

**Executive Summary**

The oilseeds and meal prices witnessed losses, as expected, during the week under review. Lower crushing demand owing to the fall in meal and oil usage in conjunction with new RM seed crop supply remained negative factors for the domestic oil and fats market.

However, the rate of fall in the prices was limited by lower soybean output estimate in Latin America, subsequently leading to global short supply in beans and decline in RM seed area this season by 7 per cent.

India's soy meal exports sales have been slightly hit after China stopped buying Indian meal. However, it is steady towards other key destinations, mainly Far and South East Asian countries. Despite Chinese import concern, India is expected to export soy meal in line with previous year' figure during February. India exported 5,40,360 MT of soy meal in February last year.

The price pressure in oilseeds and oilmeals is inevitable in near to medium term followed by the commencement of new RM seed crop. Thought the pressure is likely to mount in late Feb and early Mar. Beside, stronger Indian rupee against US dollar has made the edible oil imports slightly comfortable for India which is again a bearish factor in the near to medium-term.

**International**

**World:** Rabobank has lowered global soybean production to 249.2 million metric tons in the 2011-12 season that compares with December estimates of 258 million tons. The bank has increased forecasts for prices in soybean.

This is the first season, 2011/12, in which soybean production fell in both the US (down 7.4 Mn T) and South America down about 5.0 Mln T. The fall is attributed to lower yield in US and drought in Latin America this season.

**Latin America:** Soybean production in Latin America is estimated lower at around 132.7 Mn T in 2011/12 season. This is down steeply by 4.3 Mn T from Oil World's previous estimate - Oil World. Brazil's January soybean shipments were again significantly higher at 1.0 Mn T.

**China:** For Oct/Sept 2011/12 Oil World has estimated Chinese imports of oilseeds at a new high of 59.4 Mn T.

China the World's edible oil importer is expected to increase about 12 Mln T of soybean crushing capacity this year - CNGOIC. It is likely to increase rapeseed crushing capacity by 3 Mln T in 2012. China has already increased it oilseeds crushing capacity of more than 15 Mln T in 2011.

**Oilseed Prices at Key Spot Markets:**

Commodity	Centre	Prices (Rs/Qtl)		Change
<b>Soybean</b>		<b>04/02/2012</b>	<b>28/01/2012</b>	
	Indore –Plant	2440-2460	2450-2490	<b>-30</b>
	Indore –Mandi	2320-2390	2350-2425	<b>-35</b>
	Nagpur-Plant	2420-2460	2420-2430	<b>+30</b>
	Nagpur – Mandi	2350-2420	2380-2420	<b>Unch</b>
	Kota-Plant	2425-2450	2550	<b>-150</b>
	Kota – Mandi	2370-2375	-	-
	Bundi-Plant	2430-2440	2450-2475	<b>-30</b>
	Bundi-Mandi	2330-2350	-	-
	Baran-Plant	-	2470	-
	Baran-Mandi	-	-	-
	BhawaniMandiJhalawar – Kota Plant Delivery	2450-2475	2450	<b>+25</b>
	Jhalwar-Mandi	2360-2380	-	-
<b>Rapeseed/Mustard</b>	Jaipur – C	3260	3400-3405	<b>-145</b>
	Alwar – C	3200	-	-
	SriGanganagar (NC)	2900	3080	<b>-180</b>
	Kota	3315	-	-
	Neewai	2900	3300	<b>-400</b>
	Delhi– C	3250	3375	<b>-125</b>
	Hapur (UP)	3300	3300	<b>Unch</b>
<b>Groundnut Seed</b>	Rajkot	820	810	<b>+20</b>
	Junagarh	-	-	-
<b>Sunflower Seed</b>	Latur	29000-30500	30500-32000	<b>-1500</b>
	Gulbarga	30000-31000	28000-30000	<b>+1000</b>
	Solapur	31000-32000	30500-32000	<b>Unch</b>

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		Chg
		Week End. (04/02/2012)	Week End. (28/01/2012)	
<b>Soybean</b>	Madhya Pradesh	735000	635000	+100000
	Maharashtra	395000	300000	+95000
	Rajasthan	56000	105000	+49000
	Bundi (Raj)	4900	3000	-1000
	Baran (Raj)	1500	7000	+5500
	Jhalawar (Raj)	2700	1200	+2700
<b>Rapeseed/Mustard</b>	Rajasthan	189000	132000	+57000
*Sum Arrivals during the week.				

**Crop Progress, India**

The Rabi oilseed planting is lagging compared to previous year reported in the latest planting progress report by the Ministry of Agriculture. The total reported planting is lower by 7.1% and stands at 85.5 lakh hectares compared to 92.0 lha last year during the same period last year.

