivery	2460-2475	2370-2400	+75
	Jhalwar-Mandi	2340-2400	-	-
Rapeseed/Mustard	Jaipur – C	3650	3435-3440	+210
	Alwar – C	3500	3350	+150
	SriGanganagar (NC)	3070	2960	+110
	Kota	-	2950	-
	Neewai	3570	-	-
	Delhi– C	3600	3500	+100
	Hapur (UP)	3600	3450	+150
Groundnut Seed	Rajkot	800	780	+20
	Junagarh	-	-	-
Sunflower Seed	Latur	3200-3500	-	-
	Gulbarga	2900-3100	-	-
	Solapur	32000-3325	31500-3350	-25

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		Change
		Current Week(31/12/2011)	Previous Week(24/12/2011)	
Soybean				
	Madhya Pradesh	945000	915000	+30000
	Maharashtra	515000	520000	-5000
	Rajasthan	135000	265000	-130000
	Bundi (Raj)	5600	4400	+1200
	Baran (Raj)	23700	24000	-300
	Jhalawar (Raj)	18500	14000	+4500
Rapeseed/Mustard	Rajasthan	239000	246000	-7000
*Sum Arrivals during the week.				

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 week 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.

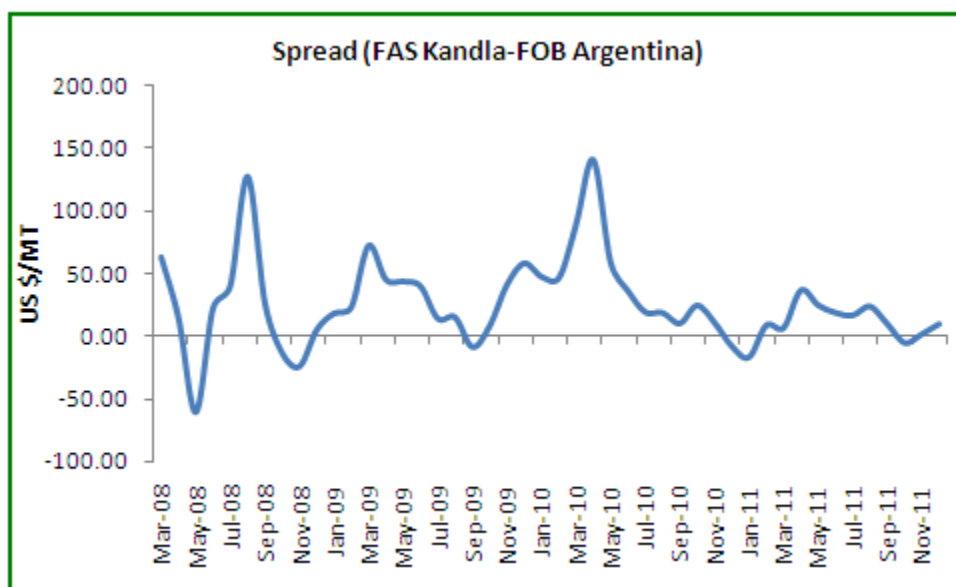
The domestic solvent extractors were more active in the soybean market compared to MNCs. The MNCs purchased but with caution. However, farmers and stockists are keen in releasing their soybean stock at higher levels.

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

Soy meal- FAS Kandla Vs 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 is 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 tones of soy meal to various destinations in Jan 2010.



*FAS, Kandla less FOB Argentina

The average Weekly soy meal price spread between FAS Kandla and FOB Argentina stood at US \$1/MT during the week compared to US \$9/MT previous week. There is nominal difference in the South American and Indian meal prices. (* Spread - FAS Kandla less FOB Argentina)

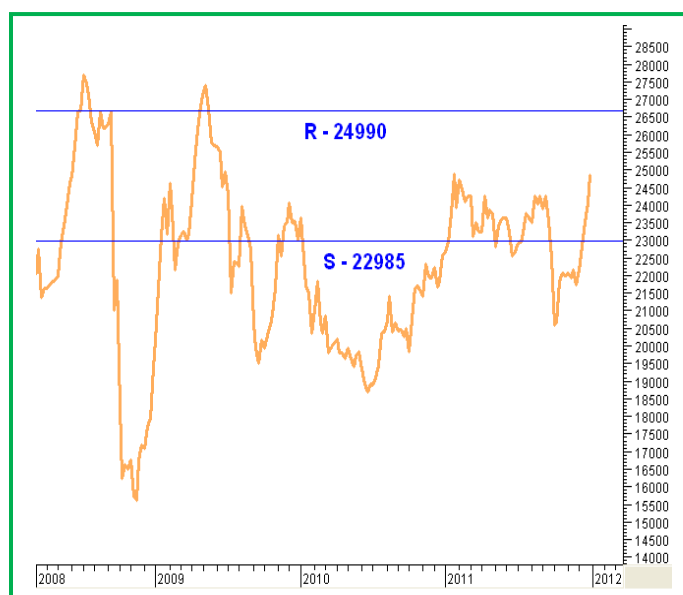
Recommendation: The Indian soy meal exporters are advised to take the freight and logistic advance and continue to aggressively market their meal to South and Far East Asian countries. Any dip in FOR, Kandla towards 18100-18200 is a viable level to go for buying. The soybean crushers are advised to continue with their normal regular crushing to cater the domestic and overseas demand.