Area in lakh hectares

Crop	As on 03 January 2012	As on 03 January 2011	% Change
Rapeseed & Mustard	65.8	70.9	-7.2
Groundnut	7.4	7.1	5.1
Sunflower	4.3	5.2	-17.9
<b>Total Oilseeds</b>	<b>85.5</b>	<b>92.0</b>	<b>-7.1</b>

Source: GOI

The sown area in RM seed is down by 7.2% at 65.8 lha compared to 70.9 lha during the same period 2011.

**Soybean**

Dull trade activity featured in soybean followed by fall in the price in major cash market during the period under review. The crushers were not keen in buying the beans with the fall in oil and meal demand and selling were reluctant in selling their beans at the lower quotes.

The soybean traders are expected to shift their interest in Chana with the increasing pace in harvesting of Chana in days ahead.

The commencement of new RM seed crop arrivals in some of the producing centers is mounting price pressure on soybean which will further increase in near to medium-term.

However, bullish global supply scenario this season, owing to lower production estimates in US and Latin America is subsequently likely to lend support to Indian soybean in long-term.

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

The soy meal prices fell due to lackluster demand from poultry feed industry followed by slow down in poultry production and exports sales. The export sales in meal have been slightly hit due to restricted Chinese imports in Indian soy meal citing contamination (Malachite Green) in some rapeseed meal shipment previous year.

The Argentine soy meal prices are competitive compared to the Indian meal. However, the proximity, logistic and freight advantage combined together continues to lend support to the Indian meal shipments to Far and South East Asian countries.

A marginal difference in the soy meal price spread of FAS, Kandla and FOB, Argentina featured compared to the previous week (\* Spread - FAS Kandla less FOB Argentina).

Quotes in US \$			
Week	FAS, Soy meal Kandla	FOB, Soy meal Argentina	Avg.*Spread
30 Jan-04 Feb	368	367	1
23-28 Jan	369	366	3

\*FAS Kandla less FOB Argentina

In view of year-on-year increase rise in soybean supply in physical market and eventually slightly higher crushing in comparison with the corresponding period last year, India is expected to export soy meal close to last year's volume. India exported 5.4 lakh tonnes of soy meal in February 2011.

**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.

### Soybean Crush Margin

Avg Crush Margin – This Week	Avg Crush Margin – Last Week	Avg Crush Margin – Corresponding Period Last Month
-704	-758	-648

The soybean crushing continues to be in disparity but it has slightly recovered from previous week. Likely fall in soybean crop in Latin America is expected to support the Indian soy meal exports in the months ahead. The disparity is not viable for small crushers while big crushers are able manage the crushing at the disparity.

## Technical Analysis:

### NCDEX Soybean Futures (Mar)



### Soybean Spot, Indore



\*In Rs/MT

Supports & Resistances NCDEX Mar Soybean				
S2	S1	PCP	R1	R2
2525	2461	2515	2575	2613

- The weekly candlestick chart pattern indicates recovery in the price.
- Prices closed above 9-day and 18-day EMA supporting bullish momentum.
- RSI and stochastic are rising in neutral region indicating recovery in the prices. Prices are expected to move up towards 2550 – 2570 levels.
- **Trade Recommendation (NCDEX Soybean - Mar) – 1 Week:** BUY towards 2520 – 2525 levels. T1 – 2560; T2 - 2570; SL - 2504.

**Trade Recommendation Soybean Spot:** We recommend buy at the current levels as prices are expected to recover and move towards 2500 – 2510 levels (Indore, Plant basis).

**Review of Previous Call:** In our previous call we had recommended **SELL** on rise towards 2550 – 2560 levels. T1 – 2450; T2 - 2400; SL - 2608. The call could not be triggered as the prices failed to reach the entry levels.