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

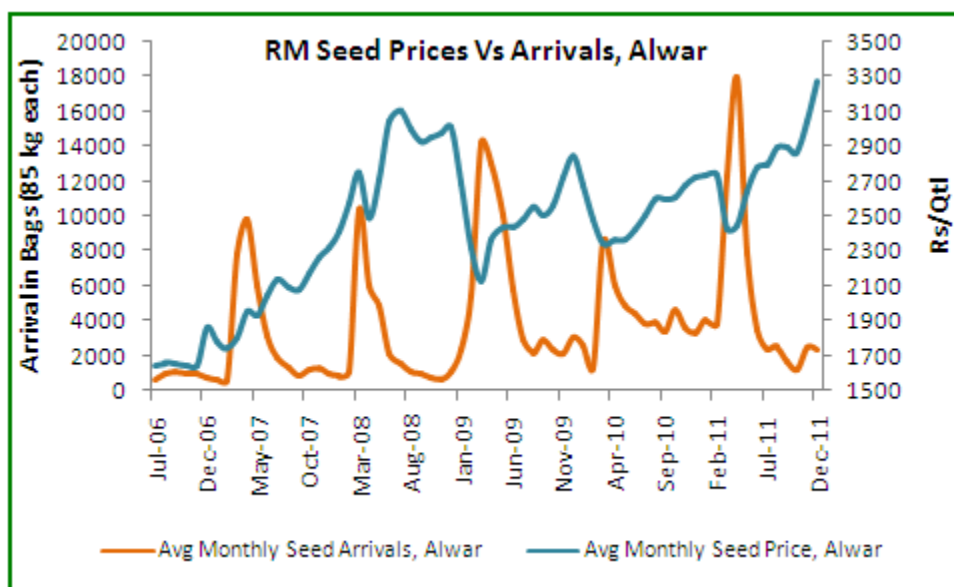
Firm trend featured in the RM seed prices during the period under review. Bullish domestic fundamental backed by lower acreage in the seed this season and expected decline in yield output due to unfavorable weather conditions.

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 no 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

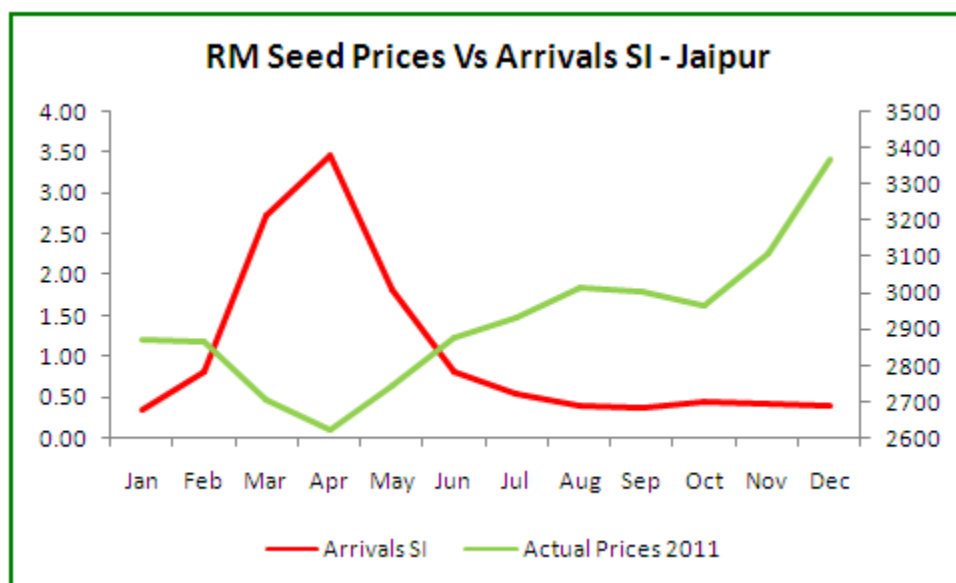


The RM seed supplies declined In Rajasthan during December compared to November due to slow farmer's selling in anticipation of higher prices in days ahead.

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

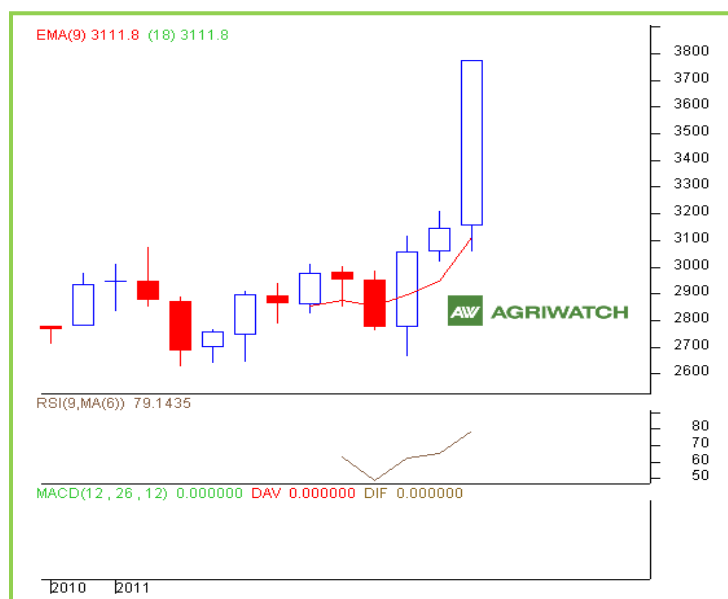


Continued seasonal demand in RM oil owing to the winter season and subsequently good millers buying in seed will keep the seed prices strong in near to medium-term. Besides, lower supplies and expected fall in area and output in the seed are expected to support the seed prices at higher levels.

Recommendation: We recommend the market participants to buy RM seed at the current levels and off-load in Jan month around Rs3750/qtl level.

Technical Analysis:

NCDEX RM Seed Futures (Apr.)



RM Seed Spot, 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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