## Rapeseed - Mustard Seed

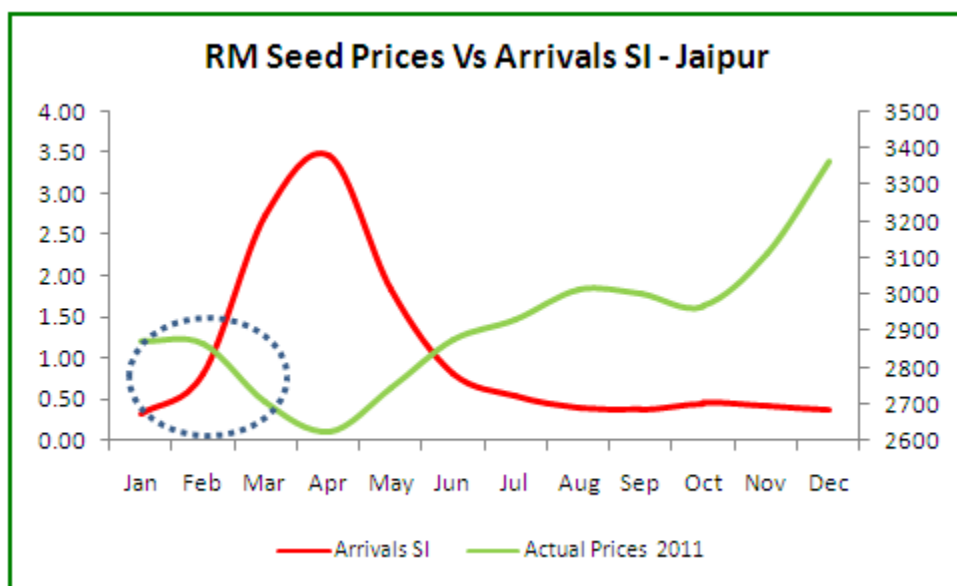
The RM seed prices plunged on the commencement of new crop arrival pressure. The new crop arrivals have begun in some parts of the growing region, however, the pace is slow as harvesting have not picked-up yet.

The long-term fundamental of the seed is bullish as the crop size (output) is expected to be lower this season due to lower sown area in the seed. The RM seed planting is reportedly 7 per cent lower at 65.8 lakh hectares compared to 71.0 lha last year. This will consequently lead in lower production in the seed.

The RM seed harvesting in a vast growing belt in Rajasthan is yet to begin in a couple of weeks and so in the major growing belt in Uttar Pradesh.

The seed prices are likely to face downward pressure further with the mounting arrivals pressure.

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

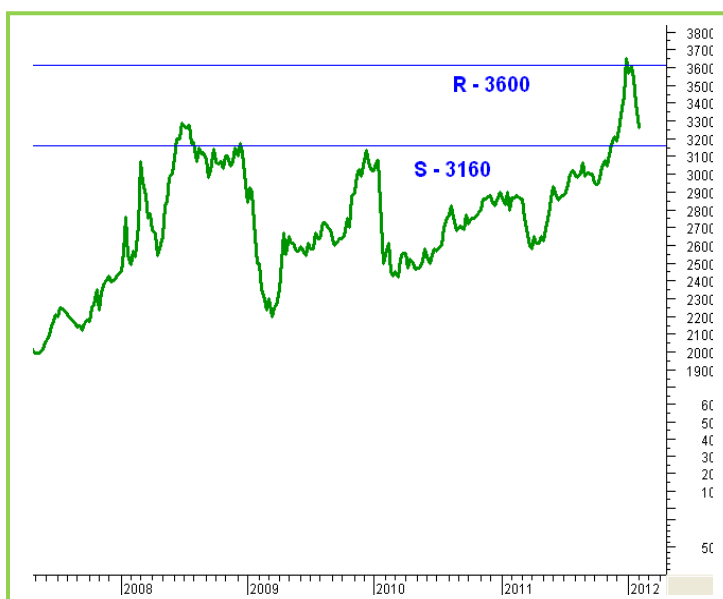


The RM seed supplies improved during the week compared to the previous week in Rajasthan. The supplies are expected to gradually pick-up late February.

### RM Seed Supply, Rajasthan

RM Seed Arrivals in Rajasthan in Bags (85 kg each).		
Weekly Arrivals	Week Ago	Corresponding Week Last Year
1,89,000	1,32,000	3,00,000

**Technical Analysis:**
**NCDEX RM Seed Futures (Apr)**

**RM Seed Spot, Jaipur**

**Supports & Resistances NCDEX Apr RM Seed**

S2	S1	PCP	R1	R2
3187	3236	3323	3370	3450

- The weekly RM seed candlestick chart pattern reveals recovery in the prices.
- Prices closed above 9-day and 18-day EMA.
- Price indicators and oscillators reflect prices to gain during the week. The RM seed prices are expected to gain and move towards 3360 – 3370 levels.
- **Trade Recommendation (NCDEX RM SEED - Apr) – 1 Week:** BUY towards 3325 – 3330 levels. T1 – 3360; T2 - 3370; SL - 3312.

**Trade Recommendation RM Seed Spot (Jaipur basis):** In spot the RM seed prices are expected to recover after recent, steep, fall. The prices are expected to gain towards 3320-3350 level. We recommend buy the seed at the current levels and offload towards 3320-3330.

**Review of Previous Call:** In our previous call we had recommended **SELL** towards 3250 – 3260 levels. T1 – 3050; T2 - 3100; SL - 3358. The call failed to trigger.

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